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Social Media Impact on Business Evaluation

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Abstract

In a highly globalized and competition driven business world the role of social is growing. Social media is increasing. The social media has become a tool for marketing. Nevertheless the evaluation of investments in the social media and its benefits is still lacking. The proposed Stella-Excel model is based on scientific research, statistical data and observations of social media user online interactions. Five of the largest restaurants located in Jelgava town were assessed. Research period: 2015 – 2016. Partly structured interview method is used to acknowledge opinion of restaurant owners' or employees' about the impact of social media activities on the business environment along with a questionnaire to examine social media usage habits is deployed. Results show indicate that the social media has an impact on the restaurant business and customer habits in Jelgava town, however none of the assessed restaurants have gained the maximum benefit. The designed model is suitable for assessing the benefits of investments in the use of social media in other business fields.

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1. Introduction

In the globalized world the geographical and theoretical distance holds less of an importance for the politics, trade and other parts of life¹ while the interests of the citizens and the entrepreneurs depend on and are linked with the global trends. Besides the the and communication the perspective of how businesses and states organize the

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production, trade and capital investments, creation of new services and products and the corresponding marketing activities². The new economy creates conditions for such companies which organizational logistic is organized based on a network structure incorporating the new Technologies, thus facilitating coordination, control and communication³.

This is further enhanced by the increase of the internet speed and the number of users possibly leading to the majority of world's population participation in any sort of social networks by 2025⁴. The entrepreneurs are paying ever more attention to the role of the social networks in order to gain as much of the economic good as possible. The newest tendencies in the internet marketing and business communication indicate that the impact of the social media continues to grow. Some parts of community actively communicate with this tool, while the others are trying to adapt themselves, while all of them are interested to organize the communication of their company in the social media in the most effective way. If before the social media marketing could be considered a non-traditional method of marketing, nowadays it is a fully fledged tool. Besides in the settings of highly competitive environment the importance of the social media in the entrepreneurship increases⁵. The statistics gathered by the bureau of statistics "Eurostat" in 2015 indicate that 75% of EU entrepreneurs are using the social media for marketing purposes of their produce while the same proportion of companies have a web-page. In Latvia only 58% of companies do (in Lithuania – 78%, Estonia – 80%), therefore it can be assumed that social media use literacy of the Latvian companies are rather low⁶. Taking into consideration that in the second half of 2016 Latvia was considered to have the 6st fastest broad-band internet connection in the world and 4th in Europe⁷ and that the internet service in Latvia is one of the most accessible from the price perspective (most significantly for connections with speed of 4 to 8 Mbps – by 47% cheaper than the average in Europe)⁸ overall 78% of citizens are using internet daily, and 79% of internet users are shopping online. These facts indicate that the citizens of Latvia are open for further use of social media marketing⁹.

On the one hand, the speed and quality of the internet connection is high, and the clients are available for targeting by marketing, meanwhile on the other hand, the beneficial environment is not used to its full potential. As it is indicated by the deputy head of the association of the public relations companies, Ms Julija Nikitina, the rather low activity of the companies within social media platforms when compared to the results of other countries is a proof of the low levels of the return of investments index due to the limited scope of Latvia's market and the limited finance resources of the entrepreneurs¹⁰. There are different methods for estimating the return of investment in social media. Authors underline that one cannot simply base the assessment on the number of profile followers, because the large quantity of users does not fully reveal the real activity, since even as much as 50% can be fake profiles¹¹. Besides not all of the social networks are equally popular among users, thus the most visited networks will be the ones in which the cooperation with the client is the best. From the perspective of the company it is important to know whether the social media user is a potential client who is looking for offer, a regular client who is using the produce, or is he shaper of attitudes within the social media scape¹². In order for the communication to reach its aims the entrepreneurs, social media professionals are needed, which requires a considerable amount of financial resources. Is it worth to pay money for management of social media accounts? That is a question that is often asked by the many SMEs in Latvia. The answer is ambiguous, since the narrow market situation in Latvia defines that rarely does it pays off to invest into the services of an agency for it to manage these social accounts, to publish high quality advertisement articles, in order to. In addition at the entrepreneur should not forget that the social media campaigns are closely integrated within the companies marketing plan¹³.

