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ARE SMALL BUSINESSES USING SOCIAL MEDIA EFFECTIVELY? A STUDY OF SOCIAL MEDIA USE IN SMALL BUSINESSES

***Martin S. Bressler, Kitty Campbell and Brett Elliott**

Southeastern Oklahoma State University

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ABSTRACT

The importance of small businesses to our nation's economy cannot be overstated. According to the U.S. Small Business Administration (SBA), in 2013 there were 28.2 million small businesses employing 55 million persons (Small Business Profiles for the States and Territories). Nationally, small businesses represent 99.7% of all businesses and account for 48% of all jobs. Social media is widely used by larger businesses and could be an effective means for small businesses to market to their customer markets. However, a report by eMarketer (SBA Community blog, January 3, 2013) found only 24 percent of small businesses have yet to incorporate social media into their marketing efforts. That same report as referred to findings from Constant Contact where only 49 percent of small businesses considered social media an effective marketing tool. This paper provides findings of a nationwide study of more than 800 small business owners with regard to social media use.

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INTRODUCTION

According to Wilson (2010), the year 2001 marked an important development in social media marketing as weblogs (blogs) began to replace cluttered forums. WordPress (Wilson, 2010) is one of the most popular platforms for blogs and the company reports more than 100 million downloads of their software. Customers have a new sense of power through customer reviews of products and businesses, such as a restaurant review on TripAdvisor and can help shape products and pricing. In addition, bloggers can influence followers as to what brands to buy or not buy. But as one small business owner blogger noted "One #\$\$\$ off customer can scare off ten others. One #\$\$\$ off employee can scare away hundreds." The appeal of social media as a marketing strategy was quickly recognized by business. Insites Consulting (cited in Rapp, Beitelspacher, Grewal, and Hughes, 2013) reported that in a study of 399 U.S. and European businesses, 88.2% had started social media marketing initiatives, and 42.1% already fully integrating social media into their business strategy. In addition, Motley (2013) reported that former eBay executives consider social media an effective means to build customer satisfaction. In their small study of social media trends of New Zealand small businesses Li, Yu, and Fielden (2013) found small businesses unwilling (or unable) to spend more than

\$2000 on a social media campaign and focused their efforts primarily using Facebook. Moreover, Yahoo Small Business Advisor reports that in 2012 small business owners spent 25% of their marketing budget (10.4% of sales) on digital marketing (Yahoo Small Business Advisor). Therefore, a small business with one million dollars in annual revenue would spend on average, twenty-five thousand dollars on digital marketing. In order to determine differences in social media use, the researchers conducted a nationwide survey of small business owners in order to develop a better understanding of social media use. The researchers of the study described below developed a questionnaire which they then sent to 2500 small business owners and generated more than 800 responses which yielded some interesting data. More than a third (37.6%) did not use social media at all in their business. For those small business owners who do use social media, LinkedIn was the most commonly used medium. In this study, female small business owners were found to be more likely to use social media for their business, including LinkedIn, Facebook and Twitter. Younger small business owners were found to be more likely to social media of all types. In this paper, the authors provide a profile of small business owner's usage of social media and offer recommendations to market those businesses more efficiently and effectively. Social media could be an effective means for small businesses to market to their customer markets. Yet a report by eMarketer (cited in SBA Community blog, <http://www.sba.gov/blogs/dont-be-social-media-marketing-skeptic-learn-where-and-how-start>) indicates

**Corresponding author: Martin S. Bressler,
Southeastern Oklahoma State University.*

that only 24 percent of small businesses have incorporated social media in their marketing plan. That same report also referred to findings from Constant Contact where only 49 percent of small businesses considered social media an effective marketing tool. Of course, the lack of effectiveness could be accounted for by small business owner lack of knowledge, selecting the wrong form of social media, lack of time or skill to devote to a social media campaign, or other reasons.

