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Evaluating Performance Quality of a Firm's Social Media Activities

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ABSTRACT

Individual consumers continue to use multiple social media platforms as they share information with their peers, search for information, explore product functionality, and acquire goods and services. Firms must determine how to allocate resources and develop strategies among social media platforms. This requires an understanding of how well a firm's social media platforms are performing to achieve the desired outcomes. This study identifies four dimensions of performance quality and assesses performance quality levels. This study also evaluates the impact of brand origin and industry type on a firm's performance of social media activities.

KEYWORDS: Social Media Platforms, Performance Quality of Social Media Activities, Brand Origin, Industry Type

INTRODUCTION

The use of social media platforms by both consumers and marketers has become prevalent as individuals engage with brands with which they are already familiar. Today, nearly 25% of the world's population use social media platforms whereas in the United States, 42% of adults use multiple social media platform sites (Duggan & Smith, 2013). In fact, using social media platforms can be an effective way for firms to approach significant numbers of potential and current customers. However, in order to gain value with using social media platforms to reach these potentially interested consumers, firms have to do more than just being present on a particular social media platform (Culnan, McHugh, & Zubillaga, 2010). Hoffman and Fodor (2010) suggest that firms need to specify the motivation to use social media platforms and assess the effectiveness of social media investments at the organization or firm level. Social media has received significant attention from researchers in many disciplines. Previous studies primarily have investigated determinants and consequences of social media adoption and usage at the individual level (Goldenberg, et al., 2009; Lee, Cotte, & Noseworthy, 2010; Trusov, Bodapati, & Bucklin, 2010). These studies also focused on the dynamics and interactions of individual users in social media communities (Dholakia, Bagozzi, & Pearo, 2004;

Kozinets, et al., 2010; Schau, et al., 2009). However, little attention has been given to the adoption of social media platforms at the firm or organization level and evaluation of the social media platform performance quality. Peters, et al. (2013) indicate the importance of shifting our focus from quantity to quality in social media evaluation and calls for research investigating the nature and role of performance quality of social media platforms. Yet there exists limited research investigating the level of social media platform performance quality.

Therefore, the focus of this research is to investigate the role and benefit of social media platform performance quality. To do this, this study first identifies four dimensions of social media platform performance quality. Next, the differences in the level of social media platform performance quality are tested with respect to brand origin and industry type.

LITERATURE REVIEW

Social media platforms have become an important element in the firm's marketing communications process. Social media platforms are permitting firms to engage in individual dialog with consumers without the restrictions of time, place, or medium (Kim & Ko, 2012). Ideally, these individuals are members of other virtual communities and can share their experiences regarding the firm's brands. To begin with, however, the firm must determine which social media platforms to invest and allocate resources. Social media platform performance quality information can help the firm evaluate the success with their engagement within that social media platform.

Performance Quality of Social Media

It is believed that information sharing, trust, and problem solving are accelerated by social capital, increasing the impact and reach of the message (McEvily & Marcus, 2005). Under the context of social media, which is grounded on engagement, sharing, and relationship, if a firm knows how to build up their online users' trust as well as involve them in activities and information sharing, then users are more likely to discuss those brands and talk about them repeatedly thus leading to increased impact and reach.

Social media platforms are connectivity-enabled media that facilitate interaction, co-creation, collaboration, exchange, and publication of information among firms and their networked communities of users (Kim & Ko, 2012; Larson & Watson, 2011). The expanding myriads of social media platforms require the firm to assess the allocation of resources to each platform. To help firms understand with which social media platforms to engage, Kaplan and Haenlein (2010) have categorized social media applications into six groups based on the social media characteristics of media richness and self-disclosure. The six categories are labeled collaborative projects, microblogs and blogs, content communities, social networking sites, virtual game worlds, and virtual social worlds. Given these social media application categories, the firm generates comments and responses from users of these social media platforms at different phases of the consumer's buying cycle to focus on engagement, awareness, and word-of-mouth communication (Hoffman & Fodor, 2010).

Differentiating Factors of Social Media Performance Quality

Previous research studies suggest that the optimal social media strategy varies by user characteristics, firm size, and industry classifications (Aral, Dellarocas, & Godes, 2013; DiStaso & McCorkindale, 2013). One of the primary differentiating factors of social media performance quality is the brand origin of the firm. For firms operating in various locations around the world, it is important to understand how each culture uses social media platforms. Goodrich and de Mooij (2014) report that the local social media platform sites typically generate more traffic than the often cited social media platform of Facebook. Due to the country differences in social media usage, firms originated from various countries may take different social media focus and employ diverse social media portfolio strategies (Berthon et al., 2012; Burton & Soboleva, 2011). These discussions lead to the following hypothesis.

Hypothesis 1: A firm's social media platform performance quality will vary by brand origin.

