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How Corporations Use Social Media: An Exploratory Study

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How Corporations Use Social Media: An Exploratory Study

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Abstract

This paper explores the role of social media in increasing a company's brand equity and strengthening its customer relationships. The data collected consists of three case studies of major American companies, two interviews with Brazilian entrepreneurs, and a survey conducted to start-up companies in the New York City area. The paper then concludes that the use of social media by businesses, leads to a positive relationship with brand equity and improved customer relationships. Nevertheless, further research is required to see how other factors interact with brand equity and customer relationships to get a better understanding of social media and its impact on each variable.

How Corporations Use Social Media: An Exploratory Study

Table of Contents

Introduction	1
The Research Questions and Method	2
Literature Review	3
Case Studies of American Companies	7
Brazilian Entrepreneurs and Social Media	12
Survey Research on Social Media Impact	18
Survey Results	19
The Findings and Discussion	24
Topics for Further Research	25
Conclusion	26
Appendix A	28
Appendix B	32
Appendix C	32
References	34

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May 12, 2014

How Corporations Use Social Media: An Exploratory Study

The Internet is one of the most widely used inventions in history because of its numerous practical applications. It has made everyday life more interconnected and became increasingly important for business.

For the everyday user, the Internet provides rapid access to social networks, online marketplaces and large amounts of information through various search engines. In result, corporations began increasingly using online social media, like Twitter, Instagram, Facebook, Tumblr, and YouTube for marketing purposes. In fact, social media--the fastest growing portion in Internet use--is influencing the values and behavior of people throughout the world by connecting them in novel ways. Additionally, this use of the internet will increase because when the capacity of technology doubles every two years, it will be necessary for individuals and companies to keep up with change to stay competitive and up to date (Moore, 1965).

This paper explores the types of social media and the ways that companies in different industries use it to build brand equity and develop better customer and stakeholder relations. This paper also raises issues concerning whether the Internet and social media used by corporations varies within and across cultures. By analyzing Brazilian

entrepreneurs along with case studies of companies in the United States, this paper will provide an overview of global impact of social media created by business.

The Research Questions

The paper provides insight into four fundamental questions concerning the use of social media in business.

1. How do corporations use social media?
2. What is the impact of social media on building brand equity?
3. What is the impact of social media on maintaining better customer/stakeholder relationships?
4. How social media is implemented in Brazilian businesses and is it different than in the United States?

The Research Method

To explain the use of social media, this paper will analyze three American companies, Ford, Pepsi, and Starbucks, to see how these companies went from not using social media to incorporating social media. This paper then analyzes how their social media campaigns increased these companies' brand equity as well as their customer relationships. Consequently, with data from interviews conducted with two Brazilian entrepreneurs, this paper explores how Brazilian companies are using social media to achieve the same goal. Since Brazil is the fastest growing country in South America and the second largest user of social media after the United States, incorporating Brazil in this study provides comparative data on the use of social media. Finally, with survey data collected from start-up companies in the New York City area, this study will show a

statistical overview of the impact of social media on brand equity and customer relationships.

Literature Review

Before presenting the case studies of American corporations, it is useful to look at social media, like YouTube, Facebook, LinkedIn, Twitter, Tumblr, and Instagram, to see how entrepreneurs can take advantage of them to start a venture. One reason social media is useful for an entrepreneur is because it has little opportunity cost, since it is freely available. When an entrepreneur spends time developing a network, this experience could benefit the entrepreneur even if it fails. The first effort is a learning curve that may indicate why the potential social network did not respond. This forces the entrepreneur to be more creative till eventually the entrepreneur will be able to tap into the network, notice trends and understand how other companies form a following.

Each social media tool has pros and cons. Therefore, when an entrepreneur decides to use a specific channel or even create his own social media, he or she has to take these into consideration. For example, YouTube is an older social media, but is one of the biggest global video sharing channels. Through YouTube, a user is able to reach thousands of people in an instant by sharing pre-recorded or live broadcasts. According to Connor (2012), the major advantage of YouTube is that it is easy to share. YouTube videos can be shared almost everywhere and on most websites.

Second, YouTube is free. The only loss an entrepreneur experiences is the time and involvement needed to finish making a video. Finally, Connors also points out that YouTube allows a user to tag strategically. For example, when products and services are marketed through YouTube videos, there is an ability to tag certain words or phrases on a video,

which will make the video a search result when a user searches that exact word or phrase. If done right and at the right time, a video can go viral, especially with over sixty million users on YouTube daily. On the other hand, when using YouTube, an entrepreneur has to consider that it requires attraction, since unlike reading an article on a blog site, where readers can scan through the text and pick out the key information they need, with YouTube once a reader loses attention they skip it. Therefore, when using YouTube an entrepreneur has to be creative when making videos to keep the viewers' attention. Otherwise, the video will not have transferred the full message and will be regarded as a waste of time (Connor, 2012). Overall, YouTube is a time consuming activity and therefore, the entrepreneur has to understand if this marketing style is best for his business.

On the other hand, Facebook and Twitter are larger, more global and more instant social networks than YouTube and provide distinctive benefits for entrepreneurs. Facebook started as a college tool for friends to stay in touch and share life events. Currently, you can have in addition to a personal account, a local business or place page, a company, organization or institution page, a brand or product page, an artist, band or public figure page, an entertainment page, and a cause or community page. Twitter, on the other hand, is one of the fastest news streaming services in the world. With millions of users and businesses constantly releasing a maximum of one hundred and forty character posts every day, anything that happens at any given moment can be recorded on twitter.