MATERIALS AND METHODS

Twenty-five hundred email addresses were randomly selected from a small business program database of small business owners from across the United States. This database is used routinely by the researchers through activities of a university small business program. Selected small businesses represented all regions of the country and many different states. Small business owners received a detailed questionnaire on a number of pertinent small business issues, including social media use in their business. Of the 2500 emailed surveys, 828 were completed and returned after two follow-up emails resulting in a 30.2% response rate. The authors believed that the data would confirm several hypotheses. First, that women business owners would more likely have adopted social media; second, that younger small business owners would more likely have adopted social media into their marketing efforts and third; small businesses would be overall less likely to use any form of social media marketing. In addition, the researchers were curious to find if other demographic markers might influence social media use, for example, race, type of industry, or region of the country. Could there also be greater use of social media from home-based businesses? In this study, the researchers focused in on Facebook, Twitter, and LinkedIn as the most commonly used forms of social media.

RESULTS

Survey results yielded some interesting data. First, our hypotheses were confirmed that indeed, women and younger small business owners were more likely to utilize social media to market their small business. Basic use of the three social media forms is as follows:

- 37.6% (n=303) use none of the social media sites
- 24.3% (n=196) use LinkedIn only
- 15.1% (n=122) use all three media sites
- 11.2% (n=90) use Facebook and LinkedIn but not Twitter
- 7.1% (n=57) use Facebook only
- 2.7% (n=22) use Facebook and Twitter but not LinkedIn
- 1.6% (n=13) use LinkedIn and Twitter but not Facebook, and only
- 0.4% (n=3) use Twitter only

With regard to social media use, there is a statistically significant relationship between forms of social media use, that is, if a small business owner uses one form of social media, they are more likely to use another form of social media.

Facebook

We found a significant relationship ($p=.000$) between the type of industry and whether or not the company uses Facebook.

Those small businesses in the retail category are more likely to use Facebook and those businesses in the energy segment are least likely to use Facebook. Although small businesses (using the standard SBA definition) typically have fewer than 500 employees, we found no significant relationship ($p=.547$) between the number of employees and whether or not they use Facebook. Not surprisingly, we found a significant number of women small business owners more likely to use Facebook ($p=.000$) than male small business owners. Race ($p=.247$) and region of the country ($p=.363$) were not found to be significant factors. We found a significant relationship ($p=.000$) between whether the business is veteran-owned and whether or not they use Facebook. Only 27.2% use Facebook versus 40.4% overall. We assume that age plays a factor in this, as an earlier study (Bressler and Bressler, 2011) reported veterans who are small business owners tend to be older, and start their small business upon completing long-term military enlistment (20 years or more) as they then have retirement and medical benefits to assist them financially until their business becomes profitable. Surprisingly, we found a significant relationship ($p=.018$) between whether or not the business is home-based and whether or not they use Facebook. Home-based businesses are less likely to use Facebook (31.5%) than businesses not based at home (39.8%). As we do not know the reason for this to be the case, this could be interesting to pursue in a follow-up study. We also found a slight statistical significance ($p=.03$) between those businesses that employ their mother (mother only, not father or both parents). However, as the sample sizes were small we cannot draw any conclusion from this information.

Twitter

Results of the survey show a significant relationship ($p=.000$) between type of industry and whether or not the small business owners uses Twitter. Those in retail were found to be the most likely to use Twitter (36.2%) and those in the construction least likely (7.7%). As with Facebook and LinkedIn, there is a significant relationship ($p=.654$) with female business owners more likely (23.5%) to use Twitter than their male counterparts (15.8%). As with Facebook and LinkedIn, we found a significant relationship ($p=.000$) with regard to age and use of Twitter. The younger the business owner, the more likely they are to use Twitter for their business.

LinkedIn

We found a significant relationship ($p=.001$) between type of industry and whether or not the company uses LinkedIn. Companies in the energy, service and other industries were found to be more likely to use LinkedIn than those in farming, manufacturing, construction and retail. This could possibly be due to the fact that persons in the energy and service industries are self-employed and/or rely greater on networking. Facebook, on the other hand, tends to market the business rather than the person. We found no significant difference ($p=.217$) with regard to size of company and whether or not they use LinkedIn. With regard to gender, the researchers found a significant relationship ($p=.000$) between gender of the business owner and whether or not they use LinkedIn. Female small business owners (58.1%) use LinkedIn to a greater extent than male small business owners (45.7%). Also, we found a statistically significant relationship with regard to age ($p=.000$) with those small business owners aged 35-49 being most likely to use LinkedIn. Completely opposite of Facebook,

we found a significant relationship ($p=.025$) between whether or not the business is home-based and whether they use LinkedIn. Home-based businesses are more likely to use LinkedIn (57.5%) compared to businesses not home-based (49.4%). Survey results did not indicate significance with regard to race, veteran-ownership, or region of the country.

