

## IDENTIFYING THE BENEFITS AND CHALLENGES OF USING SOCIAL MEDIA AS A PROMOTIONAL TOOL FOR SOCIAL ENTERPRISES

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### **Abstract**

The lack of marketing expertise and resources among social enterprises is a well-noted problem. It has generated much attention from researchers, who have studied ways for improving the marketing performance of social enterprises. With the rise of social media channels for daily communication, an opportunity has surfaced for social enterprises to use such channels as a promotional tool. This study aims to investigate how social enterprises may use social media for promotion to improve their marketing performance in Hong Kong. In-depth interviews were conducted with five social entrepreneurs or the relevant marketing staff. Interviewees generally agreed that social media is a low-cost channel that is effective in increasing public awareness and stimulating customer interest. Further benefits of social media as a marketing tool for social enterprises include the relatively low cost of marketing, the quick-response platform for customer queries and the possibility to run low cost CRM. However, interviewees also reported that social enterprises have to compete with an enormous amount of channel-level competitors that are also conducting marketing activities through social media, which has diluted the effectiveness of the online advertising effort. Nevertheless, the benefits of using social media as a promotional tool are still significant to the business model of social enterprise and should be adopted.

**Keywords:** Facebook, promotion channel, marketing activities, social enterprise, social media,

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## Introduction

Apart from the goal of profit maximisation, some businesses assess social well-being and ethical standards as being equal to or more important than financial goals. These businesses, which are categorised as social enterprises, are increasing in number in Hong Kong. According to Power of Good (2013), social enterprises have become steadily more plentiful in recent years, with the numbers being 222 in 2008, 269 in 2009, 320 in 2010, 329 in 2011 and 368 in 2012 to 406 in 2013. Their business models, unless they are non-governmental organisations, are self-sufficient because they operate without the long-term financing from the government. In their first two to three years in business, social enterprises may apply for government funding up to HK\$3,000,000 for operational use (Home Affairs Department, 2014).

Despite the rising trend of social enterprises, the business operation figures are not ideal. Of the 56 social enterprises that announced their financial records in 2011, 24 reported a deficit (Social Enterprise Insights, 2013). Fifty percent of social enterprises suffer a loss or cease at the fourth year of operation (Fullness Social Enterprises Society, 2015). For social enterprises that do not receive government funding, their business conditions are even worse. The average sustainability of social enterprises in Hong Kong is low compared to some other countries. According to Social Enterprise Live, 1,061 social enterprises in Britain generated £11,300,000,000 with an average growth rate of 84 percent in 2013. Although 43 percent of them reported a lower growth rate compared to 2012, their financial concerns were not whether their business could be sustained or not. Social enterprises in Britain, unlike those in Hong Kong, are more capable to grow, even when 68 percent of small businesses in Britain, (including both traditional businesses and social enterprises), were experiencing a slump in terms of their financial results (Social Enterprise Insights, 2012).

To improve business sustainability, it is crucial for social enterprises to create and maximise brand awareness. However, this is difficult for social enterprises to achieve given their limited marketing budget, which determines how well they can communicate their message to their target customers. One common problem of many social enterprises is the comparatively high price of their products. For example, Divine Chocolate, a fair trade chocolate company, sells their chocolate bars at a price that is 15-20 percent higher than the 'mainstream' chocolate

bars in the market (Thompson, 2008). If the target customers do not know which community a social enterprise is helping, how the improvements in the community are felt, or what social impact is being made, it is unlikely that customers will pay the higher price for products or services from social enterprises.

In terms of cost considerations, social media is a cost-effective marketing tool for small businesses (Tariq and Wahid, 2011). It is a relatively low-cost medium for increasing brand exposure, connecting with potential customers and maintaining brand loyalty from existing customers. In exchange for such benefits, the financial costs and working hours needed to create and maintain the projects of social media are minimal (Nuria, 2011). With the advancements in telecommunications technology, it appears to be a great promotion channel for social enterprises to utilise. This study aims to investigate the following two research questions:

1. How does social media benefit social enterprises for their promotion efforts?
2. What are the challenges of using social media for promotion for social enterprises?

## Literature Review

### *Sustainability Problem of Social Enterprises*

The social enterprise concept emerged in the early to mid-1990s (Defourny and Shin-Yang, 2011). It can be defined as a business with primarily social objectives whose surpluses are principally reinvested for that purpose (Ridley-Duff, 2008). The reinvestment is not only restricted to monetary forms like donations or salary increases. Reinvestment includes strengthening the business model and marketing investment to achieve a sustainable business structure, which can generate higher potential social benefit in the long term.

