Social Media Paradigm: An Antidote to the Competitive Divide Between Small and Large Businesses

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Social Media Paradigm: An Antidote to the Competitive Divide Between Small and Large Businesses

An honors thesis presented to the Department of Accounting, University at Albany, State University of New York in partial fulfillment of the requirements for graduation from The Honors College.

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Abstract.

Concern for small businesses has been high since the recession in 2008. Small entrepreneurs were not generating enough income to keep their businesses open and the market was deterring anyone from creating a start-up company. The domination of social media in the digital world may be the solution to the constant struggle small businesses face against their larger competitors. This paper will discuss the social media phenomenon and how although small businesses face obstacles in implementing an online marketing system, social media will level the playing field by giving small businesses the chance to compete in the big leagues.
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Introduction
History

The possibilities are endless with the amount of information at your fingertips. The
immersion of smart technology and the digital age has revolutionized the way people think and
learn. Information used to be found through word of mouth or printed material, but now the most
common response to an unknown question is, “Google it.” There once was no such thing as a
Google search or forum page to quickly reference for everyday questions. Businesses relied
solely on small newspaper ads or satisfied customers telling their friends about the services in
order to attract new buyers and spread awareness. The earliest form of the Internet was
developed in 1960, but it wasn’t until the late 1990s that the social media sensation began its
takeover. The early 2000s was the vital creation period for the online platforms that are known
today. The launch of Facebook, MySpace, and Twitter allowed users to create profiles and
expand social networks into the virtual world.

The purpose of introducing these types of platforms was to allow users to create social
networks with not only people they know personally, but also those that they share the same
interests with but have never met. This social capability introduced the concept of imagined
communities. An imagined community fulfills the desire of belonging to a group and encourages
innovative communication between that network of users (Danias, 2013:75-81). Social media
outlets allow users to add friends that they know in real life, but also follow group or fan pages
of different types of organizations, movements, charities, and hobby interests. The social
network of each individual drastically expanded from the maybe 200 classmates and family
members one communicated with, to a network with over one billion active users (Facebook,
2016:1).
This newly developed abundance of fast paced information sharing and communication outlets also affected the way businesses work. Katherine Halek of Millennial Marketing states, “In today’s business world, the name of the game is staying relevant—not an easy thing to do when the top trends and desired skills are constantly changing” (2015:1). With an evolving customer environment, businesses need to adapt the way they market their services to succeed in the industry. This is especially true for small businesses.

**Purpose**

Since the 2008 financial crisis, small businesses have been struggling to survive. Not only was the economy failing and owners could not afford to keep their small stores open with the lack of incoming revenue, but also many people were discouraged from acting on their entrepreneurship dreams. The Washington Post published an article about the decline of American entrepreneurship and said, “New research shows that the country’s rate of new business creation, which peaked about decade ago, plunged more than 30 percent during the economic collapse and has been slow to bounce back following the recession” (Harrison, 2015:1).

Although the future seems unpromising for small businesses, the emphasis on social media and the Internet in the business world may be able to save and actually skyrocket revenues for these businesses. Social media is a low cost marketing outlet that can be utilized and viewed by more users than any traditional print advertisement. Companies are increasingly creating digital advertisements, hiring technologically savvy employees, and are changing their marketing departments to focus heavily on social media use. Social media may be the tool that helps decrease the gap between big corporations and small businesses in the market. Though this seems uplifting for small businesses, there are challenges that could prevent them from beating out the big companies in sales. This paper will discuss the benefits of social media usage in
business, the challenges that small businesses face in implementing a social media heavy marketing plan, and ultimately describe how social media can be the remedy that keeps small entrepreneurship alive in the business world.

**Benefits of Social Media**

**Customer-Generated Content**

The Internet has swayed control from the producers and corporations to the consumers. It has given consumers information and power over the marketing process, which poses retailers with a number of dilemmas and challenges. This shift in power was possible because the web relies heavily on customer-generated content. Instead of companies developing and producing their products and services, they invite customers to do this work for them. This process allows customers to become co-developers and participate as equals in the business exchange, which increases personalized items over mass-produced goods. Some examples of customer-generated content would be Doritos and Sunkist’s marketing campaigns that allowed customers to enter a homemade commercial into a contest where the winner’s video would be aired during the Super Bowl. By allowing consumers to create marketing material for these businesses, companies are reducing their marketing costs, the testimonies made in the videos are more credible in the eyes of the consumers, and the promotions are more effective than those created by the actual company (Constantinides, 2008:5).