DISCUSSION

Small business owners use social media to a lesser extent than business owners overall as only 24% have incorporated social media into their marketing plan. This compares to 97% of business owners overall (2014 Social Media Marketing Industry Report). There could be several possible reasons for not utilizing this new marketing technology. First, small business owners might lack the time to develop social media. Many small businesses are one-person operations, or husband and wife at best. This means that the typical small business owner wears "many hats" and is responsible for all aspects of their business ranging from day-to-day operations to managing finances and human resources. Often, marketing is put aside. Second, many small business owners may lack the expertise of leveraging social media to their advantage. As the data reports, younger business owners are more likely to be familiar with and make use of the technology. Cost could also be an issue. For many small businesses, spending even \$1,000 per year on marketing can be significant. Why would a small business owner gamble that this new technology would work for their business and return additional sales and profits?

Finally, some small business owners might assume that social media marketing would be beneficial to their marketing efforts. They might assume that as their industry does not typically use social media, why should they bother giving it a try? For example, a small town barbershop might rely entirely on location, signage, and perhaps an ad in the Yellow Pages or local newspaper. But could Facebook or Twitter help increase sales and profits? Lee, in a *Houston Chronicle* article on how to market a barbershop, not only promotes marketing your barbershop through social media but goes one step further by suggesting offering Wi-Fi to your customers to help wait time go faster in today's connected society (<http://smallbusiness.chron.com/market-barbershop-10568.html>). Scott Christ, in his article on marketing tips for a barbershop owner recommends asking customers for their cell phone numbers, along with asking how often they get their hair cut. Barbershop customers can then be sent a text message reminder a few days prior to when the customer would get their next haircut. In addition, the barber can send coupon codes for discounts on haircuts, hair styling products, and other services the barbershop might offer such as massage, or shoe shine (http://www.ehow.com/info_8357002_marketing-tips-barbershop-owner.html).

Summary and Conclusion

Evans (2012), in his book *Social Media Marketing: An Hour a Day*, calls for business owners to spend at least an hour per day marketing their business through social media. While most small business owners might argue that they lack the time to spend using social media, small business owners could find this an effective, low-cost means to market their small business.

While big companies (as expected) are much more advanced in their social media use, small companies could benefit from adopting a social media strategy. By comparison, Fortune 100 companies average 20 social media accounts each (cited in Rapp *et al*, 2013) whereas only 24% of small businesses utilize any form of social media on their marketing efforts. In addition, social media marketing can be significantly more cost-effective than other traditional forms of marketing such as media advertising and couponing. Results of this study suggest that social media is currently underutilized and appears to be used only by certain small business owners, for example, more likely younger female small business owners. This study offers some insight into social media marketing by small businesses, however future research could examine in more detail how social media is being used by small business owners in order to develop a set of best practices.

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APPENDIX

Table 1. 36.2% of the respondents (n=296) reported using Facebook for their business

Do you use Facebook for your business?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	521	62.9	63.8	63.8
	Yes	296	35.7	36.2	100.0
	Total	817	98.7	100.0	
Missing	System	11	1.3		
Total		828	100.0		

Table 2. 19.9% of the respondents (n=162) reported using Twitter for their business

Do you use Twitter for your business?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	652	78.7	80.1	80.1
	Yes	162	19.6	19.9	100.0
	Total	814	98.3	100.0	
Missing	System	14	1.7		
Total		828	100.0		

Table 3. 52.2% of the respondents (n=426) reported using LinkedIn for their business

Do you use LinkedIn for your business?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	390	47.1	47.8	47.8
	Yes	426	51.4	52.2	100.0
	Total	816	98.6	100.0	
Missing	System	12	1.4		
Total		828	100.0		

