



7th International Strategic Management Conference

To Be or Not to Be in Social Media Arena as the Most Cost-Efficient Marketing Strategy after the Global Recession

A. Kazım Kirtiş^a, Filiz Karahan^b*

aÇanakkale Onsekiz Mart University Biga FEAS, 17100, Biga Çanakkale, Turkey
bÇanakkale Onsekiz Mart University Biga FEAS, 17100, Biga Çanakkale, Turkey

Abstract

The economic recession affects the firms' marketing strategies as well as consumers' perceptions and behaviours. During and after recession, marketing function plays a vital role to survive or stay profitable and consumer-responsive. Recently, one of the most distinctive ways the firm lowers its costs is by turning to social media marketing. Promoting brands and other marketing activities through social media doesn't cost the firm so much then it is widely evaluated as the most convenient instrument to market products to the target segment especially in these difficult times. Social media which allows anybody to become a producer of such content and deliver it through interactive communication in the form of pyramid based on relationship is recognized as the most potentially powerful tool in business practice so marketers are intensively using social media to realize their strategies in a lower cost. This paper is investigating whether firms spend less money via social media to realize their marketing strategies comparing with traditional media as well as the importance of social media for the marketing area.

© 2011 Published by Elsevier Ltd. Selection and/or peer-review under responsibility of 7th International Strategic Management Conference

Keywords: Economic crisis, global recession, cost-efficiency, social media, marketing.

1. Introduction

Firms have been affected by the global recession so they have developed crisis strategies and looked for new tactics for this global challenge. Whilst they are searching new tactics, reaching and understanding lots of consumers and their likely changing attitudes and behaviours due to the crisis became vital for the firms during and just after this economic turmoil. Recently, one of the most conspicuous tools which firms have used to get their goals is social media, with its all means.

Social media, which begins as an entertainment tool in the beginning, then became the most recent marketing phenomena because of its remarkable advantages in business area. Social media is used because it has time, audience, relations and cost advantages. Costs can be reduced through social media as

* Tel: +90 286 3358738 Fax: +90 286 3358736
E-Mail address: filizkarahan@comu.edu.tr

the distribution part necessary in mass media, is got rid of. Most social media outlets are accessed free of charge. Besides, the development of target groups and issue-by-issue advertising and promotion are available at a lower cost (Hun, 2010).

Due to its particularly cost reducing affects, it's considered that it has become the most preferred marketing driver among business environment under economic turmoil. For this reason, firms have preferred to employ social media as the best way to reach their customers after the global recession, as the recent economic crisis. Researches about the issue also show that both small and big firms have allocated more resources to social media.

The global financial crisis has appeared in the last quarter of 2008 with the collapse of various large United States financial firms and spread promptly leading to a global economic turmoil (Ellaboudy, 2010). Eventhough the opposite was long hoped concerning the financial situation of the world, today it could be said that even 2010 has also started under the effect of the global crisis. In the past three years many attempts to solve this issue and restore a rhythm of growth, the recession has influenced numerous countries and their prospects as well (Totir and Dragota, 2010).

Consequently, this paper studies the relationships among the last global recession as a kind of economic crisis, social media and marketing strategies of firms. It presents a general overview on the issue that social media has become important for the firms as a marketing strategy especially during and after economic crisis in terms of its cost advantage as well as its time, mass audience, relations advantages. This paper is a pre-study of another empirical study which investigates how much firms' marketing budgets decline with social media comparing with traditional media in practice and the paper which is having the feature of a literature review, enriching with some results of the related surveys, could be supportive for further research.

1.1. 2008 Global Recession and Marketing Strategies

Recessions seem as one of the most crucial environmental threat to an organization's viability and continued profitability (Pearce and Michael, 2006). The last global recession was actually a global banking crisis which stems from sub-prime mortgage credits appeared in the US in the last quarter of 2008 and then extended throughout the world (Batrel, 2008). This financial crisis is dubbed as the biggest financial crisis since the great depression by many people, including President Obama and the "rescue from the recession" has been expected to reach to \$2 trillion (Lewis et al, 2010).