Social enterprises in the United Kingdom are making an increasingly important and significant contribution to the nation's communities and economies (Mason et al. 2007). Social enterprises in Europe, albeit different among regions, are making significant breakthroughs and attracting increasing public attention. Social enterprises in East Asian countries, compared with European countries, have been late in development and are subject to more regulating policies and receive associated funds by the state. (Defourny and Nyssens, 2008). In the United States,

social enterprises normally have a more profit-driven pattern to be self-sufficient so that they can also undertake a broad range of non-profit activities with innovative approaches (Kerlin, 2006). In South Korea, the political and legal context, along with the Social Enterprise Promotion Act, brings a significantly positive influence to social enterprise (Bidet and Hyung-Sik, 2011). Despite the continuous success of social enterprise in other regions, the business performance of social enterprises in Hong Kong, albeit improving, is not as sustainable as their counterparts in other countries. In the first ten years of social enterprises operating in Hong Kong, 55 per cent of them ceased (Fullness Social Enterprises Society, 2015), which indicates the difficulties of sustaining business.

Given that social enterprises focus not only on profit maximisation but also on social benefit maximisation, they tend to pay relatively less attention to increasing profits compared to private companies. Some social enterprises cannot sustain their business this way and are forced to close down after a short period of time. Hence, social entrepreneurs have to make more effort to monitor their business' performance to sustain the business.

### ***Social Media as a Marketing Tool***

Social media is a channel for social interactions using web-based and mobile technologies (Bhanot, 2012). It becomes mandatory in business because of the increased power that consumers have acquired as a whole (Smedescu, 2013). It can help social enterprises to govern communication, collaboration and knowledge management (Hoyt, 2012). Different kinds of firms now face a common, pressing need to perform social media marketing to improve the quality of customer relationship management (CRM) (Peltier et al. 2013). It is also a channel for spreading e-word-of-mouth (eWOM) (Wolny and Mueller, 2013). There is a current trend in advertising to go viral to acquire media exposure (Jin, 2013). It can be a means of self-definition and self-expression (Minton et al. 2012). However, consumers who 'like' a brand on *Facebook*, a social media channel, tend to have little brand appreciation and partiality towards the brands (Naylor et al., 2012). Consumers may just want to be kept informed. Social media, as a tool increasingly used by corporations, can become a time-wasting activity if it is misused (Sirichanaroen, 2012). The gap in the perception of what consumers seek via social media and what companies offer is large (Carolyn and Parasnis, 2011). Companies tend to use social media

tointroduce themselves to consumers, whereas consumers tend to be looking for something more interesting than such information.

### Methodology

In-depth interviews that lasted for around 45-60 minutes each were conducted with social entrepreneurs and/or marketing staff of social enterprises in Hong Kong. Five social enterprises were selected through purposive sampling and convenient sampling. The identities of the interviewees are kept confidential to increase their willingness to share their inside information with the researchers. In terms of the specific industries of the social enterprises selected, there are two from the experiential activity service industry, one from the catering industry, one from the environmental education industry and one from the online service industry.

### Findings and Discussions

#### *Marketing Activities Performed by Social Enterprises*

Social enterprises in Hong Kong usually conduct marketing activities during annual celebrations. For instance, festivals such as Christmas and Valentine's Day provide social enterprises with a theme to tailor-make the contents of their promotional messages. Interviewees of the experiential activity service industry shared that it has become a common practice for them to tailor-make experiential services 'for two' on Valentine's Day. Similarly, the use of specific colours for different festivities of the year, for example red and green at Christmas, is effective in attracting customer attention.

Mass marketing is not a usual method adopted by social enterprises in Hong Kong. Instead, they generally rely more on low cost marketing channels. Online channels, such as social media, are the usual promotion platforms. As for below-the-line marketing channels, posters make up the majority of the choices because of the low cost involvement. The interviewee from the catering industry indicated that their offline marketing activity mainly entails distributing menus at places near their restaurants. An interviewee from the online service industry mentioned that they tried to avoid using any marketing channel that they need to spend money on.



### *Challenges of Conducting Marketing Activities*

Social enterprises' lack of financial resources limits their choices of choosing promotion channels and the scale of their marketing activities. The interviewee from the environmental education industry admitted, 'Facebook is our only promotion channel'. They market their services solely on Facebook, a tool of social media. Their lack of financial resources is the main reason for this, however, interestingly, it is not their only motivation to go online. Several years ago, they tried to distribute posters to secondary schools but the response rate was so low that it was not cost effective to continue marketing in this way. Online promotion, however, provides a means for consumers to look for them proactively. Word-of-mouth (WOM) plays an important role in stimulating referrals for them.

