

# Effects of Social Media on Firm Performance and Customer Relations-Evidence from Ghana

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## Abstract

The possibilities for companies to reach out more people to get in-depth understanding about brand, products, and services is through social media pages. We examined effects of social media on performance and customer relations of companies in Ghana. We obtained data from 390 respondents through structured questionnaires, and was analyzed with statistical package

for social science (SPSS). The findings indicate increased awareness and usage of social media by companies in Ghana. However, customer's desire for a products could be influence by company's advertisement through social media post. We established that, managers are expectant with the use of social media enhancing customer's relationship. Therefore, managers should modify their website to complement the social media strategies, identify the actions, wants and demands of customers to improve performance. We discussed several managerial recommendations.

**Keywords:** Social Media, Customers Relation, Firm Performance, Ghana

## **1. Introduction**

The evolution of social media has made it possible for more companies to reach out to more people for people to get in depth comprehensive and thorough knowledge about companies brand, products and financial positions. A lot of big companies nowadays position themselves strategically in their market segment with the help of social media. The era we live in is a technological era, therefore social media is a must for companies to stand tall in the competitive market. This is because a lot of people spend more time on social media to interact with friends and families making them possible to access different information on social media.

People easily establish connections without constraints nowadays because of the popular use of social media. Social media platforms like Facebook, Twitter, Instagram and others provides more avenues and ways through which people communicate or link up with others. Previous research indicates that the internet has become a place not only for people to communicate with and friends and families but also to maintain a lasting relationship.

Social media apps also transform the position of internet users from passive consumers of data to active participants in the creation and sharing of data with one another. Almost 30 percent of internet consumers engage in some type of self-created content sharing (e.g. videos, stories, pictures) and even more post posts on websites. In addition to facilitating interpersonal communications, social media applications have enabled customers to interact with business organizations and have empowered them to take an active role in co-creating their experiences.

More business organizations use social media as a marketing and communication tool to make their messages known to their customers and potential customers. This brings about what we call viral marketing. That is the spread of messages such as videos, pictures and stories through the use of social media platforms like Facebook Twitter, Instagram and others to share peer to peer messages or adverts in so many ways.

It is the duty of managers now to integrate social media applications into the existing Customer relationship management (CRM) systems to improve customer satisfaction and experiences. Knowing your customers by creating a database to know their needs and wants provides companies with much knowledge on how to improve their products and services. All these are what we called Customer relationship management which came about in the mid-90s. To know your customers really helps companies know the needs and wants of their

customers. Social media provides a bigger platform for companies to know more about their customers and not just creating data bases but also interacting with them and also reach out to more potential customers. This paper focuses on the effects of social media on firm performance and customer relationship. Our paper contributes to social media usage and firm performance in numerous ways. First, we used a survey research evaluating the awareness and effects of social media on customer relation and performance using managers and customers from 30 companies within Ghana. Most literature examined only how social media affects performance. However, customer relationship with a company is very imperative in business performance. We therefore established that, social media pages could enhance customer relation and this will go a long way to improve firm's financial performance.

The rest of the paper assumes the following structures. The next section reviews the literature. Section 3 is the research methodology, section 4 addresses the findings, results and discussions and research questions, and section 5 concludes and provides several managerial implications

## **2. Literature Review**

### *2.1 Social Media*

The concept of social networking is a revolution. The concept did not evolve from informatics but from sociology. A social network is a cluster of individuals, groups or organizations connected for some reason. Such a network relates to a cluster of friends who have common interests. These all are social behavior, which every human person has (Ryan, 2011). Preceding the former three eras of social networking, Online social networking is the fourth era which is spreading throughout the internet connecting people and transferring relationship context to every website and application, so technology can finally care more about people and less about technique (Shih-Hsien, 2009). The previous three eras which is mainframes in 1970s, personal computers in 1980s and World Wide Web in 1990s, were connected with work places far more than with our personal life. The Online social network is different. It take care of our personal life then our work life. Online social networks go beyond technique and media. It is one of the greatest imperative socio-cultural sensations of this era. They broaden and create new kinds of ordinary interactions, which enable new kinds of relationships with low obligation (Shih-Hsien, 2009). The modern social media era began early 1997. Facebook, Twitter, MySpace, GooglePlus +, LinkedIn, Orkut, Hi5 and CyWorld are the most popular social media websites who have tens or hundreds million users.

Social media is now part and parcel of our lives. This is because almost everyone who uses the internet now uses social media. Nearly 82% of the world's internet population uses social media every day. If Facebook were to be a nation, it would be the third biggest, after China and India (Nadeem, 2012). As at June 2018, the daily active users (DAUs) of Facebook were 1.47 billion and monthly active users (MAUs) were 2.23 billion, which was an increase of 11% year – over year (Facebook, 2018). In many years to come, social media can become the most powerful advertising or marketing too because it sends out a positive endorsement from people social connections who are trusted friends, families and even celebrities.