Firms are also influenced through different ways by economic crises. Some firms may be obliged to close down and many others may decrease their production capacity due to insufficient consumer demand because of the strict competition in the marketplace. In addition, input prices may increase and it means higher costs for companies so they fatefully increase their prices and this becomes a disadvantage for firms in terms of their competitiveness (Köksal and Özgül, 2007). Firms need to make convenient changes in best-known measures like reducing costs, reducing production capacity and investment, using more with equity capital and improving efficiency (Pearce and Michael, 1997; Zehir, 2005).

Companies which tend to arrange their advertising budgets according to the sales so they increase their budget when sales are good as well as decrease it when sales are low (Aaker et al, 1992 in Picard, 2001). By this way, during a recession marketing plays a vital role (Cundiff, 1975 in Ang, 2001). New products positioning in new market segments as well as developing a distinctive product mix for the market was accepted smart marketing activities during economic trouble (Freiman, 1980).

1.2. *Social Media and Marketing*

Today’s web activities generally include “social media related activities”. “Social Media” term roughly means different ways which internet users interact with one another online, and involving activities like creating and commenting on blogs, sharing contents or communicating with friends via social networking sites like Facebook or MySpace. When new members join such a site, they typically create an online profile page which makes them get in touch with other members via like email or instant message (Broek et al, 2009). There is a wide range of social media such as YouTube and Flickr as social sharing sites via social Networks like LinkedIn and Facebook (Hensel and Deis, 2010).

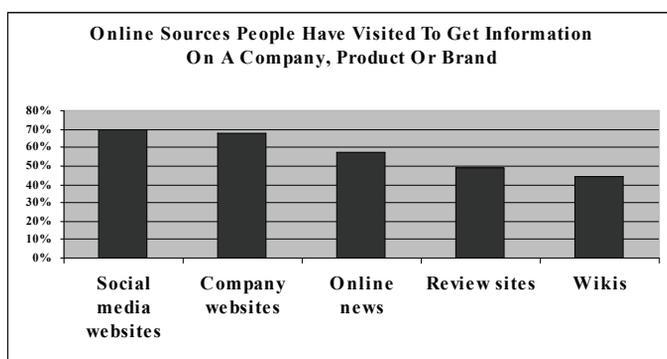
From the point of marketing research, there’s an opportunity to help create a brand via community of customers whose behaviour and comments within the site can constitute valuable. One approach within the market research has been created for communities of users for a product or service. Additionally, the data can be sorted by postcode and used in conjunction with services (Hardey, 2010). Further, Dainasa et al (2010) stated that with the advent of the social web, the new marketing segments were created by what they do and feel.

According to Ward (2010), social media is one type of online media accelerating communication like conversation in contrast with conventional media which doesn’t allow readers to participate in the creation of contents.

On the other side, Thomas (2010) said that social media is “CRM for millennia” but not a just simple marketing tool and its form may be different in the future but it’s not going away. According to McKinsey’s report for the firms using social media points out that the more firms network, the more successful they become on the long-run benefits due to gaining from multiplicative effect of it. This is because the more the firms learn as being highly networked, the better they perform (Shearman, 2011).

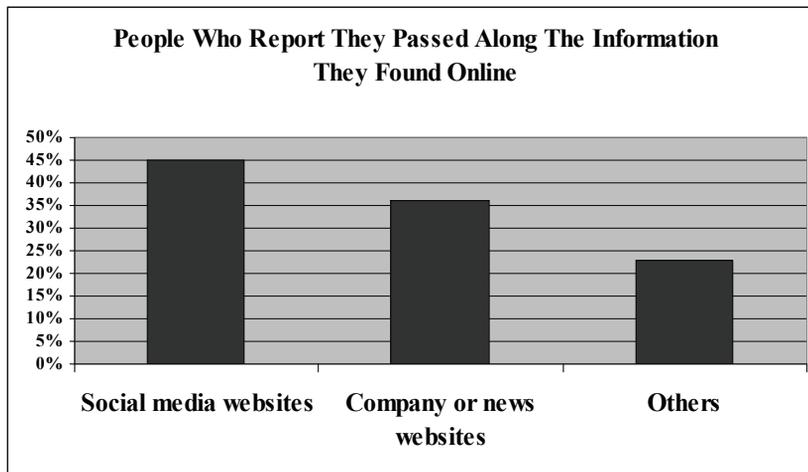
As seen in Table 1, a research looked for the impact of social media on purchasing behaviour shows that 70 percent of consumers have used social media websites like social networking sites and blogs as much as firm websites to take product or brand information. 60 percent of people stated that they are likely use social media websites to deliver information. In an addition, almost 60-70 percent of people said that recommendations from other people online are valuable, credible and honest (DEI Worldwide 2008).