For an entrepreneur who decides to use these networking tools, Kennedy (2010) identified the major advantages and disadvantages of both networks. First, Kennedy claims that when using Facebook and Twitter stakeholders see that a company has a sense of community. This is critical, since it allows the entrepreneur to constantly engage in letting

stakeholders know about key company events and product launches, as well as provides feedback about the company and its stakeholder's reactions to certain company decisions. Next, Facebook and Twitter are excellent tools to market a business online, since there are a wider variety of people in these social networks that can be reached out to for generating business for a company. Many people wouldn't know about a company except through a social networking site because most businesses are industry specific. For example, if an entrepreneur pursued a business in the technology industry and located it in Silicon Valley, without an Internet community, it would be difficult to reach stakeholders or potential clients that live in New York or France. Nevertheless, with the freedom to share thoughts and ideas online, Kennedy states that it is easy for individuals to find people on Facebook, particularly those already in a network and contact them with information about a company (Kennedy, 2010). It is therefore critical for the entrepreneur to be aware of what he or she shares with an audience as well as what others are sharing about the business. Negative rumors damage a company's image, especially if they go viral.

Instagram is a newer social media, which only deals with liking, posting, and commenting on pictures or videos of fifteen-second or less. In the past three years Instagram has gained over fifty million users worldwide and with assistance from Facebook has been growing rapidly. Entrepreneurs should be aware of this new successful social network because they can take first mover advantage in starting their social media campaign on Instagram. Moreover, according to Thompson (2012), the key benefit of interest for this social media is its ease of use. Unlike most social networking sites, which take time to adapt and get used to, Instagram allows users through a simple click on their phone to find and post pictures or videos. Nevertheless, Instagram's biggest disadvantage

is that an entrepreneur has to monitor content on Instagram carefully to make sure that there are no internal or external media that can ruin the company's reputation, credibility, or image (Thompson, 2012).

Tumblr recently became one of the biggest and most viewed blogging sites in the world. But unlike, Facebook, Instagram, YouTube, or Twitter, which have unique features, Tumblr takes some features from each of these sites and then uses them on its application, making it a multi-featured social media tool. In addition to Tumblr there are other popular blogging sites, like Wordpress and Posterous as well as any other websites an individual can create to start an online blog. Therefore, an entrepreneur has to compare Tumblr to other blogging services before deciding to use it as a marketing tool. Unlike other forms of blogging sites, Tumblr is a user-friendlier platform (Ramos, 2011). This is a major advantage because when using social media for business the simplicity and ease of navigation is more practical because it saves time. Moreover, since the users of this social blogging platform are mostly generation Y (people born between the late 1980's to 2000), if the entrepreneur's target market are in this demographic this network is a perfect platform to broadcast media to an audience (Ramos, 2011). However, if the entrepreneur's target audience is outside this demographic, then using Tumblr is probably not a smart choice. Moreover, Tumblr offers a backup feature, which allows the copy and transfer of a site and content to any form of CD or hard drive (Flanagan (2011). This is an important feature for an entrepreneur because it permits businesses to keep public records for future concerns, especially when the time comes to issue an Initial Public Offering. Overall, Tumblr is a good free marketing tool an entrepreneur should consider if they want an alternative to buying a website, which can be expensive.

Finally, LinkedIn, unlike the social media discussed so far, which can be used for leisure activities, can only be used for business. LinkedIn has grown to over fifty million active users and has become one of the biggest and cheapest business tools for job advertisements as well as gathering industry intelligence. By using LinkedIn employers all over the world are able to notify job applicants about new vacancies as well as direct advertisements to specific potential clients. LinkedIn also offers a survey feature for entrepreneurs or business owners to find valuable information that has been collected through research and field studies about employers, industries, economic growth, and other business related topics (Magical, 2010). This information is highly beneficial to entrepreneurs, who rely on statistical data to draft strategic plans and decisions, and shortens the period of inefficiency in frictional unemployment by cutting down the time where individuals and businesses search for each other within the labor market to find a match.

Nevertheless, LinkedIn is not the perfect business tool and according to Richards (2012) the biggest issue with LinkedIn is the privacy concern that entrepreneurs will have to consider when using it (Richards, 2012). As with most social media sites LinkedIn provides the opportunity to adjust privacy settings to control who can view an activity feed, profile, connections, etc. If for some reason important company information gets out on LinkedIn and people who are not intended to view it, get hold of it, a company's reputation could be damaged (Richards, 2012). It is therefore critical for entrepreneurs, as with other social networks, to filter their activity on LinkedIn carefully.

Case Studies of American Companies

This section examines companies in three industries that went from not using social media to incorporating social media. The objective is to understand how social media has helped build brand equity and maintain stronger customer relationships.

Ford, one of the most successful automotive companies in America, has experienced bankruptcy as well as profit losses from decreasing market share and influence in the past decade. However, even with this negative pressure from shareholders and competition, Ford survived and underwent a transition from having poor social media use to becoming one of the leaders in the automotive industry in the use of social media.

Two of the biggest social media campaigns that Ford developed were, the 2009 Fiesta campaign and the Ford Explorer campaign in 2010. The man behind these campaigns was Ford's global digital and multimedia communication manager Scott Monty. According to Amy Laskowski (2013), who interviewed Monty about Ford's marketing strategies before the first Fiesta campaign, Ford treated social media as a hobby instead of a direct network channel with its stakeholders. When Monty joined Ford he transformed Ford's mentality concerning social media by educating most of the staff to create a new company culture where social media would be used in almost all of the communication teams (Laskowski, 2013).

Then in 2009, when Ford was ready to release its revamped Fiesta, with Ford's permission, Monty gave one hundred drivers a Fiesta for a year with free gas and video cameras to record honest reviews and post tweets and videos to capture and share the experience with the world. This campaign helped Ford gain more than 1.8 million fans on Facebook and 206,000 followers on Twitter. In comparison to General Motors at that time,

they only had 479,000 fans on Facebook and 91,000 followers on Twitter (Laskowski, 2013).

