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## THE USE OF SOCIAL MEDIA AND E-COMMERCE: A WINNING STRATEGY FOR SMALL BUSINESSES

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#### **ABSTRACT**

Nowadays we live in a global market era. For small business (SBs), that do not have financial and human resources to sell in a big market, the use of e-commerce platforms and social media to promote products/services can be a winning and competitive strategy. The electronic platform and social media can reinforce the weaknesses of an absence of a commercial network to interact with end customers especially if they live in another country. In the global world, companies to sell products/services must exchange information with all stakeholders like suppliers, enterprises, partners, and mainly with customers. By social media, between customers, business partners and companies a bidirectional channel is established and a process of co-creation and co-production, to improve products/services and customer satisfaction, is stimulated. For SBs the reduced availability of resources is not an impediment to sell in a global market. Owners of SBs can directly spend and devote part of their free time to support the online sale. SBs being lean and flexible enterprises can execute more quickly orders, collected by the website, and therefore the distribution process is faster. In this paper we analysed a sample of small enterprises to analyse if entrepreneurs/managers of SBs believe in the strategic potential of these tools.

**KEYWORDS:** small businesses, e-commerce, social media, Web 2.0, global market.

**JEL CLASSIFICATION:** *M15*, *M21*, *M31* 

#### 1. INTRODUCTION

Recently the use of Internet has grown, especially with the explosion of mobile devices. More companies have understood the importance of web technologies that are a source of innovation and a great opportunity for the development. By interactive and collaborative tools of web 2.0 technologies (chat, forum, blog) (O'Reilly, 2007) and social media (Facebook, YouTube, Twitter, Instagram) it is possible to interact with customers to gather opinions and suggestions. Small Businesses (SBs) can exploit these tools to develop quality products that meet customer's requirements and to acquire new market shares and competitive advantages.

In addition by an e-commerce platform the online sale, in an enlarged market, can be execute in parallel with the sale of physical store and then traditional and modern modalities can be integrated. There are companies that decide to sell their products only by e-commerce platforms and others that integrate e-commerce with a traditional physical channel. There are various options to buy that guarantee the interaction between the traditional channel (store) with new online channels by smartphone (m-commerce) and social media.

The e-commerce offers a wide range of products and consumers have more information and details on products. It is easy to find online products at lower prices and it is possible to compare more products. Users before buying can read opinions and reviews: recommendations and experiences of other people are always important for the choice.

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For small businesses it is convenient to operate online to expand the sales area in a global market although there are some drawbacks. Generally people have fear to provide credit card and information online and are skeptical in buying at little-known e-commerce website that does not transmit safety. A high number of online customers are available to buy only in the most popular platform, which have invested heavily to protect customer privacy and make secure their purchases. The e-commerce is a multi-channel platform to support the enterprise-customer relationship. The relationship with customers can increase by the use of social media. The structure of this paper is the following: in the next session we show a literature review. In the third section the research on e-commerce platform and social media, on a sample of small businesses, is illustrated. In particular, in this section, the methodology, the website analysis and the interviews with SBs representatives are described. At the end some conclusions are drawn.

#### 2. LITERATURE REVIEW

Over the years the web has evolved. Ellion (2007) identifies three different web phases: information/communication (data publication), commercial activities (focus on e-commerce) and networking phase (social interactions). The web has become a platform where we can implement different value-added services (O'Reilly, 2007).

Recently Internet is increasingly transforming the evolution of social and business dynamics. It changes the approach of companies in the market and the new sales method. Every day customers as a network of people with the same interests post comments, reviews and share experiences on online purchases of products/services. There are various websites that collect customer reviews (Cho et al., 2002): epinions.com, planetfeedback.com, ciao.it, complaints.com, dooyoo.it, ecomplaints.com, cnet.com.

By web 2.0 tools and social media it is possible to create an interactive bi-directional channel among customers, suppliers and partners. A process of co-creation and co-production is stimulated. Customers and suppliers become co-producers and partners in the conception/design and improvement of products/services.