Meaning that the problem when trying to evaluate the ROI from the social media lies not only in the complexity of methods used for the assessment, but also in the limited resource availability within the small and medium sized companies, which defines the settings for choosing a more accessible evaluation model. The aim of research is to create the social media impact on the business (restaurant business) assessment model, which would be suitable for SMEs. In order to reach the goal, following tasks are formulated: 1) to conduct an analysis of the scientific literature and other sources about the social media, benefits from investing in them and assessment of social media impact; 2) to identify the social media scape in Latvia in relation of its impact on the restaurant business; 3) to create a social media impact on business assessment model 4) to carry out validation of the social media model on the restaurant business; 5) to gather theoretical guidelines, results of modelling and to formulate the conclusions.

Methodological foundation of the research: the methodological foundation is based on the research on the social media, return on investment in social media and impact of social media on the business. For the assessment of the

social media impact on the restaurant business in Jelgava two research methods were used – partly structures interviews and surveys via internet. Two research methods were used in order to acquire comparable data in relation to the attitude of the entrepreneurs regarding the use of social media on the restaurant environment in Jelgava. The model was created based on statistical data, interviews and the results of a survey, as well as the data gathered within a Jelgava restaurant service monitoring carried out by Ms Kulikovska for the period from 1 February to 1 May 2016. The novelty of the research: the novelty is based in creation of a social media impact on the SMEs model, along with its adaption to the restaurant business. Significance for national economy: the research can contribute to the creation of the overall understanding about the social media impact on the business; help in the process for creation of a business plan and creation of business politics.

2. Theoretical framework

There is no single social media definition; since some believe that 1) social media contains separable types of information (text, video, audio, PDF, PowerPoint etc.)¹⁴; 2) others define the social media as internet user-sets, which helps create a closer link between the internet users with help of their own created and shared content¹⁵; 3) social media can be viewed also as a tool-set of software which allows for the users to share information, interact and to create social groups¹⁶; 4) that social media is a set of internet use that underlines the participation of users in the creation of content, exchange with the content, as well as mutual user interaction¹⁷; 5) that user interaction is characterized by direct contact between the creator and user of information¹⁸.

Also there is a dynamic interpretation of understanding when trying to define the difference social media and social networks. The authors stress that the dawn of the current social medias to this day can be traced back to as early as 1997 when a new website based in New York sixdegrees.com introduced a brand new type of service¹⁹. Since the end of 20th century the concept of network has been widely used in most cases when trying to define computer based technical infrastructure. Meanwhile since 2004 when the Web 2.0 begun with such social media platforms as blogs, the term network is more related to the social media platforms and has been used for defining social phenomena and social practice²⁰.

The term social media is used only when describing such web based platforms which offer the internet users with the possibility to interact. In the case of Web 2.0. the users have the opportunity to use web browser based user interfaces, such as, photos, video, text information, as well as to Exchange with it, or to create groups based on interest into the specific materials. Thereby the author concludes that such platforms for publishing can be called social media. The term is defined as textual, image and video based exchange and interaction through the World Wide Web. The authors stress that unlike the traditional media, the social media offers the social dialogue. This is the reason for the high popularity of social media platforms as Facebook, Twitter etc.²¹

By summarizing different opinions it can be concluded that the social media is a tool which allows for the users to place and perceive information of different type and form of publishing thus it can be used as a tool for marketing purposes, which requires constant updating. It is a tool to be used for acquiring the most limited resource – attention of the public which is a key for reaching the business end-goals. There are some technological challenges related to the new trends of use of social media, change in the media economic is evident – valuable groups of internet users are addressed in an individualized manner. The social media is continuously changing. This applies to both the content and the technological basis and creates a need for the companies to continuously check for the trends in the content use^{22, 23}.

The social media offers the companies a chance to gather information, monitor the opinion of users, involve the targeted audience in a dialogue about the products, services, or other questions. The social media theories and concepts are defined by 1) the marketing principle which manifests itself in the users following a specific corporate user profile in the social media, as well as the dissemination of its content; 2) as functional interactivity – social media power to ensure reflexive bound, by technologically including in the web platform a possibility to comment, share content, and other forms of expression, also as the limited-access interactivity when the centre of attention is around the user habits while using the technologies²⁴ 3) Groundswell concept that social media is based on

personality and less on technologies. A concept of socially technographical profile is offered when the companies need to know their client technographical profile²⁵.

For the content analysis of social media, the authors suggest the use of cellbased approach model also known as “4C” approach: 1) cognize and understand the social media environment, by determining the social media functionality, as well as the opportunities for user engagement opportunities; 2) congruity – which according to different social media functions and goals of the company is a necessity for creation of a strategy; 3) curate – the company needs to participate in conversation within the social media ; 4) chase – the content of the social media has to be analysed, while the impact of the flows of information on the position of the company’s market situation – understood²⁶.