After the successful Fiesta campaign, Ford decided to launch a Ford Explorer campaign and made social media a priority. In July 2010, Ford revealed its new 2011 Ford Explorer on Facebook. Astonishingly, this was the first time Facebook has ever been used as a platform to reveal a new vehicle. With this campaign, Ford reached over one hundred million people online and received over four hundred million impressions of this vehicle instantly. This campaign became the top trending topics on Twitter, and number two trending on Google (Laskowski, 2013). Overall, according to Hartwig (2013), with the help of social media, Ford gained thirty percent more new customers below the age of twenty-five and increased the consumer consideration for Ford vehicles by eighty two percent (Hartwig, 2013). For the most part, this was truly a huge turn around for Ford. As a result, Ford continues to involve itself with their stakeholders in new creative ways via social networks.

Pepsi is also a leader in social media use in the United States. However, unlike Ford, which began focusing heavily on social media during 2009, Pepsi started its social media venture in January 2010. For this initial social media campaign, Pepsi took twenty five million dollars that was to be invested in super bowl ads and instead created a monthly online contest for people to submit their ideas and compete for votes to win grants online. The grant values ranged from five thousand to two hundred and fifty thousand dollars (Preston, 2011). This, according to Shiv Singh, who is the head of digital department for PepsiCo, was based on the idea to use these brand dollars to have consumers share creative ideas, and on the premise that the consumers will win, the brand will win, and the

community will win. The result was that over 120,000 ideas were submitted with over seventy seven million votes casted through Facebook and more on Twitter (Preston, 2011).

However, unfortunately for Pepsi, this campaign did not drive up sales, and ever since the market for carbonated drinks has been falling, Pepsi experienced a six percent drop in sales. Nevertheless, Singh states that the Pepsi Refresh Project was not a sale-driving program, but an investment to build brand awareness and cultivate a long term-relationship with consumers (Preston, 2011). In addition, this campaign also allowed Pepsi to gather feedback from thousands of loyal customers that helped Pepsi pursue new approaches to gather marketing research about its brand awareness. Thus, after a ten-month rigorous review of the brand around the world, according to Brad Jakeman the Chief Creative officer of PepsiCo, and Simon Lowden, the Chief Marketing officer off PepsiCo, both found out that most Pepsi loyalists had one thing in common, they enjoyed making the most of every moment in life (Rooney, 2012).

This led Pepsi to shut down the Pepsi Refresh program and begin a new global campaign called 'Live for Now.' This new campaign, according to Grandinetti (2013) was the first global campaign launched by Pepsi on May 7th, 2012 along with the new Pepsi Pulse dashboard, which allowed Internet users to share their Pepsi experiences and interact with one another online at Pepsi.com. Pepsi also began advertising this campaign all over the world through banners as well as concerts, commercials, and music videos featuring some of today's most popular artists (Grandinetti, 2013). Moreover, Pepsi's followers were also allowed to choose specific songs through popular vote that were then played by these artists during Pepsi's summer concert (Hatch, 2012). This according to

Hatch (2012), allowed music artists like Nicki Minaj, Katy Perry, and Joe Jonas, to post tweets on the Pepsi Pulse website and engage the community.

In result, during the week of April 10th 2013, Pepsi won an award for being the best fortune five hundred brand on social media. This success was captured by Pepsi and shared on PepsiCo's website, where PepsiCo stated that Pepsi reached approximately forty million consumers each month during the course of the campaign and experienced a viral reach by around 1,133 percent. This made Pepsi fans forty percent more active on the page, compared to most of Pepsi's competitors, and increased the average consumers purchases intent and sales for the company (PepsiCo, 2013). Overall, Pepsi's social media campaign did a great job in raising customer engagement, as well as increasing its global brands awareness.

Starbucks, on the other hand, launched its best social media initiative to date with the 'My Starbucks Idea' website five years ago (Schoultz, 2013). This website became a platform where customers actively engaged with the Starbucks community (Schoultz (2013). Ideas for better products and how Starbucks could improve current customer's experiences were suggested along with memorable Starbucks moments. This gave Starbucks the knowledge to improve their customer relationships, and encouraged customer engagement, which brought feedback to Starbucks, as well as helped promote Starbucks' goals and ideals that strengthened and secured the brand image (Schoultz, 2013). In addition, "My Starbucks Idea" helped Starbucks generate over one hundred and fifty thousand ideas that helped Starbucks launch many successful products, like the Starbucks Petites and new flavors, like the Mocha Coconut Frappuccino (Adamson, 2011).

Most important, according to Annie Scrivner, the Chief Marketing officer of Starbucks, Starbucks gained over thirty million Facebook fans and over one point five million Twitter followers globally with this campaign (Adamson, 2011). This encouraged Starbucks to continue to utilize social media to boost its sales and company reputation daily. In fact, in October 2013, Starbucks launched a creative new social media campaign via twitter, called 'Tweet-a-coffee'. This campaign enabled kind-hearted people to send a five-dollar eGift card to their friends or followers on Twitter, whom they thought are in desperate need of coffee (Wagstaff, 2013). Nevertheless, this process was confusing and Starbucks put together a forty-nine second video that showed users how they could send gifts to their followers or friends on Twitter. Not surprisingly, with the help of Starbucks active YouTube account, which amassed thousands of subscribers, this promotional video reached nearly twenty nine thousand views instantly. Comments, including "this is awesome", "amazing idea" and "brilliant marketing strategy" were just some of the immediate feedback Starbucks received from this campaign (Wagstaff, 2013). Additionally, as of December 2014, Starbucks generated over one hundred and eighty thousand dollars in additional revenue (Wasserman, 2013). Overall, Starbucks did an excellent job utilizing social media to make their coffee service better, tastier, and more popular.

Brazilian Entrepreneurs and Social Media

Ford, Pepsi, and Starbucks, showed that social media is one of the cheapest, but yet most powerful marketing tools in the United States. But how is social media being used in developing countries like Brazil?

