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Using social media as a competitive advantage: the case of small businesses

Abstract

The topic of the use of social media such as Facebook, Twitter, LinkedIn and YouTube as a part of communication strategy with the marketplace has dominated many marketing discussions in recent years. However, there is a growing body of anecdotal evidence indicating that large corporate users of these approaches have become increasingly frustrated with a lack of demonstrable return on the investment (primarily the time of employees involved) they've made in this area. This paper focuses on some ways in which some of the problems encountered by larger businesses might be ameliorated or overcome by small businesses, thus somewhat leveling the competitive playing field with their large competitors. Practical applications and brief case studies for small businesses will also be discussed.

Keywords: marketing communication, social media, small business, competitive advantage, Facebook, Twitter, LinkedIn, YouTube.

JEL Classification: M31.

Introduction

The use of social media as a part of communication strategy by marketers is one of the hottest topics in marketing today. It seems to almost be approaching a state of bedlam as a new social medium is seemingly announced almost daily and is then promoted as being the “new best thing”. This high level of interest in social media is not surprising when one considers the exponential growth in the number of users of popular social media outlets such as Facebook, Twitter, LinkedIn and YouTube. For example, Facebook claims to have over 500 million active users with each user having an average of 130 “friends” (facebook.com/press/info.php?statistics) and fifty percent of these users logging onto the web site on any given day. This compares to 20 million active users in April 2007 and only one million users as recently as in December 2004. While there is no known source that attempts to track the total number of social media web sites available, there is little question that this number is growing rapidly and that some of the new players, such as Four-square, have also become quite popular with users.

However, there is anecdotal evidence that the use of social media is not quite the panacea that some champion seem it to be. For every success story such as those of Starbucks and Dell, there are horror stories from companies such as Wal-Mart and Nestle. Challenges ranging from difficulty in determining the return on investment in social media and the lack of control in an interactive environment to the unexpectedly high level of time commitment required to use them effectively seem to be leading to a growing debate as to the long-term viability of these media as effective channels of communication with an organization's markets. Since a manager's

time equates to money, if the use of social media is consuming more managerial time than had been anticipated it seems that this expense might make it even more difficult for small businesses to use this communication channel. However, there are also some arguments that could be advanced that would indicate that the use of social media could actually be more effective in a small business setting than is the case for large businesses. For example, Li and Bernoff observe in their best-selling 2008 book, *Groundswell*, that, “... it's utterly foreign to the powerful companies and institutions – and their leaderships – that run things now” (Introduction). The purpose of this paper is to challenge the reader with some things to think about when it comes to the use of social media by smaller businesses and organizations.

1. One business' challenge is another's opportunity

Knight's (2010) work emphasizes that building personal relationships through the use of social media is really the primary advantage of communicating with markets through this type of channel. It seems that organizations which provide interesting and useful information that encourages long-term participation in a group of like-minded folks can successfully build a community. However, if the focus of the community shifts to selling products, the community often begins to fall apart. Thus the need for large companies to sell large numbers of products with the incumbent tendency to focus on marketing tends, in the long run, to make the use of social media less effective. With smaller businesses and the smaller numbers of customers they need to achieve their own measures of success, there is a natural advantage due to this ability to focus on community more than on selling products.

Another of the primary advantages of smaller businesses is the ability to adapt a changing environment

more quickly than their larger cousins. With the incredibly fast pace of change in the social media environment, a staid bureaucratic competitor could easily become paralyzed to the point of inaction. Terdiman (2010) reports anecdotally that the use of Twitter for certain types of applications seems to be fading in some circles of users. As one social medium begins to lose its luster, another will almost certainly take its place. For example, the emergence of more passive forms of social media might also bode well for small businesses. With the effort involved in typing, posting, etc. for media such as Twitter and Facebook, there has been some evidence that people are using them less frequently or even abandoning them (Terdiman, 2010). However, more passive social media sites such as Foursquare and Gowalla give information about social activities that can help a marketer do a more focused job of communicating with target markets without requiring the folks in the targeted segments to be proactive. This could mean that the small business that might have a difficult time getting a large following of committed users on Twitter can use a location-based (also known as geo-tagging) social site such as Foursquare to locate its targeted customers and communicate with them.