The customer becomes prosumer, consumer and producer at the same time. In the literature the Figure of prosumer (Toffler, 1980) predicted the fusion of the roles of producer and consumer in the new Figure of an active consumer that consumes but, at the same time, produces information, opinions, suggestions. In the best seller "Wikinomics: How Mass Collaboration Changes Everything" (Tapscott and Williams, 2006), the authors develop the concept of prosumer coining the related term of *prosumption* (production/consumption) that refers to the creation of products and services by consumers (Boca, 2011). Everyone can generate multimedia contents by social media. For Kaplan and Haenlein (2010) social media are "A group of Internet-based applications that build on the ideological and technological foundations of Web 2.0, and that allow the creation and exchange of user generated content".

The phenomenon of users who generate multimedia documents is indicated by the terms User Generated Content (UGC) (Strobbe et al., 2010) or Consumer Generated Media (CGM) (Sumi, 2008). These terms are popular in the area of the web publishing and new media to highlight that more documents available on the web are produced by users rather than specialised companies.

The second edition of Social Media Observatory of IULM (2011) on the use of social media by Italian companies showed that small enterprises that use social channels increased from 9.8% (2010) to 43% (2011), with a reduction in the gap compared to medium and the large companies

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that increased activities 2.0 of a smaller percentage (medium companies increased from 32.3% (2010) to 47.2% (2011) and large companies from 57.9% (2010) to 58.4% (2011).

In addition, small businesses can use channels 2.0 to implement projects of open innovation thus compensating the lack of internal research labs (Chesbrough, 2003). They can exploit the crowdsourcing phenomenon (Howe, 2006) or broker intermediaries to launch the application on the web to find a solution for a technical problem and gather ideas from external solvers.

SBs, which are normally deep-rooted in the territory, could take advantage of web technologies to expand them in a wider geographic market and even in a global market.

For small businesses the e-commerce section integrated in the website can be useful to expand geographical boundaries of the market and to sell abroad products/services.

In e-commerce platforms it is important the use of social media (Mathew et al., 2016) to collect customer opinions for improving the product/service and also for advertising (Lu et al., 2016) and promoting products/services (Zhao, 2016).

The website becomes particularly innovative with the e-commerce service (Golden et. al, 2004). Recently customer can buy online products/services in mobility by smartphone/tablet (m-commerce) (Tiwari et al., 2011).

If companies have a clear strategic project of e-commerce (Fisher et. al, 2007) in the long term can increase sales and profits (Bagozzi and Dholakia, 2002). By e-commerce, the company can get benefits such as the reduction of costs, the increase of the potential market and opportunities for the new business (Fink and Disterer, 2006). The e-commerce can have different impacts on customers (Van Baal and Dach, 2005). The customer can visit many time the website to acquire additional information and then conclude the online transaction or buy in a physical store. Chen et al. (2002) examined consumer attitudes towards shopping in virtual stores and Tan and Teo (2000) studied user characteristics for the adoption of Internet Banking. Both are agree that young people are more predisposed to execute online transactions.

By the e-commerce it is possible to eliminate intermediaries with a reduction in transaction costs. In real time we can have the availability of goods and satisfy requirements of customers (Chaffey et al., 2000).

The implications of an e-commerce project are not only technological. It requires, inside the organization a cultural transformation and a reorganization of management processes, working procedures and the update of the Information System. The resistance to change is more significant by the cultural gap between the generations: young people are more familiar with web technologies and use them every day.

Currently e-commerce is more pervasive in large and small companies (Burke, 2005; Sharma et al., 2004). Small businesses are not willing to make high investments and change their business model (Keindl, 2000) because they do not fully understand the potentiality of e-commerce for their resistance to change, the adaptation to specific contractual rules, the uncertainty about payments and the fear about the safety of online banking transactions.

We believe that e-commerce can be an opportunity for small businesses devoid of sale networks (Van den Berg, 2008). The "global paradox" of John Naisbitt (1993) can occur: more the global economy becomes big and more strong are small operators.