As one of the fastest growing countries in South America, Brazil, like most modern countries, has been slowly transitioning to using social media in various social and

business fields. Moreover, according to eMarketer (2013), Brazil today has over 78.3 million social network users, and will have over 110 million by 2017. Comparing this to the United States, which currently has 163.5 million users and will have around 183.8 million users by 2017, Brazil stands strong as the second largest social network user in the western hemisphere (eMarketer, 2013). Therefore, entrepreneurs in Rio de Janeiro, Ihla Grande, and Parati are actively engaged in social media to increase awareness for their brand, and build a stronger network. However, unlike in America, in Rio most citizens are not concerned with the government monitoring their technological use continuously. As a result, through the center of operations in Rio de Janeiro, most citizens give their public information to the government so that this central intelligence agency can monitor the whole city and send out warnings about weather, traffic issues, terrorist threats and any other issue occurring at any time. Furthermore, this center includes over eighty monitors that show every location live throughout Rio. This gives this agency more accurate information so that they can avoid spamming their citizens with false rumors. Overall, in addition to leisure and business activities, the center of operations shows how effective social media is in Brazilian culture, and demonstrates a good understanding of how Brazilians use it daily.

In an interview with Theresa Williamson, the founder of Catalytic Communities a non-profit organization operating since 2004, Williamson provided an excellent outlook of how social media is necessary for a non-profit firm in Brazil. To start, Catalytic Communities, which is based in Rio de Janeiro, is an empowerment communication think tank and advocacy organization that supports and empowers residents of informal settlements. Catalytic Communities helps residents and leaders in favelas around Rio by

providing them with a news source, agenda-setter, movement-builder and research collaborative, to boost community development. With this goal in mind, Catalytic Communities aims to improve the poor living conditions within the favelas, and support the families and children, who live there. Being a non-profit firm, Williamson said that in the beginning, she spent over a year attending community meetings and organized coalitions to build relationships and trust. With this she then gained knowledge of the communities and began developing familiarity among the community leaders. This was a crucial step for Williamson and Catalytic Communities, since without this she was unable to express opinions and impose ideas. Once Williamson developed a strong relationship with the community leaders/groups, she began incorporating social media in her company's daily routine. Social media became an important vehicle for strengthening and maintaining those relationships that she built earlier as well as it helped her become more proactive in supporting the communities.

One of the most successful social media tools for Catalytic Communities was RioOnWatch. RioOnWatch incorporated Facebook, Twitter, and email, which were vital to getting content to her networks. With these platforms, Williamson was able to utilize a powerful vehicle for influence over policies that affect Rio's communities, since those receiving the community news were mostly international opinion-formers. As for helping her build brand equity, she said that social media allowed the company to share the story globally, which promoted her brand all over the world and connected her with more political leaders and people who have interest in being a part of a community that helps individuals who live in extreme poverty conditions such as those experienced in the favelas.

In addition, since Brazil is the second biggest country after the United States in using social media, Williamson is able to instantly get in contact with many community leaders and share content that could be important in managing new events to benefit these communities. One example of this was when Williamson recently introduced a garbage disposal program, which until recently was unavailable throughout the favelas. To solve this issue, Williamson, along with some of her company employees and volunteers, began to take pictures of the mess and pollution caused from the excess garbage and posted it on their company Facebook and Twitter page. She then began sharing this feed with some of the favela community leaders to bring it to their attention. Soon after, some of the photos began reaching politicians in Rio including the mayor, who shortly after, established a new garbage collection process within the favelas. This included more recycle bins placed throughout the favelas to maintain a cleaner living environment. Catalytic Communities was proud of this accomplishment because now they are one step closer in insuring better living conditions for the family's living in these favelas. Furthermore, Twitter also allows Williamson to post messages of events where people throughout Rio can participate in helping build a more sustainable city. These volunteers are necessary for Catalytic Communities, and a relationship with them through these social media definitely helped Williamson build a stronger tie between the favelas and the city of Rio.

In comparison to before, when people, especially the leaders, wouldn't really listen to Williamson when she tried helping these favelas, Williamson now is able to visit any favela in Rio and talk to most of the leaders about new projects and problems freely and conveniently. Additionally, with visiting University departments, graduate researchers, journalists, conference goers, and volunteer groups, Williamson is also able to provide

tailored educational visits to favelas across Rio de Janeiro, giving people even more awareness to the problem she is trying to fix.

Nevertheless, non-profits are not the only company's that utilize social media in Brazil. Steve Luttmann, the founder of Leblon Cachaca, a liquor distributor, explained his use of social media for a start-up company. Luttmann founded Leblon with his partners Roberto Stoll Nogueira, Gerard Schweitzer, and Gilles Merlet in 2005. Today, Leblon has quickly become the number one Alambique Cachaça--which is liquor similar to rum--in Brazil and North America, Western Europe, and parts of Asia.

The liquor is made in a factory in Patos de Minas, Minas Gerais, which is the famous sugar cane growing region of Brazil renowned for its Alambique Cachaças. Unlike, industrial Cachaça, which is mass-produced with continuous distillation that uses the same production process as industrial ethanol, Leblon is a small batch single distillation that separates the high-quality distillate from impurities. Similar to the production of Cognac, Alambique Cachaças preserves the sensorial qualities of the fresh sugar cane giving it a smooth, refreshing taste.