Table 1: Online Sources People Have Visited to Get Information on a Company, Product or Brand



49 percent of these consumers made a purchase decision based on the information they found through social media sites in 2008. On the other hand, 60 percent of people in the same study said that they are likely to use social media sites to pass along information to other online; 45 percent of people who searched for information via social media sites engaged in word of mouth compared to 36 percent who found information on a company or news site (DEI Worldwide, 2008).

Table 2: People Who Report They Passed Along The Information They Found Online



According to Fisher (2009), marketing decision makers are under pressure between participating into the new online communications available and demand to justify the cost using traditional advertising tools. Luke (2009) stated that social media is very important for marketing environment. He found that 60 percent of planners averaging at least 16 online leads per year use social media. He also presented that especially financial planners use Facebook with large social network. On the other hand, LinkedIn was created just for business professionals, also get opportunities for decision makers.

As Steinman and Hawkins (2010) stated, the viral feature of social media makes it fantastic for business environment. Advertisers have carried out their promotions through social media to take high attention and participation by consumers to maximize their brand exposure.

Firms try to realize their aims through social media (Murdough, 2009). They deepen their connections with consumers to get a great audience and encourage continuous interaction with the brand. Additionally, they try to drive purchase intent to persuade engagement with web site content and utility.

Twitter is the most commonly employed corporate social media venue, but corporate Facebook pages have increasingly more “like”s than Twitter accounts have “followers”. Twitter and Facebook websites are driven by different missions. Twitter is an excellent platform for companies to communicate instantly with stakeholders. Facebook is suitable tool for creating communities among stakeholders. Companies strategically need to take into consideration about their business goals and use appropriate social media tools for suitable goals (www.slideshare.com)

On-line groups which communicate with each other in social media are beneficial for firms since they provide cross-selling opportunities to distinct groups sharing the same platform (Hodge, 2010 in Hensel

and Deis, 2010). These platforms serve quick feedback and provide firms immediate signs of what is needed to solve concerning problems. He also stressed that firms are designating means of social networking sites. For instance, LinkedIn is often used by Human Resources departments to find proper candidates as well as using of “glassdoor.com” for employees to post reviews of their workplaces for retention benchmarks by businesses.

2. Social Media As A Marketing Strategy After Economic Recession

The emergence of new media like online search and display advertising, video games, online user-generated contents and word of mouth marketing mean both the advantage and the disadvantage for the firms. For this reason, marketing decision makers should optimally allocate firm’s resources how they obtain maximum profit for the firm (Daj and Chirca, 2009). Additionally, firms could get free marketing data by social media (Hardey, 2009).

The global recession raises challenging questions for the vitality of the business climate and how it influences marketing budgets and aims. When firms face to an economic crisis, marketing budgets are the first to be reduced by firms to decrease costs as a whole (www.onlinereadingcorner.com)

Nowadays, it’s considered that marketing decision makers will increase their online budgets while they lower the budget for the traditional marketing tools. For this reason, firms try to find out how to use social media to develop their CRM as well as ongoing relationships and creating loyalty (www.ameinfo.com).

Social media is crucial for both small and large businesses when using the internet to get success and even 75 percent of small businesses have a company web page on a social networking area (blog.promoqube.com). The crisis can be a merely opportunity to develop new policies, vision and strategies so social media as a new strategy could be a unique opportunity during and after crisis.

Firms are looking for more innovative and cost effective ways to market their products or services and are paying more attention to social media as a powerful survival tool. It seems that the rate of shift change from traditional media to social media increases especially after the recession.

