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THE ROLE OF SOCIAL MEDIA IN PORTUGUESE SMEs

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Abstract:
Social media assume increasing importance in the light of the evolution of the digitalization processes in the economy. In the context of global change, Small and Medium Enterprises (SMEs) look to social networks as a way to prosper and promote their businesses at a lower cost. This study aims to explore the state of development of social media among Portuguese SMEs through the characterization of their adoption process, benefits, good practices, and challenges. The findings reveal that more than 75% of Portuguese SMEs already use social media in their marketing activities. This online presence allows them to have a new communication channel that supports their innovation processes. The role of analyzing customer feedback and establishing contact with most loyal customers was mentioned as good practices. Finally, Portuguese SMEs that do not use social networks highlight their low interest in this digital communication channel.

Keywords: social media, social networks, digital marketing, online presence, relational marketing

1. Introduction

Changes are part of the contemporary world. They are increasingly fast, unexpected, and unpredictable, where knowledge and information are of extreme importance. Globalization has forced markets to be highly competitive. This competitiveness and economic instability have made organizations seek new strategies to ensure their subsistence in the market and generate sustainable competitive advantages (Petricevic & Teece, 2019).

The user has gradually become a mere consumer of information for a content producer using social networks. In this context, social networks have emerged in the framework of Web 2.0 and have transformed the communication process. Previously, companies used essentially mass media (e.g., television, newspapers, radio) with the aim of spreading information to as many people as possible. However, the Internet now enables a communicative process based on a distinct panorama.

Castells (2011) points out that there has been a paradigm shift, in which mass communication models have given way to a new era of mass communication on their own. The idea of reaching a large target audience remains but now the message does not necessarily have to be the same for all recipients.

Social networks offer new forms of two-way interaction and extremely dynamic. According to Appel et al. (2020), social networks have changed the way business is conducted. Companies now have access to resources that were not otherwise available. This phenomenon has helped companies to increase their contact with customers and suppliers and has fostered the creation of new competitive advantages. The more competitive and complex environment in which companies develop their activity has made them seek new strategies to become more competitive. The competitive advantage can be centered on traditional models such as the quality of a product/service, low cost, new form of production, etc. However, as Bayer and Servan-Schreiber (2011) state, it is also possible to achieve a competitive advantage through networking.

The use of social networks as a competitive advantage is widely spread in large organizations, where managers have specific tools that help them to manage their relationship with their customers. However, in SMEs, this area is still little explored considering the limitation of qualified human resources in this field, lack of knowledge by managers, and lack of strategic vision (Ritz et al., 2019; Taiminen & Karjaluoto, 2015). Due to the lack of information, small entrepreneurs tend to be unaware of the competitive advantages that can be obtained from the implementation of relationship strategies. In this sense, this study aims to deepen the knowledge about this phenomenon considering the context of Portuguese SMEs. For this purpose, it seeks to know the current state of adoption of social media by SMEs exploring the potentialities perceived by these companies. Furthermore, it intends to understand the challenges that Portuguese SMEs have felt in the adoption of social media.

The rest of the paper is organized as follows: initially, a theoretical contextualization is performed on relational marketing and the role of social networks in companies, particularly in SMEs. Next, the methodology of the study is presented with emphasis on the methods used in data collection, processing, and analysis. After that, the main results are presented and discussed given the existing literature in the area and the specificities of Portuguese SMEs. Finally, the conclusions are presented, and the main contributions and limitations of this study are enumerated.

2. Background

2.1. Relational marketing

The relational/relationship marketing is an evolution of traditional marketing. Both seek customer identification and satisfaction, but digital marketing offers unique features and depends on the ongoing collaborative effort between the seller and buyer (Hill & Perry, 2002). Therefore, individual customers assume relevance in sharing their values with the company. Sheth et al. (2015) state that in relational marketing the customer has value for the company over its lifetime, not only at the time of each purchase.

Relational marketing is sustained through a multidisciplinary approach. According to Egan (2011), relational marketing is a philosophy adopted in business administration, sustained by the acceptance of customer orientation and benefit by the entire company. The recognition of the client's needs should be accomplished through the search for new forms of communication to establish a deep and lasting relationship with customers, suppliers, and all intermediaries. The aim is to find new forms of sustainable competitive advantage that are not based on gaps in the relationship with customers, but also with all those who interfere or influence customer satisfaction, such as resellers, distributors, manufacturers, among others (Al-Shibly & Alkhawaldeh, 2017).