However, unlike Catalytic Communities, Luttmann said that he uses social media only as a minor tool in his marketing approach. Luttmann stated that although social media is essential in keeping a relationship with customers, it is not essential for building brand equity in the beginning. Luttmann emphasized that in building brand equity, the first thing he had to take on was a grounded approach to marketing. Luttmann began his marketing by having a van driving around Rio selling Cachasa in its popular mixed drink form called Capirinha, which is made with ice, sugar, and lime juice. After this, he was able to slowly build his social media channels, which later on came into importance to help maintain

customer relationships and spread brand awareness. Luttmann said that eventually with the help of Facebook he was able to easily organize events within Brazil for people to try Leblon. During this spring break, for example, Luttmann set up a little shop on the boardwalk of the coast of Rio to promote his Cachasa. Many new customers came to Luttmann and some even liked Leblon's Facebook page or followed Leblon on Twitter for future events, especially during the World Cup.

As for his future plans during the World Cup, Luttmann will continue to set up fun beach events where individuals can earn Leblon prizes as well as sweepstakes by playing different games while enjoying each others company. Moreover, Luttmann stated that throughout these events, social media was a great tool to gather feedback for almost everything he did. For instance, during one event, Leblon's Facebook page was constantly being updated with suggestions for improvements, feedback about the liquor, as well as various comments and pictures. In addition to Facebook and Twitter, YouTube came to be a very important tool in sharing Leblon's ideals and goals. By using YouTube, Leblon was able to make creative videos that notified Brazilians about the company and further promote his brand as customers shared these videos through out their social networks.

Furthermore, as a sustainable entrepreneur, Luttmann was concerned with corporate social responsibility. Therefore, he came up with a new way of reusing sugar cane waist to fuel twenty five percent of the factory. Since, Brazil is a country where individuals maintain being healthy and appreciate sustainability; once Luttmann shared this sustainable message through Twitter, he was able to promote his sustainable Cachasa production process and forge a new position for Leblon in the Cachasa producing industry. This not only helped him strengthen his brand image by differentiating Leblon from his

competition, but it also encouraged new people to like his social media channel and support him in his goal to connect Brazil with Leblon.

Overall, Luttmann demonstrated that before an entrepreneur should use social media, he needs a process, brand, and product that works. Only then, the entrepreneur can figure out how to spread the company's goal and objectives to create hype in the social media networks and begin strengthening the businesses customer relationships and brand image.

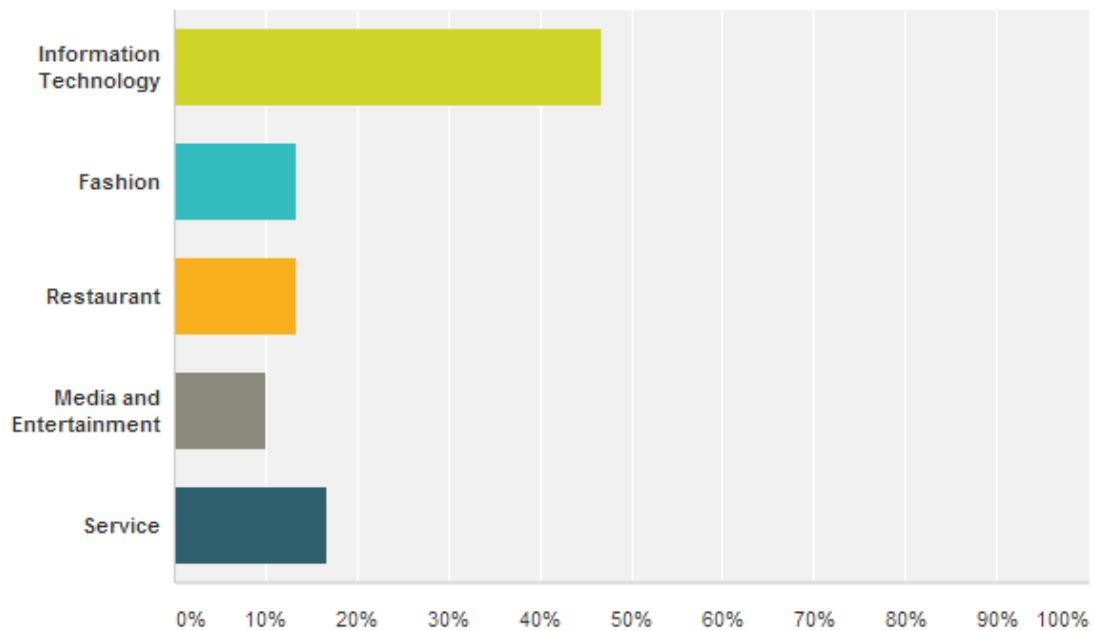
Survey Research on Social Media Impact

In addition to the case studies of Ford, Pepsi and Starbucks, and the interviews with Brazilian entrepreneurs, a survey was conducted to focus on start-up entrepreneurs throughout the New York City area. This survey provided sufficient quantitative data to further explain the effectiveness of social media for building brand equity and customer relationships. However, before presenting the results in the survey, key data assumptions and biases are presented.

An important issue is that of the 36 individuals who answered the survey, the majority of companies were in the information technology industry, as shown in the graph below.

What type of industry is your company in?