**Low Cost Platform**

Engaging in social media efforts can help generate exposure and increase traffic for the small business at a fraction of the cost of traditional marketing approaches. The main financial cost of social media marketing is the time it takes to realize the benefits of the effort put forth (Schaupp, 2014:187-190). Small and medium sized businesses can create Facebook, Instagram, LinkedIn, Twitter, and almost any other social platform profiles for free and invite users to like or follow their page with no cost. This is a game-changing tool for marketing departments
because companies are getting noticed without having to invest huge amounts into campaigns and print ads. Social media has the ability to reach thousands of people while spending less than what it would cost to reach them with a print ad. A Facebook page’s post reaches 1-999 users 33.2% of the time and 1000-4999 users 24.9% of the time (Socialbakers, 2012:1). These numbers are encouraging especially when the post is free to make. Print ads can cost anywhere from $500 to $20,000 depending on if they are running locally or internationally and can reach upwards of $500,000 for an inside front cover in a magazine (Kobliski, 2006:1). These prices seem steep for some billboards or newspapers where readers’ views are unpredictable, but may be more understandable for subscription magazines with constant readers.

**Visibility Capability**

The amount of users on these social platforms is astounding. As previously mentioned, Facebook has over one billion users and Twitter and Instagram have around 300 million users (Twitter, 2016:1). Although one user may not be “friends” or “follow” all 300 million people, his or her posts can easily be seen by a large amount of the network. For example, the most retweeted tweet of all time was Ellen DeGeneres’ Academy Awards selfie. The tweet had 3,321,263 retweets and 2,143,462 favorites on Twitter (Bennett, 2015:1). This means that you did not necessarily need to follow Ellen to see her post, but a friend of a friend could have retweeted it onto his or her page and it would pop up on your newsfeed. The magic of social media is being able to share information quickly and with a huge audience. Small businesses can take advantage of this type of marketing concept by maintaining a loyal customer base that is willing to post and actively promote the services. The amount of direct follows can make a difference, but the indirect views that people can see on their newsfeed is what will bring awareness and attention to the business.
Two Way Communication

The last benefit to be mentioned is the two-way communication factor that social media allows companies to have with their customers. Social networking is the first marketing campaign that allows customers to voice their opinion, give feedback, and vocalize their problems to the companies they buy from and have those companies answer customer questions and concerns in a public manner. A group of companies utilizing social media were questioned and 90% reported measurable business benefits like improved customer satisfaction and relationships, better technical support, reduced marketing expenses, and improved search engine ranking. 61% of respondents also reported better communication with customers and 43% said its social tool utilization helped generate leads (Logofatu: 216). These numbers are not surprising to most readers because customer reviews and forums have become custom in today’s age.

Companies are constantly looking for feedback on their products and are willing to take criticism from consumers into consideration. Social media has given these companies a fast transaction platform to communicate between suppliers and buyers. Business News Daily wrote about the importance of customer satisfaction in a social media dominated world by saying, “The way you interact with your customers can truly make or break your business. Especially now, in the age of social media — word spreads quicker than you can imagine, and all it takes is a few bad experiences to ruin your business' reputation” (Helmrich, 2015:1).

To address this issue, companies like Nike and Starbucks set up specific accounts just for customer support. Nike has 4 million Twitter followers and uses its handle @NikeSupport to answer customer inquiries and issues. This allows for a quick and easy way for a customer to ask a question without having to wait on hold for hours on the phone. Starbucks has its regular account that offers discounts and retrieves customer feedback, but it also has the @MyStarbucksIdea handle that customers can use to submit and discuss ideas to make Starbucks
better (Helmrich, 2015:1). Both of these companies understand that making customers happy is the number one concern and communicating with buyers through all outlets, including social media helps create brand loyalty and trust with a business.

**Obstacles for Small Business**

**Customer Generated Content**

The issue that develops for small companies is that they lack the resources to participate in the customized experience that large corporations offer. It costs more to create individualized products than to mass-produce a product line. For instance, Dominos and CustomTs are two large companies that allow their customers to log online and personalize their order to have specific toppings on each pizza or unique designs on each t-shirt. These two brands have the resources available to execute individual orders without facing a significant increase in costs of goods sold; smaller businesses don’t have this luxury. Small entrepreneurs have limited production capabilities and less unrestricted cash to invest in a personalized process.

**Low Cost Platform**

Building a profile may be free, but maintaining a socially relevant and competitive page may cost the business money in the long run. Small businesses have been quick to embrace the free postings on social media networks because of the outreach they can get at virtually no cost. While this is an advantage, a quarter of those businesses active on social networks expect to spend more money to advertise on sites like Facebook, LinkedIn and Twitter. Nearly 80 percent of small to medium businesses plan to spend the same or more on advertising through social media networks (Schaupp, 2014:195-202). In order to compete with big corporations that invest a substantial amount into virtual marketing, small businesses will have to start investing resources into maintaining their social pages. These hidden costs of utilizing social media are what usually surprise business owners. Rob Eager of WildFire Marketing explains this concern on his blog by saying,
Users of social networks spend considerable amounts of time reading and maintaining their blogs, Facebook pages, Twitter feeds, YouTube channels, etc. When you conservatively add up the hours spent surfing and contributing to social sites, the total amount can easily reach over 10 hours a week. That’s over one-fourth of a 40-hour work week…My point is that if you’re going to spend over a fourth of your limited time on social networking activity, then that effort should create at least 25% of your total books sales. Yet, I don’t see that happening (2016:1).