The use of technology by companies can result in a competitive advantage by allowing better communication with their customers. As Hong and Wang (2009) state, the company should seek to implement a relationship chain to meet the demands of changes that may occur over time. Technology also enables companies to keep track of communications with customers. This instrument is relevant to perceive the behavior of each client and to be able to identify ways of contact and define new forms of personalized and more effective communication.

Relational marketing also has an impact on product definition, pricing, and promotions. In the context of relational marketing, the client is an actor in the process of developing new products (Abdolmaleki & Ahmadian, 2016). Through a real-time interaction with the customer, the company formulates the characteristics of the product to satisfy the expectations and needs of its customers. The formulation of the price of a product is also changed, no longer being based on internal production costs. In relational marketing, the customer participates in the elaboration of the value of the product and enables the company to realize what value the customer is available to pay for this product (Alrubaiee & Al-Nazer, 2010).

Relational marketing offers significant advantages. Halimi et al. (2011) state that relational marketing facilitates differentiation and personalization of service. Moreover, the improvement of communication with the customer is a generator of higher profitability because satisfied customers are less sensitive to price (Homburg et al., 2005). Through relational marketing, it becomes possible to get free advertising through the word of mouth approach (Ngoma & Ntale, 2019). In this sense, the positive comments of a client influence its network of contacts, and an opportunity for new clients arises. Finally, relational marketing also contributes to greater customer loyalty (Auruskeviciene et al., 2010). The focus should be on stimulating loyalty and creating emotional bonds with the company's brand, which will help in customer retention.

2.2. The adoption of social networks by companies

Social networks are attractive to companies because they are easy to use, offer real-time communication, and gather information about the profile of individuals (Baumöl et al., 2016). However, Duane and O'Reilly (2017) state their adoption by companies is only effective if it is integrated into the company's business model and if there is the objective of amplifying the impact of internal and external communication.

The growth that has been felt in the adoption of social networks by companies is an indicator that there are benefits from their adoption (Al-Badi & Al-Qayoudhi, 2016). According to the same authors, there are business sectors that are positively more affected by social networks, such as marketing, recruitment and job search, customer feedback, business definition, and impact on crisis management. This situation allows us to perceive the relevance and scope of social networks for both private and public companies, as well as for national and local government entities (Criado et al., 2013; Jukic & Merlak, 2017).

Companies currently feel the need to connect with their customers. From the customers' perspective, people are increasingly concerned about their personal desires and want to be heard and valued. In this way, the company must understand the needs of its customers and provide them with what they are looking for. This can be achieved through social networks. Furthermore, Barker et al. (2016) point out that social networks can help the company to develop customer relationships by providing more effective marketing and new channels of communication and distribution. Social media offers the dual potential of winning new customers and retaining existing ones (Elena, 2016).

Despite the clear benefits that lead companies to be connected to social networks, some challenges and reasons can also be found that lead companies to not have a presence in social networks. Jagongo and Kinyua (2013) report that in some companies there is still a lack of computer knowledge and the perception that having a presence in social networks requires significant investment. Hysa and Spalek (2019) complement this vision by highlighting the lack of top management support for these initiatives. Finally, Al-Badi and Al-Qayoudhi (2014) highlight that some companies are unable to identify competitive advantages of their use, nor have sufficient resources to manage and maintain the use of the social network.

2.3. Practices in the use of social networks in SMEs

Networking is a key business resource for SMEs. Westerlund et al. (2009) state that trust and commitment within these relationships serve to reduce risks and uncertainties for the parties involved and improve the potential for doing good business. Through this approach, SMEs can build and maintain value with key customers.

The Internet has enabled SMEs to create mechanisms to achieve sustainable competitive advantage, with the social network as one of these mechanisms (Franco et al., 2016). Urban (2019) mentions that in the segment of SMEs there is a growing concern that they should get involved with social networks or risk losing the new opportunities that these media can bring. However, this vision is not shared by all SMEs, and for some of them, the practical value of social networks remains uncertain. Durkin et al. (2013) report that in some SMEs social networks represent a relatively insignificant communication tool.

The use of personal networks for effective business development has been addressed by authors like Kietzmann et al. (2012). In this study, it is mentioned that SMEs increasingly recognize that there is a business opportunity in the effective adoption of social networks, to build and maintain issues of trust and commitment with key stakeholders in their network and to improve the quality of networking relationships. As a consequence of the increased cohesion of social networks, there has been a shift in power in the business-client relationship (Eggers et al., 2017). The new technological platforms have given more power to customers. Through user-generated content, their expectations have increased accordingly.