## *2.2 Social Media and Performance*

Social media is not just a place to communicate or get in touch with friends and families but it has become an important tool or ingredient in today's marketing mix in general and promotion mix in particular which boast the financial performance of a firm (Abu Bashir Irshad Ahmad, 2012). According to Reto Felix et al (2016), massive empirical research has shown that social media stimulate sales, increase brand awareness, improve brand image, generate traffic to online platforms, reduce marketing cost and create user interactivity on platforms by stimulating users to post or share content (Felix, Rauschnabel, & Hinsch, 2017). To understand how a consumer view a firm, its actions and its products, firms can monitor and analyze conversations on social media platforms (Schweidel & Moe, 2014). The firm managers, marketing executives can act on this information on social media to check the performances of the firms.

Firms can also use the seven functional building blocks of social media identified by (Kietzmann, Hermkens, McCarthy, & Silvestre, 2011) to help grow and create value for the firm. These seven building blocks are identity, conversation, sharing, presence, relationships, reputation and groups. Another approach that can help boost the performances and sales of a firm is viral marketing on social media. People are influenced by others. The standard they have in society whether weak or strong, bad or good can influence the decisions actions and opinions of others (Mochalova & Nanopoulos, 2014). This can bring about viral marketing which will boost the performance of the company if companies act on it. Consumers spend more time every day on social media. The fundamental nature of social media as a platform for consumers to interact with and influence one another has a more direct impact on brand communities and it produces higher response rates and greater customer engagement than traditional marketing methodologies that focuses only on firm-consumer relationship (Michael Trusov, Randolph E. Bucklin, & Pauwels, 2009). This is true in the sense that firms get to interact with consumers no matter where they are on social media. Facebook for example have groups and pages functionality that firms use to interact and communicate with customers and also serves as a platform for strengthening firm-customer relationships. Trasnor et al (2014) indicated that firm performances is not improved by just investing in hardware and software to support CRM systems, but by deploying CRM technological resources in combination with other complementary resources. Also trust is identified as one of the important significant positive elements which influence a customer's online repurchasing behavior and social media is well known for trust building (Chong, Lacka, Boying, & Chan, 2018). That is if firms integrate Social media marketing technologies and CRM systems to facilitate marketing capability development, improve customer relationships and increase customer satisfaction (Wang & Kim, 2017). In conclusion it can be seen that, with the help of social media customers and business organizations are able to interact and communicate with each other and has empowered them to take advantage on active role in co-creating their experiences (Prahalad & Ramaswamy, 2004). This goes a long way to affect the performance of the firms.

### *2.3 Customer Relation Management (CRM)*

Customer relationship management, identified as a business strategy, is regarded to be heavily linked to the values of relationship marketing and is based on the strong attitude of the entire organization towards its customers. CRM assumes the development and maintenance of long-term relationships with the company's strategic customers (Elena, 2016). The concept of CRM can be traced back to the ancient days when sellers had interpersonal relationship with their customers. During those days sellers used the personalized knowledge they get from their customers to provide a highly quality products for the satisfaction of their customers. With the evolution of the technology and emerging markets, business organizations now create data bases to gather information about their customers (Pan, Tan, & Lim, 2006). Previous researchers have identified various definitions for CRM. Some researchers defines CRM as integrating marketing, sales and service features through IT-enabled business process automation in such a way that the value of each client interaction can be highly increased. For other researchers, it is simply an extrapolation of the marketing relationship by accrediting the earnings of the business firm to the equation in such a way that more resources can be dedicated to profit-generating customers (Pan, Tan, & Lim, 2006)

#### **2.3.1 Traditional CRM VS Social CRM**

##### **2.3.1.1 The Traditional CRM Scheme Involves:**

1. A data warehouse that enables the organization to gather customer information, provided with analytical tools to comprehend past conduct and likely future actions of customers.
2. A set of apps that enable the automation and integration of all internal processes that actually occur at connection points with customers (marketing, sales, and service) with distinct channels of communication. The dialog between the client and the business is easy, without hindrances owing to the communication channels and the distribution channels that have been incorporated (Elena, 2016).

From the traditional point of view it can be seen that CRM is just an concept that talk about a system of software that gather data about customers at a particular point of contact to be able to predict future actions or behavior of the customers. All data are stored in a centralized system and this help to provide additional support to help provide highly quality products and services to customers.