Another differentiating factor involves the industry classification type of firms. Industrial products firms are currently using social media platform sites to achieve brand objectives such as attracting new customers (Michaelidou, Siamagka, & Christodoulides, 2011). Consumer products firms report that individuals who are engaged with social media platforms are more likely to acquire the brand they engage with. Consumers are also bringing their online experiences with these brands into their own social media platforms rather than solely engaging directly on the firm's various platform sites.

The social media platforms such as Facebook has a location-based recommendation service that can combine local knowledge and word-of-mouth. Consumers can check-in at retail locations and claim special deals offered by the firm. This capability provides retailers with the ability to reach consumers and potentially attract them to a given retail store (Harris & Dennis, 2011). Online retailers are using such capability and are offering interactive features on their social media platform sites to engage consumers with their brand. Further, in the past, researchers have studied the importance of these social motivation initiatives as part of the overall shopping experience. They have reported that social interaction has been identified as an important characteristic for online shopping as social media networking has become a major way in which individuals socialize. Given that shopping can be a popular social activity, it is likely that individuals will combine their shopping and social media networking experiences (Harris & Dennis, 2011). Based on these discussions, the following hypothesis is presented.

Hypothesis 2: A firm's social media platform performance quality of social media activities will vary by industry type.

METHODS

This research focuses on assessing the social media platform performance quality. Social media platform performance quality data were collected and recorded from the firms' social media platform sites. Social media activities that are publicly available on a firm's social media platforms were captured. This study identifies four performance quality dimensions of social media platform. The first two dimensions capture the degree of positivity or negativity of social media mentions regarding a brand or a firm. The third dimension refers to the likelihood that a firm or its brands are being discussed in social media platforms. The fourth dimension is related to the range of influence represented by the size of unique users referencing a firm's brand or the firm. Average values of the performance quality are used as measures of the four dimensions of social media platform performance quality. Brand origin was recorded by determining the country where the firm was headquartered. The industry classification type was

determined by the standard industrial classification code and the primary market served by that firm.

RESULTS

Mean values and marginal mean values for the four performance quality dimension measures of social media platform activities show that United States firms and service and retail firms show higher positive average value. Foreign firms and consumer product firms as well as industrial product firms show higher negative average value.

MANOVA Results

Analysis was performed using the two-way two (Brand Origin) by three (Industry Type) MANOVA procedure for the four performance quality dimension measures. The MANOVA tests were used to evaluate the differences in social media platform performance quality between United States and foreign firms as well as among three different industry classifications (consumer products, industrial products, service/retail firms). For the significant main and interaction effect in the MANOVA results, univariate analysis was performed to evaluate which social media platform performance quality dimensions contributes to the significant MANOVA results.

The MANOVA results show a significant brand origin main effect and non-significant two-way interaction effect. For the significant brand origin main effect, univariate analysis was performed to determine which social media platform performance quality contributes to the significant main effect. Univariate brand origin main effect is significant for the three dimension measures of social media platform performance quality. These results provide support for hypothesis 1.

MANOVA results also show that the industry type main effect is significant. For the significant industry type main effect, univariate analysis was performed to determine which social media platform performance quality contributes to this significant main effect. Univariate industry type main effect is significant only for the negativity measure. The negativity dimension shows significant industry differences among the three industry types. A t-test is performed for the negativity dimension to evaluate which pair of the industry types is significantly different. The t-test shows that the difference is significant between consumer product and service/retail firms as well as between industrial product and service/retail firms. The service/retail firms show higher negativity score than consumer and industrial product firms. These results provide support for hypothesis 2.

DISCUSSION AND CONCLUSIONS

This study identifies the importance of understanding performance quality of social media platforms. This paper examines performance quality of social media activities rather than quantity of social media activities. Performance quality measures of social media can be used in evaluating a firm's current social media activities and in determining target levels of social media platform performance quality. Understanding of a firm's social media performance quality can help managers manage social media platforms effectively. The findings show that the brand origin and industry type main effects on social media quality are significant. The results can help firms gain a clearer view of how the industry they operate in uses social media platforms. The performance quality level of social media activities can be used to develop a firm's social

media platform strategy. Considering the performance quality level, firms can make appropriate adjustments in developing and managing their social media platforms depending on their current social media activities, strategic goals, and available resources. The findings of this study also provide firms and managers with a tool to measure their social media platform performance quality. Firms can set up standard performance quality goals for their social media activities. Depending on the type of industry in which firms are involved, the target performance quality level of social media activities can be determined.

While this study provides interesting findings, care should be taken in interpreting the results. As the database is created using information from large firms, the results may not apply to small and medium size firms resulting in somewhat limited generalizability. Future research should assess the level of social media performance quality for small and medium size firms.

REFERENCES

References available upon request.