Another major advantage of small businesses is that owners are often the executive management. Since the hope is that ownership will, at least someday, result in profits to be distributed, there is a financial motivation to put in long hours of work. Some have argued that while appropriate use and measurement of the effectiveness of social media are not necessarily difficult, they are very time consuming. *“We demand far too many shortcuts. We want just-add-water strategies that don’t require us to do much work but rather roll out some kit of parts we can just plug into place. We’re busy, overtaken, under supported, and the idea of having to dig deep into something in excruciating detail with painstaking effort makes our skin crawl”* (Naslund, 2009). If this author’s assertion that the use of social media requires a lot of hard work, but is not necessarily hard, is true, then the fact that managers in small businesses often have a more direct and greater vested interest in the success of the enterprise would give rise to another natural advantage of the smaller firm in the use of social media. That is, they are highly motivated, if for no other reason, by the possible financial implications of the amount of effort they put into the business. This high level of motivation by executive management might also serve them well in terms of utilizing the increasing amount of academic-based research that is beginning to become available (e.g., Courtois et al., 2009 and Ermecke et al., 2009). An executive motivated by in-

creasing profitability, or even survival, of the business might be more willing to spend the time examining this type of research. The warning above that the use of social media is hard work is echoed by Meyer (2010) and should be seriously considered prior to the adoption of social media as a serious component of an organization’s marketing communication efforts. If a small business is not prepared to do this level of work, they might be better served to avoid the use of social media.

Marketers have always had challenges with quantifying the return on their organization’s marketing activities. Trying to figure out which marketing activity (if any) was responsible for generating a sale is difficult. This is just as true for the types of marketing communication that occurs through social media (Porter, 2008) as it is mass media such as advertising. The smaller and less bureaucratic management structures found in smaller businesses provide a natural advantage when these types of challenges arise. If you only need to demonstrate a social medium’s effectiveness to one, or a few, managers as opposed to dozens, hundreds, or even thousands, the challenge is much less onerous. It’s a question of sheer numbers and the advocates of social media marketing could easily lose their enthusiasm when confronted with the necessity of convincing large numbers of managers involved in a decision as to whether or not to start or continue the use of social media marketing.

Porter (2008) also opines that social media don’t create opinions and therefore, buzz. He claims that they only amplify the existing opinions. A company can realize the true potential of social media by responding to these opinions (both positive and negative) through improvements to its products. This response is what indicates to the marketplace (and the individuals it represents) that the company truly cares about them and what they think. This is what will lead to the positive buzz that is the Holy Grail of social media marketing. This could work to the advantage of small businesses since they have historically depended on word-of-mouth (buzz) approaches to communicating with their markets. This familiarity would tend to make a transition to contemporary social media as channels of communication a very natural one, thus being less threatening.

2. Quantitative studies

While the methodologies of some of the fledging quantitative research in the area of the use of social media as a part of organization’s marketing efforts should be carefully scrutinized (especially since some of the sponsors of the research are providers of consulting services focusing on business use of

social media), there are some interesting insights provided by some of this work.

For example, Hubspot's (2010) study found that there is a critical mass of Twitter followers needed in order to generate leads. They found the "sweet spot" to be between 100 and 500 followers for a company. However, as the number of followers grew, the number of leads per follower began to decrease. It seems that the core base of passionate followers are interested in what the company has to say but the mass numbers of later adopters just aren't interested. This could bode well for smaller businesses since they would not necessarily have to build a large following in a social medium but could focus on finding passionate followers who enjoy the role of evangelizing others in the marketplace.

The 2009 survey and related report conducted by Network Solutions in conjunction with the University of Maryland also has some interesting findings. The findings in the study are mixed as to whether the use of social media has been a success. While 58 percent of respondents indicated that they felt social media had "met" their expectations. However, 50 percent indicated that the use of social media had taken more of their time than they had expected and only 22 percent believe that the use of social media has been profitable.

The University of Maryland study also confirms findings in many studies over the years in terms of having adequate access to capital as being the most important variable in the success of small businesses. This might point to another advantage that smaller businesses have in the use of social media. Since social media can be so much less expensive than other alternatives, the small business owner might give them more time to prove their usefulness than a manager of a large firm who's under pressure to report short-term performance improvements in areas such as profitability and revenues.

A final quantitative study that has some interesting findings was done by eMarketer Digital Intelligence (2010). This recent study by the Ponemon Institute points to the negative attitudes that have developed towards marketing activities that are conducted through social media outlets such as Facebook. In this report it was found that users are more concerned about being approached by marketers on social media outlets than they are with identity theft. As the digital age has unfolded over the past three decades, there seems to be a trend for devoted and passionate digitalists to resent companies as they grow larger. For instance, most hackers have attacked systems using Microsoft operating systems with part of the rationale being a desire to "stick it

to" this behemoth. It's interesting to note that as Apple has grown in the past decade there are more hackers now focusing on attacking systems that are using Apple software. This "anti-establishment" mentality could certainly be a reason for prospective customers to be more suspicious of the marketing activities of large companies that are utilizing social media than those of smaller companies. The attitude could be "why bother" when looking at a small business but when the target is a Fortune 500 company, it might be too tempting for a "cyber terrorist" to resist. If you look at most of the highly publicized "disasters" related to social media, they are case studies involving very large companies such as Nestle, AT&T and BP (Parker, 2010). Even though managers of smaller companies can make similar mistakes, there seems to be a lesser likelihood of these stories "going viral".