##### **2.3.1.2 Social Customer Relationship Management**

Social CRM is not a stand-alone idea, but is constructed around current CRM ideas and techniques (Rainer, 2012). Social Customer Relationship Management (SCRM) is about individuals and interactions and requires a client focus (Mohammed Nadeem, 2012). Customer relationship management is about getting closer to customers, it's about communicating with customers. Communication implies social media in this age of fresh techniques (Elena, 2016). Social media link all people around the world. It also link organizations to their customers in a distinctive way. Companies that wants to stand tall in their market segment in this era of social media needs to integrate social media into their

CRM. Social media provides tremendous possibilities to listen and communicate with clients (Elena, 2016). Social media gives exposure to organizations brand and products.

### 3. Data and Methods

The literature review helps our study to consider and examine the effects of social media on performance and customers relations. We then conduct surveys for customers and employees on how social media use affects their relationship and firm's performance. We used questionnaires that were planned, pre-tested and revised, consisting of three sections.

#### 3.1 Questionnaires

With the questionnaires of our study, we conducted a pilot and pretesting of the questionnaire by deploying it to several experts in the field of human resources management, airline management. They were asked to review, correct and recommendations for improvements and modifications of the original draft work of the questionnaire for its significance, content as well as the wordings. With this, we deployed the revised, modified and pre-tested questionnaire to the targeted respondents. The first section of our questionnaire asked respondents' profile. The remaining part of the questionnaire asked customers on how social media influence their relationship with the company. The second part of the questionnaires asked employees on how their relationship with customers through social media affects company's performance. For ethical consideration, we incorporated an ethical cover letter showing the aims, and defining customer relation, and assuring confidentiality of the responses of the questionnaires to improve the response rate.

#### 3.2 Sample and Data Analysis

The study surveyed customers and employees of selected companies in Ghana who are customers and employees with more than six years working experience. We issued the questionnaires with three hundred and ninety (390) respondents, and exclude those customers who have traded with the company for less than three years and employees with no work experience. Participation was voluntary with no fee, nonetheless, we guaranteed that no pinpointing information was collected and only summary results were reported. The data obtained were processed and analyzed statistical package for social science (SPSS). The data for the study were gathered using an online survey questionnaire that was distributed to (390) respondents of the selected companies in Ghana.

Table 1. Respondent Categories

	Categories of Respondents			
	<i>Employees</i>	<i>Customers</i>	<i>Total</i>	<i>Percentage</i>
<b>Conducted</b>	350	110	460	100
Filled and Returned	300	90	390	84.78
Unreturned	50	20	70	15.22

From the table above 1, we received responses from 300 employees, and 90 from customers

of the selected companies in Ghana with a response rate (percentage) of 85.71 and 81.81 percent, respectively. Nonetheless, the overall response rate is 84.78 per cent which is consistent and comparable to a prior studies (Rezaee, 2019). The response rate is common in the survey study of certain types of individuals.

#### 4. Results and Findings

We presented the results of our study following the research questions.

- (1) the effects of social media on customer relations
- (2) the effects of social media on companies performance
- (3) How companies customer relationship affects performance via social media.

##### 4.1 Awareness of Social Media of Companies in Ghana

Table 2, summarizes the responses to a questions regarding the awareness of social media usage of companies in Ghana. From the, majority of the respondents reported increased awareness and usage of social media. Respondents agreed that, their company have social media page and page manager with a statistical percentage rate of 77.3. Moreover, respondents were optimistic that, their company act on views, comments and reviews on their social media pages to make meaningful decisions about products and services. They rated it with 86.7 per cent and disagreed percentage of 13.3. However, respondent were asked if their company analyze the social media pages at the end of each financial year. They agreed that, 60 per cent, while others disagreed with a percentage 40 per cent.

Table 2. Awareness of Social Media of Companies in Ghana

	<i>Managers Response</i>		
	Yes	No	Total
Does your company have social media page and page manager?	66 (73.3)	24(26.7)	90
Do your company act on views, comments and reviews on their social media pages to make meaningful decisions about products and services?	78(86.7)	12(13.3)	90
Do your company analyze the social media pages at the end of each financial year?	54(60)	36 (40)	90
Do your company act on views, comments and reviews on their social media pages to make meaningful decisions about products and services	77(85.6)	13(14.4)	90
Do you agree that social media can help boost firm performance?	88(97.8%)	2 (2.2%)	90

Moreover, majority of the respondents agreed that social media can help boost firm performance with 97.8 per cent having a number of 88. Overall, there is an increased awareness of social media uses of companies in Ghana with significance impact on customer relationship and performance. However, professionals were expectant with the use of social media enhancing customer's relationship.

However, respondents were asked on how often their company do updates its social media pages. They were asked to rate from daily, weekly, monthly, yearly, and never. Respondent

reported that, their companies often updated their social media pages weekly with 30 per cent. It is followed by daily updates (28.9 per cent). Moreover, they further reported that, at times they updates their social media pages monthly. Almost eighteen (18) respondents reported that, their companies never updates their social media pages. The table below provides summary of the finding.