Another common challenge is the limited human resources for handling marketing activities. According to the interviewee from the catering industry, the personnel structure of social enterprises in Hong Kong tends to have a social work background rather than a business or marketing background. This means there is limited marketing expertise on planning and executing marketing activities. There is a shortage of employees, which makes it difficult for businesses to constantly update information for product promotion or actively promote the brand and their social objectives. It is difficult for social enterprises to find employees who are passionate about serving the community and also capable of facilitating a strong marketing performance faced with limited financial resources.

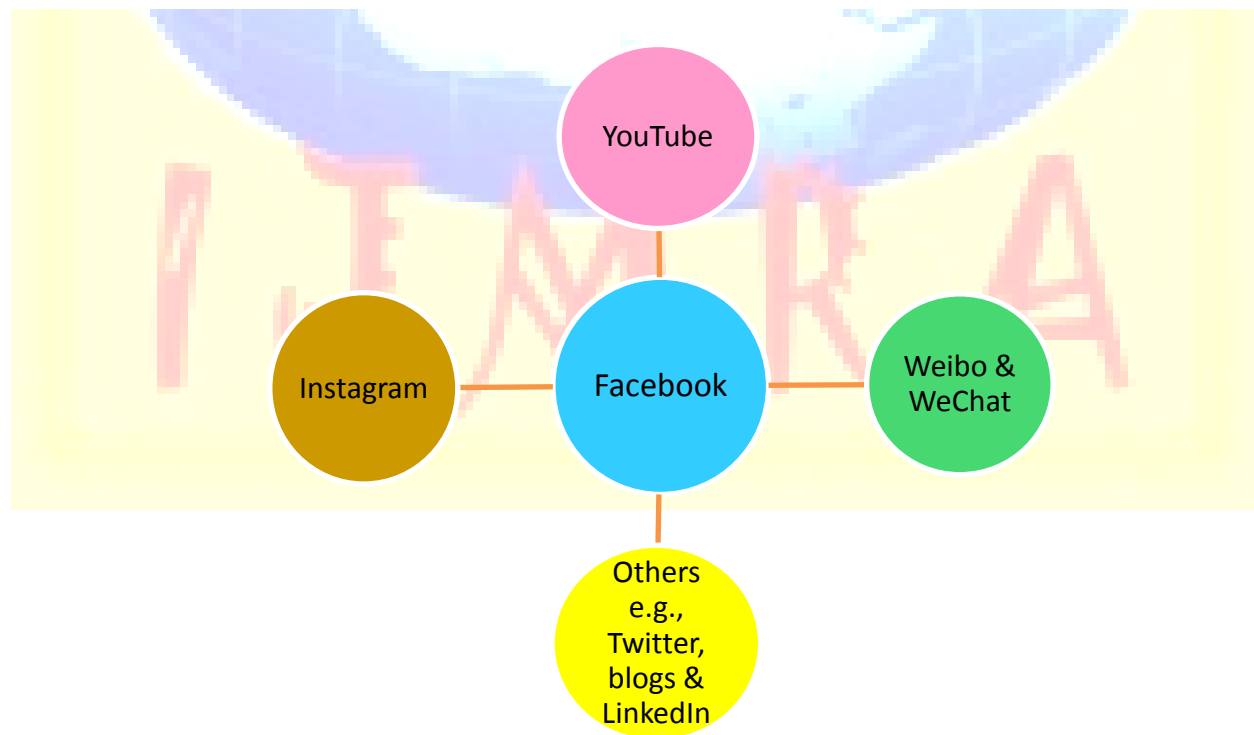
### *Using Social Media as a Promotion Channel for Social Enterprises*

In Hong Kong, Facebook is the major social media channel for social enterprises to conduct marketing activities. Social enterprises are highly dependent on it as a medium for promoting their products, their brand and their social objectives. The two main reasons for this are the low financial costs required to run marketing via Facebook and the social network's high popularity and dominance among a wide variety of users. The objectives and uses of social media can be divided into four areas: (i) customer engagement; (ii) spreading real-timeneews about and updating of the company's products and social objectives; (iii) informing and reminding previous customers that the company is still in operation; and (iv) convincing existing and prospective customers that the company has done something good for the community by posting photos or

videos. Based on the information provided by the respondents, the information published by social enterprises can be classified into four types to serve those promotional objectives: (i) new product information; (ii) events or workshops conducted; (iii) stories from the community being helped; and (iv) related news or articles.

Social enterprises tend to use a few social media channels, with *Facebook* forming the core of a combination of them. In Hong Kong, *Instagram* is popular among youngsters, which makes it a good choice for social enterprises whose target customers are young people. *Weibo* and *WeChat* have a better reach to mainland Chinese. In Hong Kong, visitors from mainland China contribute a large proportion of the tourism income. Hence, they provide significant business value to the experiential activity service industry. According to our interviewees, *Weibo* and *WeChat* are important channels to reach and explore prospective customers in mainland China.