3. Classic case studies from small businesses

It now seems long ago that perhaps the best known case study of all time in the use of social media to allow a small business to compete in markets dominated by much larger players began to unfold. The late 1990's movie, *The Blair Witch Project*, reportedly had a production budget of around \$25,000. After the amateurish production of the film, a small motion picture distribution company named Artisan developed a marketing and distribution strategy that focused on the use of what is commonly referred to today as viral marketing (using e-mail in those days). The total costs of this distribution effort have been reported as being between \$500,000 and \$750,000. So, for a total investment of less than \$1 million, the total revenues of over \$250 million were shocking to the executives of the major studios. It's easy to see how this pioneering use of social media that was the driving force in making *The Blair Witch Project* the most profitable movie ever produced also created early interest from businesses in the potential for communicating with vast audiences very quickly and with minimal costs.

Another classic case is the Blendtec blender from the company K-Tec. K-Tec had produced the blender brand for about ten years and had limited success selling into the commercial market prior to beginning the use of social media in October 2006 (Walker, 2008). At that time the company began producing a series of low-budget videos asking the question: "Will it blend?". These skit-like videos became instant online classics and went "viral" very quickly via social web sites such as YouTube. More importantly, the company reported a 700 percent increase in sales in consumer markets shortly after the release of these videos. When you witness this kind of success from a small company that is com-

peting against entrenched consumer brands, such as Hamilton Beach, that are owned by much larger competitors, it's not surprising that companies would be very interested in using social media to achieve this type of sales success.

4. Contemporary case studies from small businesses

This case study from the *Harvard Business Review Magazine* (March, 2010) found that small restaurant chain in the Houston, Texas area, increased the number of visits that Facebook fans made to the stores. While the average amount spent per visit did not increase, this increase in the average number of visits resulted in making the Facebook fans the best group of customers in terms of revenue generation as well as in generating positive word-of-mouth.

There are also examples of case studies involving smaller businesses that warn of potential pitfalls in the use of social media. Frederick (2010) looks at why social media are not effective in marketing certain kinds of products. In this particular case the product is wine and the author focuses on her opinion that this is a product that must be experienced and that potential customers are especially risk averse when it comes to higher priced wines. The possibility that the effective use of social media for small businesses could be context-specific is something that should always be considered prior to using these communication channels.

The Hubspot e-book (Bodnar, 2009) offers four case studies of small businesses who have used social media in ways they considered to be successful. The case studies are worthy of consideration, especially by owners/managers of small businesses. Also worthy of consideration is Bodnar's list of 10 common traits that were shared by small business owners who considered the use of social media to have been a success for them. Those traits are:

1. Ongoing commitment to creating content and engaging in social media.
2. Have some method for measuring results of social media activities.
3. Regularly generate content such as blogs, etc. (somewhat redundant with 1).
4. Focus on social media channels that drive the best results.

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5. Use social media to drive participation in offline events.
6. Set clear expectations for what customers can expect in terms of frequency and type of content.
7. Leverage social media in creating yourself as a thought leader.
8. Provide clear calls-to-action and opportunities to generate leads and new customers when using social media.
9. Use information/data gathered from social media to drive your strategy.
10. Strive for a balance between paid and organic search engine traffic.

This list once again points to the level of commitment that is required to make effective use of social media in your marketing activities. If you're not prepared to make that level of commitment you are likely better served by avoiding the use of social media channels as a part of your communication strategy with your targeted markets.

Conclusion

The bottom line is that today's use of social media is not really anything new. It's been well-accepted management wisdom for thousands of years that a prospective customer who's grown to know and trust you is more likely to purchase a product from you than someone who has not developed this level of relationship. This is why marketers have always talked about word-of-mouth communication (now known as buzz) as being so much more powerful than communication received through mass media channels. Small businesses have always been forced to rely more on this type of communication than on highly expensive mass media. This almost innate familiarity with the necessity of focusing on building relationships in order to establish their trust positions to quickly adapt the evolving landscape presented by today's fast-paced developments in the field of social media. Other factors such as the level of motivation and organizational flexibility that are inherent in most small businesses would seem to auger well for their success in the use of social media. Perhaps some of the challenges (weaknesses, if you prefer) that small businesses live with on a daily basis will become competitive advantages when it comes to the arena known as social media marketing.

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