SMEs cannot ignore the advantages associated with the use of social networks. Several authors highlight the advantages of social networks for SMEs, such as the creation of new businesses, the launch of innovative products, customer feedback and feedback, or internationalization (Masiello & Izzo, 2019; Ram & Liu, 2018). However, challenges also arise. Timmons and Spinelli (2009) indicate that the main challenge that is placed on an SME entrepreneur is to put the needs of the customer at the center of the business. As a consequence, the growing culture of an SME must be customer-oriented. Clients are no longer purely receptors of the company's products or services and should be seen as co-producers influencing the relationship the company has with them.

A fundamental study of the adoption of social networks by SMEs was conducted by Vásquez and Escamilla (2014). In this study, it is argued that to obtain competitive advantages in a globalized environment, SMEs must adopt five of the best practices in the adoption of social networks: (i) make it a marketing tool that offers competitive advantage; (ii) provide real-time information through viral marketing; (iii) allow the user to co-create advertising; (iv) provide energy to the user to influence the behavior of others; and (v) consider the advantages and disadvantages that can cause uncertainty. The study by Vásquez and Escamilla (2014) was also relevant in demonstrating through a quantitative study the indications reported by Durkin et al. (2013), in which it is found that many SMEs still have little knowledge of the potential of social networks in their business in areas such as the promotion of their products, brand positioning, or evaluation of the effectiveness of their strategy. Moreover, this theme becomes even more relevant in the context of the COVID-19 pandemic, in which SMEs have to make an additional effort to digitize their activities and business and find new means and platforms to develop their business (Almeida et al., 2020; Gilliland, 2020). In this sense, there is a large area of opportunities to disseminate and inform SME managers about the potential that a good social networking strategy can generate in their business.

3. Methodology

This study adopts a quantitative methodology through the implementation of a questionnaire distributed among Portuguese SMEs. According to Queirós et al. (2017), the quantitative methodology allows working with a large set of data and facilitates the codification, interpretation, and analysis of data. A questionnaire is a tool widely used by researchers to collect data based on the experiences (past or current) of respondents. In the data analysis, methods of descriptive statistics and graphical representation of the data were used to have an overall perception of the distribution of data. Additionally, the analysis of variance (ANOVA) was adopted to understand the relevance and impact of the control variables applied in the study.

Table 1 presents the structure of the questionnaire. It is composed by five dimensions (D): (D1) control variables; (D2) adoption process; (D3) benefits; (D4) good practices; and (D5) obstacles. The control variables are used to perceive and characterize each responding company. The adoption process dimension seeks to perceive the context of the adoption of social networks in each organization. The benefits dimension looks at five groups of benefits as presented by Masiello and Izzo (2019) and Ram and Liu (2018). Each of these dimensions is made up of a set of questions: (i) D1 has five questions relating to the identification of opportunities with suppliers and customers; (ii) D2 has four questions relating to sharing information with company stakeholders; (iii) D3 has five questions relating to the ways in which communication and innovation can be enhanced through the use of social networks; (iv) D4 explores through nine questions the cost reduction enhanced by social networks; and (v) D5 presents twelve that explore the role of social networks as a marketing strategy in the area of customer loyalty, sales, and internationalization.

Table 1

Survey structure

Dimension (D)	Question	Type
D1: Control variables	CV1. What is the size of the company? CV2. How old is the company? CV3. How many employees does the company have? CV4. What is the geographical region of the company? CV5. Which of the following activities best characterizes your company?	Multiple choice and checkbox
D2: Adoption process	AP1. Does the company use social networks? AP2. How long has the company been using social networks? AP3. What social networks do you use? AP4. Do you consider that being connected to social networks contributes to the identification of opportunities?	Multiple choice and checkbox
D3: Benefits	B1. Do you think that being connected to social networks contributes to the identification of opportunities? B2. Do you consider that being connected to social networks contributes to information sharing? B3. Do you consider that being connected to social networks contributes to communication and innovation? B4. Do you consider that being connected to social networks contributes to cost reduction? B5. Do you consider that being connected to social networks is a marketing tool?	Linear scale
D4: Good practices	GP1. Alignment of processes and strategies GP2. Investment in an IT structure GP3. Integration of SCRM with customer service GP4. Carrying out analysis on customer feedback GP5. Development of performance metrics GP6. Product life cycle integration GP7. Traditional CRM implementation GP8. Promotion of transparency and participation GP9. Contact the most loyal customers	Linear scale
D5: Obstacles	O1. Lack of human resources O2. Lack of time O3. Lack of accessibility O4. Lack of executive/management support O5. Lack of quantifiable business benefits O6. Lack of interest in social networks O7. Lack of confidence with this technology O8. Social networks are difficult to use and require specialized knowledge O9. Social networks are only for games, friendship, and entertainment O10. Cultural barriers O11. Safety concerns O12. Excessive corporate exposure	Linear scale