Table 4. The following is a breakdown of the 806 that responded to all 3 questions

37.6% (n=303) use none of the social media sites
24.3% (n=196) use LinkedIn only
15.1% (n=122) use all three media sites
11.2% (n=90) use Facebook and LinkedIn but not Twitter
7.1% (n=57) use Facebook only
2.7% (n=22) use Facebook and Twitter but not LinkedIn
1.6% (n=13) use LinkedIn and Twitter but not Facebook, and only
0.4% (n=3) use Twitter only

Table 5. Data Summary

Industry vs. Facebook There is a significant relationship (p=.000) between type of industry and whether or not the company uses Facebook. Those in retail are much more likely to use Facebook and those in the energy industry are the least likely.

Number of Employees vs. Facebook There is no significant relationship (p=.547) between the size of the company and whether or not they use Facebook.

Gender vs. Facebook There is a significant relationship (p=.000) between gender of the business owner and whether or not they use Facebook. 43.4% of female owners use Facebook as compared to 27.7% of male owners.

Race vs. Facebook There is no significant relationship (p=.247) between race of the owner and whether or not they use Facebook.

Region of the country vs. Facebook There is no significant relationship (p=.363) between the region of the country the business is in and whether or not they use Facebook.

Home-based vs. Facebook There is a significant relationship (p=.018) between whether or not the business is home-based and whether or not they use Facebook. Home-based businesses are less likely to use Facebook (31.5%) than businesses that are not based at home (39.8%). [Not what I would have guessed!].

Veteran-owned vs. Facebook There is a significant relationship (p=.000) between whether or not the business is veteran-owned and whether or not they use Facebook. Of veteran-owned businesses, 27.2% use Facebook, whereas for non-veteran-owned it is 40.4%. [age could be a confounding factor].

Age vs. Facebook There is a statistically significant relationship (p=.000) between age and whether or not they use Facebook. The younger the business owner, the more likely they are to use Facebook for their business.

Business has website vs. Facebook There is a statistically significant relationship (p=.000) between these two variables with those businesses that have their own website being much more likely to use Facebook.

Industry vs. LinkedIn There is a significant relationship (p=.001) between type of industry and whether or not the company uses LinkedIn. Those energy, service and other industries are more likely to use LinkedIn and those in farming, manufacturing, construction and retail are less likely.

Home-based vs. LinkedIn There is a significant relationship (p=.025) between whether or not the business is home-based and whether or not they use LinkedIn. Home-based businesses are more likely to use LinkedIn (57.5%) than businesses that are not based at home (49.4%). This is the opposite of how Home-based vs. Facebook came out in #15 above.

Race vs. Twitter There is no significant relationship (p=.386) between race of the owner and whether or not they use Twitter.

Region of the country vs. Twitter There is no significant relationship (p=.440) between the region of the country the business is in and whether or not they use Twitter.

Home-based vs. Twitter There is a NO significant relationship (p=.604) between whether or not the business is home-based and whether or not they use Twitter. For Facebook and LinkedIn there was a relationship but in the opposite directions.

Veteran-owned vs. Twitter There is NOT a significant relationship (p=.061) between whether or not the business is veteran-owned and whether or not they use Twitter. Although not quite statistically significant, the pattern fit the same as with Facebook and LinkedIn above with veterans using Twitter less than non-veterans, probably because they are older on average.

Age vs. Twitter There is a statistically significant relationship (p=.000) between age and whether or not they use Twitter. The younger the business owner, the more likely they are to use Twitter for their business.

Number of Employees vs. Twitter There is no significant relationship (p=.654) between the size of the company and whether or not they use Twitter.

Gender vs. Twitter As with Facebook and LinkedIn above, female business owners (23.5%) are statistically significantly (p=.006) more likely to use Twitter for their business than male business owners (15.8%).

Native American owned vs. Twitter No significant relationship here (p=.832) [nor for any of the Native American questions]

Business has website vs. Twitter There is a statistically significant relationship (p=.000) between these two variables with those businesses that have their own website being more likely to use Twitter.