Table 3. Questions regarding companies social media updates

<b>Response</b>	<b>No. of Respondents</b>	<b>Percentage</b>
Daily	26	28.9%
Weekly	27	30%
Monthly	18	20%
Yearly	3	3.3%
Never	16	17.8%
Total	90	100%

#### *4.2 Awareness of Social Media by Customers in Ghana*

Respondents were asked to express their opinion on the awareness of social media use to enhance their relationship with companies. Table 4 reviews customer's questions regarding the awareness and use of social media to customer on company's products and services which enhance performance. We ranked responses on a provided multiple choice with "yes" and "No". Table 4 depicts that, a number of 256 (85 per cent) by customers indicates that they liked or follow companies social media pages with few customers disagreed (44, 14.7 per cent). In considering whether any advert on social media pushed a customer to buy any product or service, the findings shows that, most purchases were influenced by the advertisement via social media by companies. It emanates from a reported number of 234 with a percentage 78 per cent. This is obvious shows that social media improves companies performance. This findings is in consistent with Kaodui et al, (2019). However, it is fascinating to note that, customers always shared a page or post by company from social media pages. (262, 87.3 per cent). Moreover, customers agreed roundly that, they comment or like company's social media post with a number 291 representing 97 per cent which three (3) per cent do not like or comment any post by companies. Finally, majority of the customers were sure that, companies provides feedback whenever they comment on any social media post. Obvious, few argued that, their comments and questions asked through companies social media pages were not honored via feedback. (Yes, 94 percent, No, 6 per cent). They supported their argument that, companies unable to provide feedback makes customers feel bad, but having given feedback to customers on their comment makes them feel good, mix and normal as well.



Table 4. Awareness of Social Media by Customers in Ghana

Questions	Customer Respondents	
	Yes	No
Have you liked or follow any company page?	256(85.3%)	44(14.7%)
Has any advert on social media pushed you to buy any product or service?	234 (78. %)	66 (22 %)
Do you share a page or post by companies' social media pages?	262 (87.3%)	38 (12.7%)
Do you comment or like companies' social media post?	291 (97.0%)	9 (3%)
Do you get feedback when you comment on companies post?	282 (94.0%)	18 (6%)

## 5. Discussion and Conclusions

Taking into account the company's customer relationship affects performance through social media, the findings increased awareness of social media pages of companies. Overall, there is an increased awareness of social media uses of companies in Ghana with significance impact on customer relationship and performance. However, professionals were expectant with the use of social media enhancing customer's relationship. This findings is consistent with prior studies (Li, Asare, Osei-Assibey, & Obeng, 2019). It should be noted that, social media create awareness to customers on a particular products and services.

The other important findings supports that any advert on social media pushed a customer to buy any product or service. This implies that, a customer's demands and desire of a product could be influenced by the advertisement on the company's social media pages. The study objectives is confirmed and accepted. Other researchers who have conducted on this subject found similar results. Social media has become one of the most dominant tools to improve company's performance. This implies that, packaging and updating companies social media pages will lead to an increase in company's performance. We established that, customers were able to receive feedback on any comments or questions that asked through company's social media post. This implies, social media could enhance the relationship with customer and the companies. By and large, when customer's relation is established, it affects company's performance positively. Approaching the aforementioned results from managerial insightful, it can be said that, managers should pay attention to social media pages such as Facebook, twitter, Instagram and all social media pages since it can enhance customer relationship and significantly affect performance.

## 6. Managerial Recommendation

We examined selected companies with social media pages in Ghana and their customers on how social media affects performance and enhance customer relation. The findings shows that, both employees and customers are aware of social media. Customer's desire for a products could be influence by company's advertisement through social media post. However, we established that, managers were expectant with the use of social media enhancing customer's relationship. Based on the findings, we recommends that, managers should dynamically package, and always updates social media pages. These would enhance their relationship with customers which will significantly and positively affects performance.

Moreover, we posited that, companies are more active on social media pages and can enhance their value more and more and desire for a product or services. With this, company's social media website can encourage customers and even customers could involve with the company by deliberately linking to the company's social media networks and receiving feedback amicably when comments are made. Therefore, companies should, modify their website to complement the social media strategy, identify the actions, wants and demands of customers and prospects to initiate, implement company's discussions, and offer the content customers and other visitors want, and finally maintain a consistent communication Style.

We experienced certain limitations in our study. We examined selected companies in a confined country, Ghana, therefore generalizations cannot be applied to other findings. Further studies could examine how social media enhance customer relation in other countries. Moreover, we are calling for more studies to compare developing and developed countries on how social media enhance customer relation.

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