The good practices dimension seeks to identify the relevance given by SMEs to each of the good practices. The dimension relative to the obstacles explores the inhibiting factors of the adoption of social networks by SMEs. This last dimension of the questionnaire is only answered if the respondent in question AP1 indicates that the company does not use social networks. In this case, it becomes relevant to understand the reasons for its non-adoption. From the benefits dimension to the obstacles dimension was used a Likert scale of 5 levels (i.e., not important, slightly important, moderately important, and very important.

The questionnaire was sent to the Portuguese SMEs registered at the "Instituto de Apoio às Pequenas e Médias Empresas e à Inovação" (IAPMEI) in the period of 8th June 2020 and 4th July 2020. The questionnaire was created on the Microsoft Forms platform and sent by Sendinblue which is a SaaS solution for relationship marketing. The profile of Portuguese SMEs includes companies with less than 250 people and an annual turnover fewer than 50 million euros. It is important to mention that in this study micro-enterprises were excluded, defined as companies that employ less than 10 people and whose annual turnover or annual balance sheet total does not exceed 2 million euros.

A total of 250 responses were received. However, 44 responses were considered invalid because more than 50% of the questions were not answered. In this sense, the final sample consists of 206 SMEs. Table 2 summarizes the characteristics of the sample. The data were analyzed using SPSS v.21 software. The sample is composed essentially by small enterprises (77.18%) which is aligned with the characteristics of the business structure in Portugal, which is essentially composed of small and micro enterprises (Marques & Couto, 2017). Most of the companies have more than 10 years of activity in the market (48.06%) and between 10 and 49 employees (50.49%). Regarding the location of companies, the sample includes essentially companies in the North (33.50%) and Lisbon Metropolitan Area (25.73%). These data were grouped considering the NUTS II of Portugal. Finally, the three main activities of the companies in the sample are services (38.84%), commerce (24.76%), and industry (17.96%). This sample is in line with the importance in Portugal of the activities of trade and services, which have had strong growth in the last two decades due to the reduction of the weight of industry (Costa, 2019).

The Cronbach's Coefficient Alpha was applied to the various dimensions and was used to measure the internal consistency of the questionnaire. According to Cho and Kim (2014), this coefficient can be used to measure the degree of consistency of items within the same construction, and this value must be greater than 0.7 (scale of 0 to 1) to ensure the homogeneity of items. Table 3 confirms that in all constructions the value of Cronbach's Coefficient Alpha is greater than 0.7.

Table 2

Sample characteristics

Variable	Absolute Frequency	Relative Frequency
Size of the company		
Small company	159	0.7718
Medium company	45	0.2184
Not answered	2	0.0097
Number of years of activity		
Less than 1 year	8	0.0388
Between 1 and 5 years	42	0.2039
Between 6 and 10 years	54	0.2621
More than 10 years	99	0.4806
Not answered	3	0.0146
Number of employees		
Between 1 to 9 employees	74	0.3592
Between 10 to 49 employees	104	0.5049
Between 50 to 250 employees	25	0.1214
Not answered	3	0.0146
Geographical region		
Alentejo	14	0.0680
Algarve	17	0.0825
Lisbon Metropolitan Area	53	0.2573
Center	36	0.1748
North	69	0.3350
Other	14	0.0680
Not answered	3	0.0146
Activities		
Agriculture	12	0.0583
Commerce	51	0.2476
Industry	37	0.1796
Services	80	0.3884
Tourism	6	0.0291
Other	17	0.0825
Not answered	3	0.0146

Table 3

Reliability analysis of constructs

Construct	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No. of Items
Control variables	0.729	0.746	5
Adoption process	0.772	0.789	4
Benefits	0.885	0.892	22
Good practices	0.952	0.952	9
Obstacles	0.856	0.857	12

4. Results and discussion

4.1. Adoption process

Table 4 gives a brief description of the data collected regarding the adoption process dimension. More than 75% of SMEs report the adoption of social networks. Most of these companies (37.28%) use social networks between 1 to 5 years,