The return of the investment in the social media is difficult to assess (Return-on-vestment) (ROI) due to the indirect means for achieving it. There have been multiple attempts at trying to estimate the social media out-reach success through the use of social channels, because companies are mostly connected with number of website views, subscribers of e-mail lists. etc^{27,28}. Authors agree that these along other models which for obvious reasons require adjustments are suitable for estimating of ROI value. Nevertheless the questions is still open about pursuing these calculations for small and medium enterprises (SMEs) in the current economic situation, as well as the limits defined by the relatively small size of the Latvia’s market and the limited financial ability of local entrepreneurs. It should also be understood of what kind of impact the social media can create on the companies.

The authors propose to base the assumptions for the estimation of the social media impact on the 1) recognition that the user is part of at least one of the social networks from the Big Four (Facebook, Twitter, LinkedIn, Google+); 2) the best and worst social media investment scenario^{29,30}; 3) the attitude of entrepreneurs and employees towards social media impact on the business environment, client surveys, while assessing their social media use habits; 4) the average social media marketing tool introduction costs. However the possible limitation for carrying out a precise assessment of social media ROI should not limit the investments in them, because only by investments in the modelling tools it is possible reach the best results. The purpose of the social media ROI method is to identify the revenue potential through more detailed data gathering and analysis. The impact of social media on the business is most evident if there are available the ROI results along with the analysis of greater results, customer surveys and analysis of decisions by the upper management.

3. The stages, conditions and the summary of the of the social media impact on the business assessment

The research on the impact of the social media on the business was carried out in the following stages: research on the ROI connections with the main results, customer surveys and analysis of decisions by the upper management.

- The selection of respondents, methodology for survey and expert interviews and summary

The authors assessed the target groups of restaurants of Jelgava town and their social media use habits. The sample size was calculated based on the overall work-able population of Jelgava 35 326 inhabitants^{31,32} and was calculated at n =178. The survey revealed that 93% of respondents attend restaurants at least once a month.

Out of restaurants of Jelgava the five most popular were indicated: Chokolade&Pepper, Plate, Coffee&Wine gallery, Hercogs and Tami-Tami, which further in this paper are coded randomly by the indexes of R1, R2, R3, R4, R5. Almost 70% of respondents are ready to pay for the meal more than €60 (which is due to the higher income than the average in the country).

The social media habits show that Facebook (38%), LinkedIn (8%), Instagram (24%), Twitter (7%) and Draugiem.lv (20%) are used in 83% cases more than once a day. Meanwhile the visit of a restaurant is most encouraged by photos (25%) contests, gift and voucher campaigns (23%) and as third – textual posts (19%). More than half (56%) indicated that the post-updates encouraged them to return again, while 34% stressed that they are actively using the vouchers while the same amount expressed willingness to acquire them.

Managers and the lead specialists of the five restaurants were interviewed. The interviews revealed that the survey participants fully understood the impact of social media on the restaurant business, while paid less attention to the social media marketing and were not using all of the available tools for customer acquisition. The Facebook

was deemed of being the most popular social media platform for all of the previous participants.

- The Agencies’ costs for management of social networks

Assessment of agency costs for network service kit: including everyday posting, monitoring, preparing of visuals, monthly reports altogether reached costs of €1084 which was paid by all of the restaurants involved⁴².

- The average calculation of voucher in restaurants in Jelgava

The meal contains appetizer, main course, dessert, a glass of wine with the average price of €1.42 in R1, and €1.92 in R2, €19.09 in R3, €19.59 in R4, and €20.63 in R5.

- Social media impact on restaurant business methodology and 1st stage of assessment

Based on the interviews, authors assessed the true impact of the medium on the restaurant business (see Table 1) with the use of reverse Likert scale: from 1 (high) to 5 (lowest). The highest possible set of social media impact value on the restaurant business would be 4 points, while the lowest – 20.

Table 1. Social media impact on restaurant business test results.

Social media	Allegation	Points				
		R1	R2	R3	R4	R5
Facebook	A dedicated page has been created	1	1	1	1	1
	Content is updated every day					
	Photo updates	3	2	5	5	3
	Vouchers, contents, marketing campaigns.	4	3	4	4	3
	Textual submission	4	3	4	4	4
Sum:		12	9	14	14	11

The conclusion on the summary of results (see Table 1) by the authors is that none of the assessed restaurants in Jelgava has acquired the maximum gain from the use of social media, thus missing an opportunity to connect with their existent and potential clients and thus non reaching income.