The website, and in particular e-commerce, allows small businesses to operate on a large area and on the long tail (Anderson, 2006). SBs can sell few specific products /services to a large number of people on a global market.

Small businesses, more lean and flexibles, can manage, in a quickly modality, orders collected by the website, the production process and the distribution to end users.

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#### 3. THE RESEARCH

#### 3.1. The research methodology

In this paper we use a qualitative case study research to understand how Small Businesses (SBs) use social media channels and e-commerce platforms.

We believe that for a small business the use of interactive and collaborative tools of web 2.0 and an e-commerce section is very important. The main step of our research project is to understand if the entrepreneur/manager of a small business believes in the strategic potential of these tools in the interaction with the external environment.

We opted for a multiple case study, in order to analyse companies with different characteristics in terms of industry, size, technologies used, entrepreneur's profile and so on. Thanks to a local entrepreneurial association a sample of 48 SBs has been selected.

Companies of the sample operate in various industries: mechanical-electronic (19%), furniture (25%), fashion-art (23%), food and wellness (17%) and services-communication (16%). They belong to different size classes: less than 3 employees (35%); 3 to 10 employees (23%); 11 to 30 employees (25%) and 31 to 50 employees (17%). Therefore the selected sample takes into account a range of SBs: from individual companies without employees to companies with 50 employees.

Empirical analysis followed two main steps. First of all, SBs' website was analysed in order to know if they used e-commerce platforms and social media integrated in a website (Consoli, 2012). The second and main step was depth interviews and informal conversations with owners/managers. Data was collected in the period 2012-2013.

To define the sample of companies to analysis, at first, we spoke with managers of professional associations that represent the Italian SBs (Confartigianato and CNA). Taking in consideration their suggestions and other sources like websites and various documents, we have selected SBs that present link to social media and an e-commerce section in their websites.

In the selected sample we can distinguish companies belonging to sectors of *low information intensity*, such as mechanical and electrical engineering, *medium information intensity*, such as furniture, fashion, arts and *high information intensity*, such as communication services. The difference depends on the content of "information" inherent the specific product/service that represents the core business of the company.

In the sample we consider both companies that produce for the industrial market (B2B - Business-to-Business) and for end customers (B2C - Business-to-Consumer). Inside B2B companies there are enterprises that produce for the retail market and have also a brand for end customers (B2B2C - Business-to-Business-to-Consumer).

For each company we have interviewed some representative: entrepreneur, family, marketing, blogger, communication and community and web manager.

#### 3.2. Websites' analysis

In the sample of 48 companies no. 39 internally, by themselves, manage these virtual channels and only no. 9 have an external consultant. Even if some communities 2.0 are initially developed from external web agencies, the management of these interactive and collaborative tools is made inside the company. This modality suggests that social media are interfaces more user-friendly. The more structured companies have a Chief Information Officer (CIO) or a marketing manager which manage social media.

In the case of social media, the size of company is not important. There are larger companies of the sample that do not use web 2.0 channels and other ones smaller which use them a lot.

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SBs, without organizational-bureaucratic constraints, create and manage in-house social media, while larger companies are supported from consultants who pay attention to the content and the management of virtual communities.

In SBs it is also easier the integration of mobile devices such as tablets, smartphones (IT consumerization) for the lack of restrictive policies in their information systems. In larger companies, the integration is more difficult to achieve for the presence of more restrictions in the authorized access. The social media used from SBs of the sample are represented in Table 1.

Table 1. Percentage of social media more used inside the SBs sample.

	Tool	Percentage
1	Facebook	79%
2	YouTube	37%
3	Twitter	37%
4	Blog	25%
5	LinkedIn	19%
6	Skype	10%
7	Pinterest	6%
8	Chat	2%

*Source:* own (2016)

Therefore the most used are Facebook (79%), YouTube (37%), Twitter (37%), Blog (25%), LinkedIn (19%).

Regarding the e-commerce only 15 SBs of the sample (31%) use or test e-commerce services. Among these companies there are those who are starting now with small experiments, others with a brief experience in online sale and few others who are experts in this sector.