For the debate of whether social media is the best way for an effective marketing campaign, Gibs (2009) answered that it is the next great inventory for content discovery, but it generally depends on the situation. When consumer look for the product information, social networking sites like Facebook and blogs are becoming crucial. Swedowsky (2009, in Hensel and Deis, 2010) stated that facebook traffic has increased over 200 percent and Twitter traffic has increased over 1500 percent from 2008 to 2009.

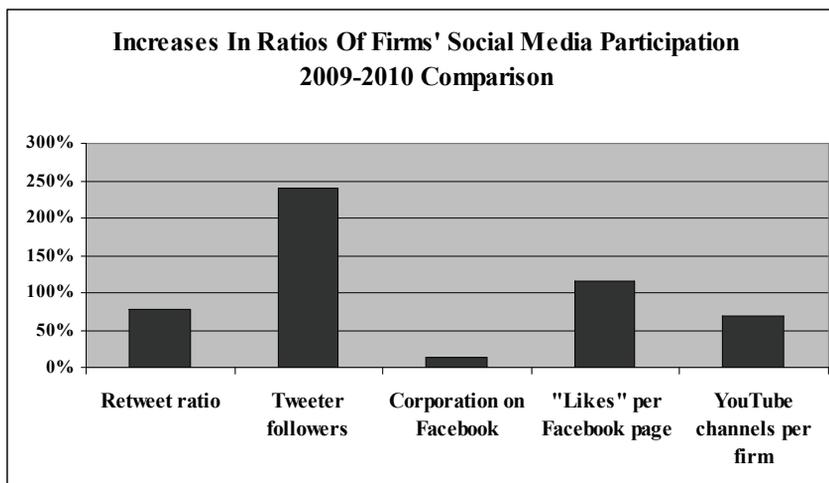
Social applications can be almost free and even serving more sophisticated communities through cheaper comparing with a big sized advertising campaign (Bernoff, 2008). Because most social media sites are free or have minimal costs, the time recruiters spend posting status messages, responding to comments, blogging, and the like represents the biggest cost (Zappe, 2010).

Burson-Marsteller Research, Global Social Media Check-up 2011, shows that global Fortune 100 firms are increasingly using social media instruments. In the research, firms’ twitter, facebook, Youtube and corporate blogs applications were investigated. According to the results, 25 per cent of the firms actively use both four social media platforms, whilst 84 per cent use at least one of them. Comparing with the last year, there’s 6 per cent increase (www.slideshare.com).

For both big and small firms, social media serves the purpose in better way comparing with the traditional media. It has become the best instrument to reach the customers globally and receive their valuable feedback. It can help both big and small sized firms to advertise their products and services at very meager rates, or in some cases totally free as a survival for economic recovery. Users are allowed to access classified free ads and tradeshowes (www.onlinereadingcorner.com).

On the other hand, firms not only participate into these platforms but also use them actively as a marketing tool, such as retweet – transmitting a user’s content to the others- ratio increased 78 percent comparing with the last year. Besides, numbers of twitter followers per a firm skyrocketed 241 percent comparing with last year. Furthermore, the percent of corporations on Facebook increased by 13 percent. The number of “likes” per Facebook page rose by 115 percent globally. Firms, correspondingly, put more posts on the walls as to the last year. There’s also 69 percent increase in YouTube channels per firm globally. Firms heavily use YouTube pages to advertise their brands. On the other hand, there’s no significant rise in corporate blog use globally. (www.socialmediatoday.com)

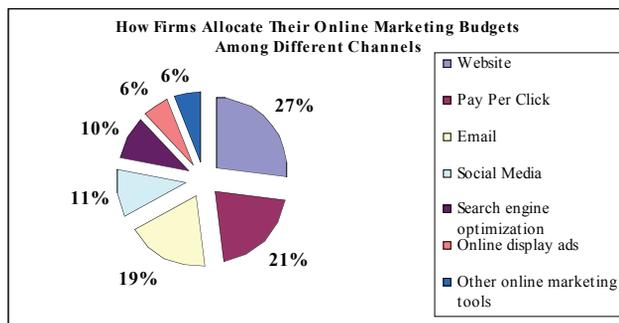
Table 3: Increases In Ratios of Firms’ Social Media Participation (2009-2010 Comparison)