**Figure 1. Combinations of Social Media Channels used by Social Enterprises in Hong Kong**



Social enterprises that target mainland tourists, especially in the experiential activity service category, use other social media as a substitute for *Facebook*, which is not available in mainland China. Marketing via *YouTube* is found to be a slow channel for information to reach a company's target audience. As shown in Figure 1, *Facebook* is the core and essential channel for social enterprises conducting marketing activities in Hong Kong, while others are selected depending on the target customers.

### ***Benefits of Using Social Media as a Promotional Tool for Social Enterprises***

Social media is a tool for customer relationship management (CRM). It allows a fast response to individual enquiries, which are usually made 'offline', for example via the private message function on *Facebook*. They are seldom publicly disclosed, which allows the social enterprise to direct its response to the individual customer. According to the interviewees, they tend to receive more private messages than public comments on their *Facebook* page. Responding to queries can be sped up if there is a specific individual responsible for managing a company's social media, which depends on how the social enterprise allocates its human resources. Social enterprises, in contrast to ordinary companies, tend to receive more positive feedback and appreciation from customers and fewer complaints. Any issues relating to customer service are comparatively easier to resolve.

CRM in terms of database marketing is also simplified via social media. Some social media, such as *Facebook*, allow the social enterprises to keep track of the number of views, 'likes', comments and 'shares' of each post published as the indicators of customer interest. The interviewee from the catering industry mentioned that they monitored the number of 'likes', views and comments several times a day because it helped them identify what kinds of information consumers appreciated more.

A three-step model can be applied to systematically conduct database marketing. First, social enterprises need to know the types of information that trigger the most customer interest. Second, they need to publish such information more frequently. Finally, by repeating the first two steps, enterprises increase public awareness and the number of followers on social media.



This highlights a process of continuous improvement of the ways in which social enterprises communicate their messages to target customers.

### *Challenges of Using Social Media as a Promotional Tool for Social Enterprises*

The effectiveness of using social media as a promotional tool is highly dependent on the appeal and novelty of the information published, which requires constant resources to create and develop on a daily basis. However, the lack of human resources is a common weakness of many social enterprises in Hong Kong. For some social enterprises, especially those new in business, a low number of 'likes' or followers limits the effectiveness of using social media as a promotional tool. For example, the awareness created by each activity on *Facebook* has a high dependence on the amount of 'likes' and 'shares', which have an obviously positive effect on the respondents. If the *Facebook* page of the social enterprise does not have many 'likes', the potential improvement of business performance is limited accordingly, even when the content of the information published is attractive. Along with the increase in the trend of marketing through social media channels, many organisations are competing for customer interest on the online platform. The interviewee from the catering industry faces many competitors as there are a large number of restaurants using *Facebook* pages to post photos of their food and drinks. This creates challenges for product/service differentiation. The effectiveness of social media marketing is diluted by an information overload from other organisations.

### **Implications**

As a cost effective marketing tool, social media should be used as a core promotion channel and supported by selected channels of other social media platforms based on the specific target segments. Database marketing can be conducted so that social enterprises can constantly track the number of views and 'likes' of the types of information published to identify which information stimulates the most customer interest and then focus on publishing more of this type of information in the future. *Facebook*'s paid advertising package could also be used to boost the number of 'likes', which can create more awareness of an enterprise's future social media activities.

## Limitations and Contributions

Similar to any qualitative research, this study cannot examine how much positive influence that social media has on the marketing performance of social enterprises. However, the wider field of research does benefit from the study's research setting by generating insider insights into the ways of social media promotion that are the most effective for social enterprises. These ideas provide practical advice to social enterprise managers to formulate their marketing strategies. Future research should look into the specific performance implications that each type of social media channel may generate.

## Conclusions

In response to the increase in popularity of social media channels, this study investigates how social media enhances the promotion effectiveness of social enterprises. The study identified the specific social media channels that are the most important in increasing public awareness of a social enterprise and encouraging customers to use/buy its products/services. A model of effective use of social media channels for social enterprise promotion is also developed. To conclude, the benefits of social media as a marketing tool for social enterprises include the relatively low cost of marketing, the quick-response platform for customer queries and the possibility to run low cost CRM. Social enterprises, however, also face a number of challenges to fully utilise this promotional tool, including the need for adequate human resources to track customer responses through the social media channels, and the intense competition in the social media channels, which dilutes a potential customer's attention to the promotional efforts of an individual company. Nonetheless, the benefits of using social media as a promotional tool are still significant to the business model of social enterprise and should be adopted.

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