For privacy reasons, we assign to each company a fantasy name that ends with a number, which indicates the number of employees. If the company identifier does not end with a number it means that only the owner work inside the company without any employee.

- 1. *Lpam20* (Furniture). In the website there is an e-shop section. This section is made in a simple modality from an internal trade manager who assembled different components.
- 2. Saab8 (Food). The company hasn't the license to sell to end customers but to retailers and wholesalers. For this reason it use the Italian Food (IF) online platform. The company sells to IF and after IF handles a commission and executes the delivery to the end customer. This platform includes other products: wines, pasta and so on.
- 3. *Cmme16* (Mechanical/Electronic). The company is beginning an experience of online sale of certain products, hulls and replacement parts for molding of plastic material. In this way they avoid the cost of the commercial network.
- 4. *Fbma2* (Fashion/Art). At the moment the company work for other enterprises (Business-to-Business) but in the future the owners think to develop direct market with the end customer by an e-commerce platform.
- 5. *Mhsc*7 (Services/Communication). The company sells and rents online touristic services (villa, rural houses,...) and collaborates with several travel agencies in Italy and abroad. It think to make even a type of online trading of art craft products, complements and objects. The strength of the SB is the computer science expert who works inside the organization.

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- 6. *Dvab1* (Food/Wellness). It is a wine producer that is starting to sell online wine bottles using e-commerce platforms of other companies.
- 7. *Ptma* (Fashion/Art). In the past, the owner frequently upgraded the website and the product catalog. Now that he has a commercial agent he makes the update few times for month. He directly manages the community on Facebook by answering to customers every night, after the work
- 8. *Vaam1* (Fashion/Art). The company receives most orders through the online platform. Inside the organization there is a young worker who updates the website with text and pictures made by himself.
- 9. *Alcs5* (Services/Communication). The company makes e-commerce with machines for food. It advertises its own products on price comparators like Find Prices, Kelkoo, Hello, TopNegozi, Shopxshopping, Fandado.com, Last shopping, shopping Boing, Affarando, NexTag. These websites are specialized in this area and make visible the company to the general public. Certainly, in this way, the company attracts a number of visits per day higher than the website. Even many customers derive from these comparators.
- 10. *Brma8* (Fashion/Art). The company has a webmaster who develops and updates the website and interactive channels. The webmaster interacts with SEO and Google AdWords campaigns. The part of e-commerce is integrated with the physical stores. The enterprise is not specialized like Alsc5 company that makes e-commerce as core business.
- 11. *Elme17* (Mechanical/Electronic). For its own products the company has an e-commerce web space. For other products it prefers have a sales network. At the moment, the platform is in an experimental phase.
- 12. *Masc* (Services/Communication). Initially the company had an e-commerce project of make-up and cosmetics on Blomming platform and after it acquired a virtual space on eBay. Now the company has an independent business website. The company sends the customer's order to the supplier and after when it receives the products it sends them to the customer with the invoice. For the deliveries and withdrawals from suppliers Masc uses SDA and Bartolini couriers.
- 13. Smma (Fashion/Art). The owner is the only worker inside the organization. She makes many products, statues, jewels, necklaces of different types. The website, initially, was developed by a friend. She has also an e-shop section, although, at present, she hasn't made a lot of sales. People who access to e-shop section must register and to these contacts the owner sends the newsletter.
- 14. *Phma3* (Fashion/Art). In the core business of the company the user has the possibility to design the cover with his own pictures and share with friends on Facebook starting a process of word of mouth (WoM). The customer actively participates in the production process of Phma3. The customer buys its own customized cover on the e-shop section. He/she becomes prosumers, producers and consumers.
- 15. *Ccma20* (Fashion/Art). This company works in the fashion industry, a sector that stimulates the communication by social media. The company does online sale by an efficient e-shop platform.

#### 3.3. Interviews and discussion

The analysis of the interviews was very interesting and allowed us to understand certain dynamics and behaviours of SBs.