According to the same resource, 53 percent of marketers stated that they increase their social media budget during a recession while 42 percent don’t change, a total of 95 percent of marketers are increasingly employing social media marketing. The reasons are clearly seen that it’s inexpensive and the advantage of cost-effective word-of-mouth strategy seems very attractive. Because it is a new media tool, the budgets are small. When it is asked how small it is, almost 75 percent of the firms have \$100.000 of less budgeted for social media marketing. Although the budgets are small and growing during an economic recession, firms need to generate a suitable strategy with right objectives and processes (www.web-strategist.com). Even though the budgets are small and growing during a recession, yet brands shouldn’t approach this as an experiment, and should have a proper strategy complete with objectives, roles, processes and measurement.

MarketingSherpa’s Social Media Marketing Benchmark Survey presents that social media’s share of the online budget is now at 11%. As presented in Table 4, survey results show how the budgets are distributed among different channels. According to the data; 27 percent of the budget goes to Website, 21 percent goes to Pay Per Click [PPC], 19 percent goes to Email, 11 percent goes to Social Media, 10 percent goes to Search Engine Optimization [SEO], 6 percent goes to Online Display Ads and 6 percent goes to the other Online Marketing tools (www.wiredprworks.com).

Table 4: How Firms Allocate Their Online Marketing Budgets Among Different Channels



At the recent research HubSpot stated that small and large businesses allocate their marketing budgets through various ways. The data was obtained from a study based on a survey of over 600 professionals having knowledge about their firms' marketing strategies. The data shows that, small firms intent to allocate more of their budgets on social media than medium-to-large businesses in 2011 (blog.hubspot.com).

3. Conclusion

Firms are also affected through different ways by economic crises. Some firms may need to close down and many others may reduce their production capacity due to insufficient consumer demand because of the competition in the market arena. In addition, input prices may increase and it means higher costs for companies so they unavoidably increase their prices and this is a threat for firms in terms of their competitiveness. Firms need to reduce costs, reduce production capacity and investment, use more with equity capital and improve efficiency.

Social media, which starts as a means of entertainment at the first, then became the most recent marketing strategy because of its notable advantages in business field. Social media is used because it has many advantages for time, audience, relations and cost issues. Firms critically need to consider about their businesses and aims then uses the appropriate social media instrument for each of purposes.

The communication between firms and their stakeholders on social media is carried out by the firms. Corporate activities rose on social media as well as the number of followers and “likes” increased on corporate social media accounts. As much as firms employ the relevant content, listen and communicate with stakeholders through right route, social media will be mutually effective for firms and customers.

For both big and small firms, social media serves the purpose in better way comparing with the traditional media. It has become the best instrument to reach the customers globally and receive their valuable feedback. It can help both big and small sized firms to advertise their products and services at very meager rates or in some cases totally free as a survival for economic recovery. Users are allowed to access classified free ads and tradeshows (www.onlinereadingcorner.com).

As a result, after the global recession firms have looked for the most effective marketing strategy with minimum cost. Social media has become the optimum choice which serves to this strategy. Because it can reach millions of people with the highest speed and it can spread out very quickly, then firms prefer to use social media even in substitution for traditional media tools.