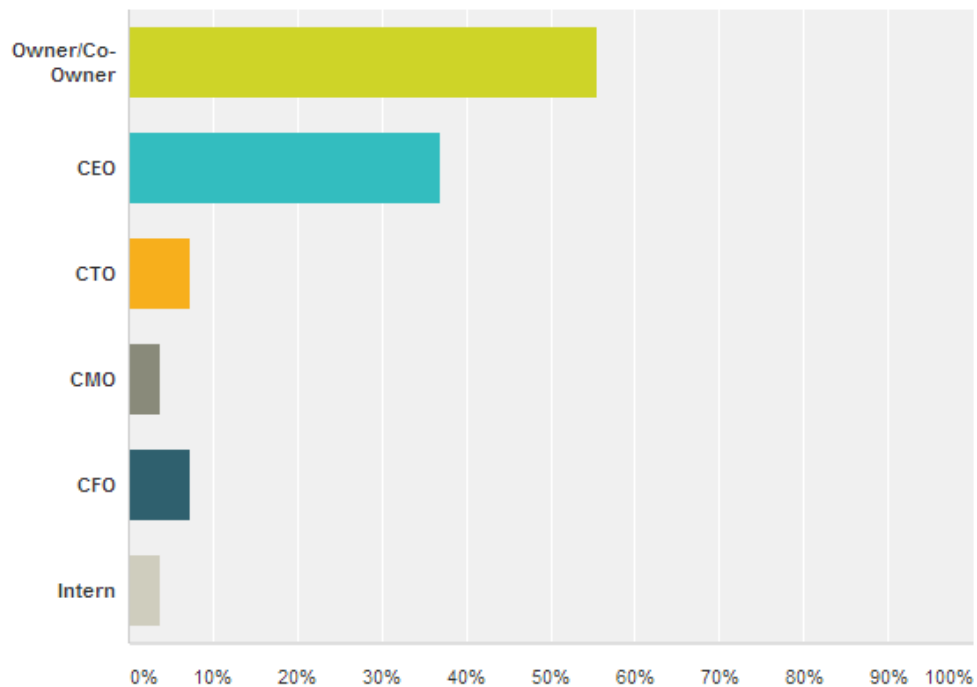
Answered: 30 Skipped: 6



This bias has to be kept in mind when analyzing the data. Moreover, when asked what position the respondents withheld in their company, the majority of the people were owners or co-owners.

What is your position within the company?

Answered: 27 Skipped: 9



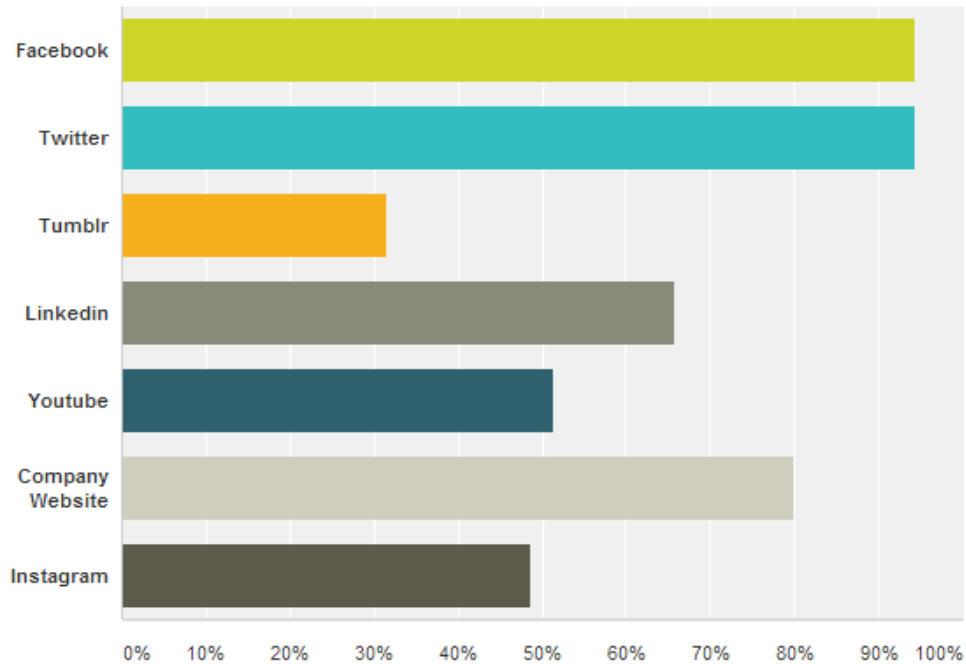
As a result a bias occurs where the owners will more than likely speak highly of the company and its marketing campaigns.

Survey Results

In regards to the survey, all but one of the start-ups, use social media. Moreover, in the graph below, Facebook, Twitter, and company websites are the three most popular social media tools used by start-up corporations.

If yes- What types of social media have you used?

Answered: 35 Skipped: 1



With this in mind, when asked how effective was the use of social media for building brand recognition, 41.67% of the respondents noted that social media is somewhat effective; 22.22% stated that it is effective; 16.67% stated that it is very effective, and then another 16.67% stated it was extremely effective. Only one respondent noted that social media had no effect on developing brand equity. Next, when the respondents were asked to explain this effectiveness, the responses were:

- Postings on social media helped reach the target audience more effectively than through conventional email.
- Potential clients were able to contact companies through social media more easily.

- Eighty percent of customers, who were interviewed by the respondent's company, said that they learned about the company through Facebook, either via sponsored posts or from friends.
- Forty seven percent of the respondents were able to establish a community that further built communication methods between the customers to strengthen the company's brand awareness.

One company that used marketing through Twitter noted that it increased signups, registrations, and orders. On the other hand Quora, a social media platform that targets competitors, helped one company gain better understanding of its position to further shape its brand. Finally, YouTube and Facebook helped one respondent to show demos, and receive feedback about their company, which then resulted in them to make necessary adjustments to enhance their brand position amongst their competitors in favor of their customers.

Similarly, when asked how effective was the use of social media on maintaining better customer/stakeholder relationships, 41.83% of the respondents noted that it was somewhat effective. 23.53% of the respondents said it was effective. 17.65% stating that it was very effective. And only one respondent stated that the use of social media was extremely effective. However, unlike the previous question, there were three respondents that stated that the use of social media was not effective at all in maintaining customer relationships. Now, when the respondents were asked to explain this phenomenon, responses showed:

- That 33.33% of the respondents were able to form new relationships through social media.

- Others used social media to actively communicate with customers and use it to make announcements as well as monitor their competition.
- 22.22% of the respondents were able to respond rapidly and publicly to inbound communications through social media.
- One respondent mentioned that the feedback gained from Facebook was helpful in maintaining customer relationship, since the company's goal is to always satisfy their customers.