- The methodology and 2nd stage of assessment of social media impact on the restaurant business

The assessment of the social media impact on the business ROI was carried out by the following formula:

$$ROI = \frac{\text{Gains from Investion} - \text{Cost of Investment}}{\text{Cost of Investment}} \tag{1}$$

The 2nd stage of social media impact assessment is based on both the returned values of ROI per Client and the Social media impact on restaurant business test results. Thus the ROI per client is further matched by the reversed test results of the corresponding restaurant. As a result the ROI co-efficient can be calculated thus estimating the return from both the invested financial resources and the invested time and efforts in the form of a well chosen and placed social media activity.

4. Description of Social Media Impact on Business Evaluation Model

The Social Media Impact on Business Evaluation Model (see Fig. 1) consists of 6 global element blocks: Social Media Followers, Clients, Purchase of Meal, Investments in Social Media, Turnover and ROI of SocMedia. The model is simulating the potential ROI impact of the use of social media by the five largest restaurants in Jelgava town. Each of the elements of model is based on an array thus allowing to simultaneously modelling the situation in all five by defining the inputs first hand.

The Social Media Follower block includes the Followers Dev, Follower Growth and Follower Dynamic defines and analyses the dynamics of social media follower growth, while taking into account the actual growth tendencies. The Clients block defines the overall number of followers which are using the vouchers provided by the restaurants via the social media. The Engage Margin Dev calculates the standard deviation of the median margin of followers which are to possibly become the clients. The Client Base process continuously depicts the number of potential clients which are to purchase a product with the use of voucher. Meanwhile the purchase or the Purchase of Meal block and Turnover block allows calculating the possible turnover while assessing the overall number of potential clients and their monthly purchase. The purchase is based on the average costs of the meals served for the clients with the voucher offer.

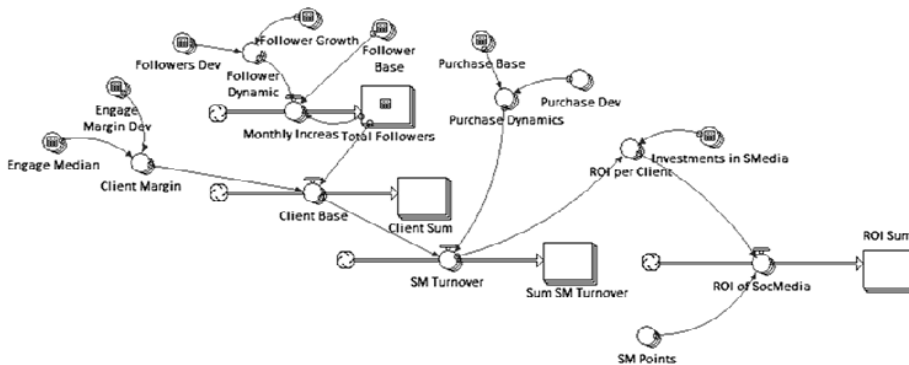


Fig.1. Social Media Impact on Business Evaluation Model STELLA .

Lastly the ROI of SocMedia allows to calculate the potentially returned value for each invested euro while taking into account the use of social media benchmarking. It has to be noted that due to the open competition the social media monitoring and upkeep costs may vary widely. As a result the overall ROI of investment per each euro may not only be dependent on the price policy and the extent of the follower base, but also on the quality of the separate social media activities.

5. Conclusion

The overall task of creating a concept model for estimating the social media impact on restaurant business was achieved. The approach indicated that the creation of a functioning multipurpose business process analytics model requires a wide variety of highly detailed statistical data. The concept model presents a clear outlook on the potential impact and the further benefits of the use of social media for attracting visitors to the local restaurants and the choice model as a tool for reaching this end-goal. It should be noted that there is a necessity to develop a clear methodology for data-mining related purposes. It is challenging to clearly attribute the information describing the actual client base and users of vouchers with the actual follower base of the particular restaurant thus questioning the traceability of a certain social media activity. Should this obstacle be overcome with the use of a sophisticated tracking mechanism it would be possible to attribute a specific social media activity to the particular decision to use a voucher/or to purchase a particular product. This could be achieved in a form of a specific signature attached to each voucher based on the social network of choice and the relation of its user to the follower base of the particular restaurant. Due to the current lack of traceability it is evidently difficult to tell whether a certain product has been purchased due to its genuine appearance on the social account follower’s timeline or whether the voucher has reached its end-goal by being seen by a non-follower in the form of a re-post by others.

The novelty approach to the problem of ROI assessment presents a window for further investigation in order to not only calculate the actual return from each invested euro but also its interrelation with the quality indicators of the social media thus allowing for a further comparability between restaurants as well as companies of a same type but with different attributes.

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