As Rob Eager mentions, it is important for small businesses to measure their opportunity costs in utilizing social media outlets. Although the platforms have low costs to create, precious time and resources are used to maintain a successful page…So are they actually bringing in enough rewards to continue utilizing?

**Two Way Communication**

The issue that arises when companies start depending more heavily on tools like social media to interact and communicate with customers is that the company needs to maintain its proficiency in the field. This means that businesses need to have information technology specialists and social media gurus on staff in order to upkeep the application. Small businesses often do not have the resources to create this proficiency in programming. For example, a survey of small business owners showed that only 37% of respondents felt they were competent enough to deal with social media, 32% saying they needed more training, 20% feeling like they have just enough skills to slide by, and 11% saying they feel totally lost when trying to implement the applications (Schaupp, 2014:195-202). Not even half of the small business owners felt like they were comfortable using online platforms to promote their business.
The other problem that comes with online interactions is the development of social media policies regarding both employee and customer use. In order to implement an online system, companies have to generate protected bandwidth, create security measures, set language policies, and formulate tools to measure social media returns (Schaupp, 2014:187-190). Big corporations may have the money and professional support to implement these procedures, but small companies don’t always have this luxury. Dr. Peter Vaill uses the term “permanent whitewater” to describe the rapidly changing and highly competitive business environment. With the implementation of social media, small businesses are under continuous 24/7 customer pressures. Using these analytical tools and applications will increase the capabilities of business operations, but the financial burden and stress will remain relevant on owners who don’t feel competent utilizing these tools (King:14).

**Discussion**

**Leveling the Playing Field**

Big corporations have continually beaten out small mom and pop shops from competing in their industry. Small to medium sized businesses have not stood a chance in a market dominated by the large brand names that consumers recognize. This trend is now on the decline and small business owners are ready for their comeback. Social media is going to be the tool that business owners can use to level the playing field with large corporations. The biggest and most influential aspect of social media is that it is fairly low cost compared to other marketing tools. This means that both Coca-Cola and Saranac Soda have the same access to media outlets even though their sizes differ tremendously. They both utilize their social pages to connect with consumers and advertise their brand, but the difference is how efficiently the communication channel is used between the customers and the companies.
The advantage that arises from being a small business is that Saranac is closer to the consumer. Dimalanta Design Group, a marketing firm in the Tristate, explains, “Big business is sometimes like a large cruise ship. Quick reaction to the marketplace doesn’t happen; just like turning that large cruise ship around. Small business can react quickly and efficiently at the first sign of change” (Dimalanta Design Group, 2013:1). Saranac has the ability to listen to its customers’ wants and critiques on its products and turn around an adapt their services. For example, a customer can complain that the new orange soda flavor is too sweet or that the bottle label’s font is difficult to read and Saranac can see those problems and change their recipes and label prints in real time. Although Coca-Cola can also read reviews and take note on customer-generated improvements, it cannot implement changes as quickly on the corporate level. The beauty of social media is the real time interaction with customers. Small businesses definitely take more advantage of the ever-changing desires of its customers compared to big brand names.

Another advantage that small businesses have by using the Internet is that they can make their appearance look larger than reality. People often perceive social platforms as just social and not advertising when it comes to use. Although social media’s original purpose was not for advertising means, a small business can post its latest product on Facebook with a link to its website and it can be liked, shared, and commented on hundreds of times in a matter of seconds. Applications like Twitter can search for people who are looking for similar products from what a business is offering by following certain trends or hash tags. Small entrepreneurs can utilize these systems to reach customers that before were inaccessible (Profit Parrot Marketing, 2016:1).

Not only will the use of these social platforms help businesses reach new customers, but they will also help wandering customers find these small businesses. Consumers are becoming more search engine savvy. They are constantly searching for the best deal or highest quality
product online before making a purchase. This means that more non-brand name products are being purchased because consumers can find information about them on the web. This is great news for small business owners because they don’t need to focus on branding as much as they do on customer relations and product development. Happy customers who feel like they are being adequately served will become loyal buyers. Social guru Ted Rubin says, “If people trust you they’re going to be loyal. If they’re loyal, their average order will be higher, the frequency of their purchases will be higher and the life expectancy of them as a customer will be longer” (Casserly, 2013:1). Small businesses employ their social platforms to attract new customers and then focus on their customer service to make those customers loyal. Customer loyalty and continued business means survival in the industry.

Lastly, the most important part about being in business is staying relevant. Knowing what competitors are doing in the industry and the current market trends can be imperative to a business’ survival. If a businessperson is not already utilizing a social platform for his or her own business, it is almost guaranteed that they are using it to stalk out its competitors. Small businesses can exploit forums of competitors and learn what dislikes consumers have with the brand and target their products to satisfy those customers’ needs. They can also look on a competitor’s websites to see what products are coming out next season, what sales are being offered, or even how the big corporations are catching customer attention and use that recon to help their own business. Social media has become the backbone of all major companies. Communication with customers, release of new products, news updates on the brand, and even future plans or stock prices can be found on the Internet. Social media has become an essential tool for research and development and small businesses are thriving off the opportunity to compete with the big names.
Works Cited


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