Overall, these comments provided reasonable explanations to how social media impacts brand equity and customer relationships, and built a good foundation for a further statistical research through Stata, a statistical program that is used to analyze data and its impact through linear regression.

According to Stata, and with the data collected through the survey, the result for the first hypothesis linear regression is:

$$BE = 369.1141 + 1.065(SMBE) - 0.1846(YF) + 1.822(USM) + 3.088(FBD) - 2.161(TWD) + 1.440(TMD) - 0.7391(LID) - 3.3381(YTD) + 3.1586(CWD) - 3.0109(IGD)$$

(Regression model explanation for both hypotheses can be found in Appendix A)

Looking at the coefficient of SMBE, which is the impact of social media on brand equity, one can notice that it is positive and that each incremental increase in the effectiveness of social media raises the brand equity, or market share of the company by 1.065 percent. This result is coherent with the hypothesis, and shows that social media does in fact have a positive relationship with building brand equity. Nevertheless, this equation also differs from the hypothetical one, and therefore it is critical to point out the differences, and explain them. The first difference that is seen here is that the sign of the coefficient

variables of TWD, LID, YTD, and IGD, are negative, which means they all negatively impact brand equity. One assumption that explains this phenomenon is that, there are omitted variables in this equation. Specifically, since other variables that can have major impact on brand equity are not presented here, these dummy variables absorb some of the negative portion that was supposed to be presented in the error term. Meaning, the error term, does not accurately predict what exactly was not proven by this equation, and attempts to justify the results by redistributing the negative impact to these dummy variables. This of course, leads to an over estimated R squared of 0.4218 in this equation. Thus, by looking at the adjusted R squared, one can see that the true value of what was proven by this equation is only 0.1905 or roughly nineteen percent, instead of forty-two. Therefore, if an individual wants to pursue further studies of this hypothesis, they must gather more variables, like companies' profits to prove brand equity and get a better understanding of the impact each type of social media has on it.

Now for the second hypothesis, the result from the linear regression here is $CR = 4.4389 + 0.5611(SMCR) - 3.3376(USM) + 2.7174(TWD) + 0.6712(LID) + 1.0443(YTD)$

First thing to note here is that the sign of the coefficient for the variable SMCR, once again is coherent with our hypothetical example. In fact, every incremental increase in the effectiveness of social media in building customer relationship raises the customer loyalty level, which is measured on a scale of one to ten, by 0.5611. This makes sense because if a company's social media campaign is more effective in building customer relationships, the loyalty of those customers towards the company will be stronger. Nevertheless, in this equation, USM has a negative coefficient, which is different from the hypothetical equation. This shows that as company's use social media, there is a negative impact on customer

relationships. This phenomenon can once again be explained by the issue of omitted variables in this equation, as well as by the growing possibility of a saturated market in these social networks. Considering the first issue of omitted variables, this is seen by the relatively low value of R squared, which is 0.3014. This demonstrates that only thirty percent of the dependent variable was proven with the selected independent variables. Consequently, when also considering the small sample size, the adjusted R squared value, which is 0.1850, shows that only eighteen point five percent of the dependent variable was proven by the selected independent variables in this equation. Therefore, if further research is conducted on this topic, critical variables, like customer service, or even industry have to be considered to further explain the dependent variable of customer relationship, as well as the impact of the coefficients in the current selected independent variables.

Overall, the quantitative data presented here shows that social media does in fact have a positive relationship in increasing brand equity, and developing stronger customer relationships. Nevertheless, with the specification issues mentioned earlier, and with the equation differences between the actual equations and the hypothetical ones, key issues did arise, which do alter the reliability of the coefficient numbers. Meaning that because there were omitted variables, and the sample size was too small, the impact measured by the coefficients, can most definitely be understated or overstated. Therefore, it is critical to consider analyzing these numbers carefully, and only take into consideration the signs of each coefficient.

The Findings and Discussion

Case studies of Ford, Pepsi, and Starbucks, interviews with Brazilian entrepreneurs, and survey results, show that social media has somewhat of a positive effect on brand equity and customer relationships. Nevertheless, depending on the industry a company is in, and what approach a company takes in their social media campaign, those effects will vary. It is therefore necessary to note that when a company pursues a social media campaign there is a possibility that it might not have much impact because necessary marketing precautions were not taken into consideration to build initial company brand equity or credibility to propel a social media campaign.

As seen with the interviews with Steve Luttmann and Theresa Williamson, both did not focus on social media until after they developed initial relationships from face-to-face appearances, or guerrilla marketing approaches. Thus, it was only after they caught traction within their industry that they began enhancing their brand awareness through the use of social media. Similarly, even with established corporations like Ford, Starbucks, and Pepsi, those companies continue to use traditional marketing approaches together with social media campaigns to build brand equity and enhance customer relationships. Last, with the results seen from the survey the regression analysis did not prove everything that showed a companies impact on brand equity and customer relationship. This correlates with the qualitative results in this study by demonstrating that there are other variables to consider in a company's business model to build strong customer relationships or brand awareness, before pursuing social media campaigns. It is therefore critical to understand that even though social media is a good means to communicate with your customers and spread your brand, social media does not justify all the means for the ends.

Topics for Further Research

Even though this exploratory study did show a positive impact between social media, brand equity and customer relationship, the study was broad, and therefore more specific studies are required to further analyze impactful social media. Additionally, being a relatively new form of marketing, social media is still young and because the data available for it is expensive it's safe to say that once historical data of social media becomes more available and abundant, it will become cheaper and easier for individuals to conduct further research. Moreover, trends, growth, and potential future effects of social media, will also be easier to conduct and analyze.

Concerning measuring and comparing social media's global impact will also become more applicable as other developing countries, like Brazil, begin to apply social media to their daily routines. This will result in various studies where social media can be analyzed for its impact on various industries, and businesses globally. Furthermore, new areas, like how social media influences politics, education, environment, etc, can also be analyzed globally.