References

- [1] Ang SH. Crisis marketing: a comparison across economic scenarios. *International Business Review* 2001; **10**:263-284.
- [2] Batırel ÖF. Global ekonomik kriz ve türk kamu maliyesi. *İstanbul Ticaret Üniversitesi Sosyal Bilimler Dergisi* 2008; **7(13)**:1-9.
- [3] Broek KSV, Steven MP, Evan DB. Schools and social media: first amendment issues arising from student use of the internet, *Intellectual Property & Technology Law Journal* 2009; **21(4)**:11-27.
- [4] Daj A, Chirca A. The adoption of digital marketing in financial services under crisis. *Bulletin Of The Transilvania University of Braşov* 2009; **2(51)**:161-166.
- [5] Ellaboudy S. The global financial crisis: economic impact on gcc countries and policy implications. *International Research Journal of Finance and Economics* 2010; **41**:180-193.
- [6] Fisher T. ROI in social media: A look at the arguments. *Database Marketing & Customer Strategy Management*. 2009; **16(3)**:189–195.
- [7] Freiman DJ. Smart marketing in a time of crisis. *S.A.M. Advanced Management Journal* 1980; **Autumn**:21-34.
- [8] Hensel K, Deis M. Using social media to increase advertising and improve marketing. *The Entrepreneurial Executive*, 2010; **15**:
- [9] Köksal MH, Özgül E. The relationship between marketing strategies and performance in an economic crisis. *Marketing Intelligence and Planning* 2007; **25(4)**:326-342.
- [10] Lewis V, Kay KD, Kelso C, Larson J. Was the 2008 financial crisis caused by a lack of corporate ethics?. *Global Journal of Business Research* 2010; **4(2)**:77-84.
- [11] Murdough C. Social media measurement: It's not impossible, *Journal of Interactive Advertising* 2009; **10(1)**:94-99.
- [12] Pearce JA, Michael SC. Strategies to prevent economic recessions from causing business failure. *Business Horizons*, 2006; **49**:201-209.
- [13] Pearce JA, Michael SC. Marketing strategies that make entrepreneurial firms recession resistant. *Journal of Business Venturing* 1997; **12**:301-315.
- [14] Picard RG. Effects of recessions on advertising expenditures: an exploratory study of economic downturns in nine developed nations *The Journal of Media Economics* 2001; **14(1)**:1-14.
- [15] Sherman S. Proving social media's ROI. *Marketing* 2011; (19 January):15.
- [16] Steinman ML & Hawkins M. When marketing through social media, legal risks can go viral. *Intellectual Property & Technology Law Journal* 2010; **22(8)**:1-9.
- [17] Thomas LM. 2010. Sending marketing messages within social networking, *Journal Of Internet Law*, July:3-4.
- [18] Totir F, Dragote IM. 2010. Current economic and financial crisis – new issues or returning to the old problems? paradigms, causes, effects and solutions adopted, *Theoretical and Applied Economics*, V:XXVIII (2011), 1(554):129-150.
- [19] Zappe J. 2010. The ROI of social media. *Journal of Corporate Recruiting Leadership*, March:3-9.
- [20] Zehir C. The activation level of crises and the change of strategic targets of enterprises in turkey during the depression era. *Journal of The American Academy of Business* 2005; **5(2)**:293-301.
- [21] Bernoff, J. 2008. <http://forrester.typepad.com/groundswell/2008/02/why-social-appl.html> (23.03.2011)
- [22] Hun LD..2010. Growing popularity of social media and business strategy, www.seriquarterly.com (October):112-117. <http://aeamp.wikispaces.com/file/view/Growing+Popularity+of+Social.pdf> (11.03.2011)
- [23] <http://www.ameinfo.com/210665.html> Article: Global - Economic Crisis - Strategic Vision for Comms after the Crisis - the Financial Crisis has Provided the Stimulus for Change. *Investment Weekly News*, 7 November 2009, (19.03.2011)
- [24] <http://blog.promoqube.com/wp-content/uploads/2011/03/Business-Social-Media-IG.png> (22.03.2011).

- [25] <http://www.onlinereadingcorner.com/social-media-optimization/social-media-advertising-%E2%80%93-way-to-battle-with-financial-crisis/> Young, R. (President of Marketprofs) (21.03.2011).
- [26] <http://blog.hubspot.com/blog/tabid/6307/bid/10522/Small-Companies-Level-the-Playing-Field-with-Social-Media-and-Blogs-New-Data.aspx> (21.03.2011).
- [27] <http://www.web-strategist.com/blog/2009/03/16/report-social-media-marketing-up-during-recession/#>(29.03.2011).
- [28] <http://wiredprworks.com/2010/02/09/social-media-budget/> (26.03.2011).
- [29] <http://www.slideshare.net/BMGlobalNews/global-social-media-checkup> (25.03.2011).
- [30] <http://socialmediatoday.com/index.php?q=tompick/176932/best-social-media-stats-and-market-research-2010-so-far> (26.03.2011).