The reason of the company to use social media are: visibility, promotion, advertising, acquisition of new leads (lead generation) (Gahan, 2012) to transform online contacts in future

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customers. A restriction is to not understand how many of contacts are transformed in real customers.

SBs generally, are supported by external agencies in developing the website and the structure of Facebook and various virtual communities but a lot of these companies, gradually manage, by themselves, digital channels because are very user-friendly. Instead the management of static websites, especially those traditional, without the Content Management System (CMS) technology, is always entrusted to a web agency or to an external consultant.

The results of the interviews show, generally, an interest in companies of the sample to the potential offered by Web 2.0 tools: development of new products, opening of new sales channels, management of the relationship with customers before and after the sale.

Some companies use these tools to imitate competitors, others use virtual interactive channels only to raise the ranking or the position on search engines.

Build and manage relationships and dialogues with customers on the network is not easy and it is necessary to dedicate time and resources. For some companies, despite the willingness to interact and collaborate, the communication is still one-way and not two-way and interactive. Most of companies of the sample use web channels as an extension of traditional channels and then as a communication channel to promote their products/services.

The implementation of virtual channels could have success in SBs because they have few data to manage and integrate.

Entrepreneurs of SBs work almost all day. The owner of Ptma said "From the downstairs laboratory, in the evening after work, I go upstairs at home and after eating I connect to the Facebook to respond to my customers that buy my products".

Investments in social channels do not are high but it is necessary that these channels are controlled for responding to customer requests. Companies who manage a lot these channels are those who work in the field of the communication/ marketing.

It is important that the entrepreneur/manager believes in this project. Inside the company will be easier the implementation of social channels if there is a facilitator or "pivot" (Spinelli 2009) who stimulates other employees to use them.

It is not always true that the most advanced companies that use social channels are those that have experiences in network technologies. Tools 2.0 are more used by enterprises that have, as target, younger customers who use a lot of social media and also in the case of entrepreneurs who use and believe in the potentiality of the collaborative technologies.

Analysing the responses of entrepreneurs/managers of the sample, we believe that the enabling factors that stimulate the adoption of web 2.0 tools by SBs are:

-Entrepreneur characteristics (age, education, private use of social media, predisposition to innovation). This variable is important because a young person (age), as well as an adult with a culture and a training in using web 2.0 tools even in the private life, will be more predisposed to use these technological channels in its business. Even the strong propensity towards innovation can stimulate the use of interactive channels to gather ideas coming from the external environment:

*-business environment*, as the degree of the openness of the company, level of creativity, collaboration and innovation. These features are present in an interactive and collaborative social communication. Structured organization, with a better technology infrastructure, it is more predisposed to the processing of information of channels 2.0 (opinions/comments/suggestions);

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-pre-existing technology as an experience of the company and entrepreneur in using computer technology. In many cases, a company which, in the past, used the information technology can be predisposed to use the tools of web 2.0;

- -the presence of a pivot, ICT expert, web master, community manager acts as a stimulator or facilitator in promoting and facilitating the use of social media inside the organization;
- -the presence of a consolidated office of marketing/communication. Small and medium companies with a marketing department can devote more time to business communication and then could manage web 2.0 channels;
- the presence in the website of an e-commerce section. If a company makes business online, social channels 2.0 are very important for the business because they can replace the physical commercial network.

In the future, many enterprises think to consolidate its presence in social media (67%) and in some cases to start with some experiments of e-commerce (29 %) or to enhance the advertising (15%).

Most companies give a small weight to post-sale. Some companies, for this goal, uses e-mail, phone, newsletter and others have implemented a private community to increase the customer loyalty.

Regarding the use and the management of e-shop sections most SBs prefer to invest gradually in online commerce in order to incrementally update technologies and devices. SBs try to found financial resources from domestic or foreign funds (Lpam20). SBs, which are usually well rooted in the territory, could exploit the web to expand in a global market. Integrating in the website an e-commerce section may be able to expand the geographical boundaries of the market and sell products/services abroad. In fact through a good e-commerce platform SBs may facilitate the implementation of an internationalization process and sell around the world. Small Business like Dvba1, Ccma20 and Brma8 can commercialize wines /clothes in a global context. The micro Alsc5 makes business only with e-commerce activities. Now it has specialized and invests heavily on search engines and price comparators. By these websites also receives opinions of customers who have purchased products. Some competitors that sell similar machines in physical stores have tried e-commerce experiments but they have had to close because they did not really believe in this concept.

Some company (Masc) begins selling online by eBay or Blomming and now it has integrated the e-shop section inside the own website. Other companies have understood the power of e-commerce and not being licensed to sell to the end customer but only to retailers and wholesalers, in order to overcome this obstacle, they have used external sale platforms (Saab8 and Dvba1). The supplier that manages the platform executes the delivery and the transport and the company will recognize a percentage on sales. If the company independently makes e-commerce it has higher shipping costs with an impact on the product price.

Other SBs make e-commerce experiments in small steps (Cmme16 cases) and only sell online specific components of their production. Instead a company, rooted in the territory, which does not want to expand on a global market prefers operate in a local context.

Some companies understand the benefits that could be obtained using the e-shop section instead of the commercial sale networks (Smma, Fbma2) and so they can directly contact end customers, especially if they are placed in another part of the world. By e-commerce sections embedded in their interactive websites they start to sell online in a global market. Surely in terms of financial resources small businesses cannot compete with the larger ones, which can afford a Community Manager (Brma8, Ccma20) for the management of these virtual channels or they have advanced platforms or specific software for information processing.

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However this reduced availability of resources, does not constitute an impediment for small businesses. Owners of these companies spend part of their free time to coordinate, in a best way, interactive virtual spaces.

It was possible for both individuals and companies to sell products/services to consumers directly by the website. In this way the distribution chain becomes short and so companies can increase their profit margins thanks to a considerable reduction in operating costs.

Web designers, in virtual stores, are a strategic resource to cure in every detail the design of the website and the e-shop section.

#### 4. CONCLUSIONS

Nowadays by social media and web 2.0 technologies SBs could acquire competitive advantages exchanging, in a global market, suggestions, ideas, solutions with customers and business partners. Social media are important to collect customer opinions for improving products/services, customer satisfaction and for the reinforcement of the customer loyalty. Customers' feedback can determine the success or the failure of a company. The investment in these tools there is not high but it is important that entrepreneurs allocate some employees to use these virtual channels for interacting with all subject of the supply chain. The analysis of a sample of SBs made in this paper shows that the majority of entrepreneurs/managers have understood the potentiality of social media and increasingly feel the need to use them, although this awareness does not always imply the full knowledge of the logic and languages of these channels. SBs, for its flexibility and thinness in internal business processes, could gain a competitive advantage over medium and large companies if they monitor and control all stages of the correct use of these interactive and collaborative tools.

SBs to be more competitive must have a website well-designed that optimally integrates an e-commerce section and social media. E-commerce contents must be clear and described in a linear modality and must give the option to see described in more detail the characteristics of products/services to sell. Colors should be eye-catching and photos must be high-definition designed to capture customers' attention. The websites' navigation should be fast. If the loading of a multimedia image is very slow the user quickly changes the visit of the current website. Social channels must be continuously manned. If a customer makes remarks or asks something the answer must be given as soon as possible and at the latest in 24 hours. Even the payment methods must be fast with the possibility of the use of PayPal which is free of charge for customers. SBs must learn to implement a customer care strategy. The customer is a "king" and should always support and satisfy him. Another important factor is that even if social channels are made by consultants companies it is important that business owners or employees of SBs responds directly to customers. They know features and functionalities of products/services very well and they can do an effective storytelling.

For the implementation of the new technological business model it is necessary to introduce a series of changes in the company from the organizational point of view to use in a coordinated and correct way these virtual channels.

It is clear that the sample of companies taken into account in this paper is limited and that, in a further phase, the investigation should be extended to a larger sample of companies in order to generalize the results obtained. Learning from successful cases allows to identify some principles that can help to exploit real opportunities for the development and the innovative change of small businesses.

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