However, if one decides to further analyze the issues in this exploratory study, he or she should consider using more independent variables and a larger sample size to get a better understanding of social media's impact. Finally, this research area will more than likely be of interest in the near future and with the foundation built from this exploratory study, additional questions might emerge.

Conclusion

As one of the most important technological tools of the early twenty-first century, social media is rapidly becoming popular among businesses and consumers. Therefore, it is not surprising to find that social media impacts the development of brand equity and

customer relationships in established and new businesses. However, this impact varies by industry, country, and other factors. Therefore it's critical to note that using social media is not necessary for establishing a profitable company. Additionally, with the different types of social media available, an entrepreneur has a complex choice selecting which social media would work best for obtaining the goals of his or her company. The last thing an entrepreneur or a company wants is to waste time over a network channel, while competition catches up and surpasses them. Nevertheless, every social media venture is a learning curve and it is critical for businesses to understand how much time they need to adapt to the platform, as well as how much time is needed to maintain it.

Moreover, as seen in the Brazilian interviews and the conference in Rio's center of operation, because Brazilian citizens give access of their private as well as public information to the government, social media plays a wider role in Brazilian society than it does in the United States. As a result, some industries in Brazil are completely reliant on social media, while others use it as a minor tool that still provides some benefits. Therefore, when an entrepreneur decides to pursue his social media campaign, he or she also has to consider if social media will be useful in her or her company's industry. Otherwise, there are more important factors to consider to build brand equity and customer relationships.

Finally, social media is a new field with multiple emerging possibilities and opportunities that will surpass the pioneering efforts discussed in this paper. Therefore, it is important to continue to study how social media influences the information industry today and how see how it will be used by businesses in the future.

Appendix A: Stata results and Regression Model

1st Hypothesis

Source	SS	df	MS	Number of obs =	36
Model	200.274104	10	20.0274104	F(10, 25) =	1.82
Residual	274.557699	25	10.982308	Prob > F =	0.1082
				R-squared =	0.4218
				Adj R-squared =	0.1905
Total	474.831803	35	13.5666229	Root MSE =	3.314

marketshare	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
smefectonbe	1.065077	.5466238	1.95	0.063	-.0607161	2.19087
yearstarted	-.1845896	.1474482	-1.25	0.222	-.4882649	.1190857
usesm	1.822366	5.83076	0.31	0.757	-10.18631	13.83104
fbdummy	3.087554	2.873599	1.07	0.293	-2.830734	9.005843
twitterdum	-2.160532	2.830798	-0.76	0.452	-7.990669	3.669605
tumblrdum	1.439826	1.295994	1.11	0.277	-1.229324	4.108976
linkedindum	-.7391059	1.573079	-0.47	0.643	-3.978923	2.500711
youtubedum	-3.338156	1.403538	-2.38	0.025	-6.228797	-.4475149
cwdummy	3.15863	1.725026	1.83	0.079	-.3941273	6.711387
instagramdum	-3.010872	1.251993	-2.40	0.024	-5.589399	-.4323445
_cons	369.1141	294.8134	1.25	0.222	-238.0656	976.2938

2nd Hypothesis

Source	SS	df	MS	Number of obs =	36
Model	36.0640979	5	7.21281958	F(5, 30) =	2.59
Residual	83.574791	30	2.78582637	Prob > F =	0.0462
				R-squared =	0.3014
				Adj R-squared =	0.1850
Total	119.638889	35	3.41825397	Root MSE =	1.6691

scale110cr	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
smeffectoncr	.561059	.2692988	2.08	0.046	.0110776	1.11104
usesm	-3.337598	2.240865	-1.49	0.147	-7.914055	1.238858
twitterdum	2.71738	1.266193	2.15	0.040	.1314697	5.303291
linkedindum	.6711933	.6103489	1.10	0.280	-.5753054	1.917692
youtubedum	1.044287	.5849581	1.79	0.084	-.150357	2.238931
_cons	4.438941	1.690665	2.63	0.013	.9861424	7.89174

Linear Regression Model

1st hypothesis-What is the impact of social media on building brand equity?

$$BE = \beta_0 + \beta_1(SMBE) - \beta_2(YF) + \beta_3(USM) + \beta_4(FBD) + \beta_5(TWD) + \beta_6(TMD) + \beta_7(LID) + \beta_8(YTD) + \beta_9(CWD) + \beta_{10}(IGD) + \varepsilon$$

2nd hypothesis- What is the impact of social media on maintaining better customer/stakeholder relationships?

$$CR = \beta_0 + \beta_1(SMCR) + \beta_2(USM) + \beta_3(TWD) + \beta_4(LID) + \beta_5(YTD) + \varepsilon$$

Where:

- BE=Brand Equity that is measured by the company's market share.
- SMBE=Is the impact of social media on brand equity that is measured with a scale of 1-5, where one is not effective at all, two is somewhat effective, three is effective, four is very effective, and five is extremely effective.
- CR=Is the level of customer/stakeholder relationship, measured by a loyalty scale of 1-10, where one is not loyal, five is loyal, and ten is extremely loyal. The more loyal the customers are to the company, the more engaged they are, and the higher the level of customer relationship the company withholds.
- SMCR=Is the impact of social media on customer/stakeholder relationship that is measured with a scale of 1-5, where one is not effective at all, two is somewhat effective, three is effective, four is very effective, and five is extremely effective.
- YF=The year the company was founded.
- USM=The dummy variable where 1 is given if the company uses social media, and 0 otherwise.

- FBD=The dummy variable where 1 is given if the company uses Facebook, and 0 otherwise.
- TWD=The dummy variable where 1 is given if the company uses Facebook, and 0 otherwise.
- TMD=The dummy variable where 1 is given if the company uses Tumblr, and 0 otherwise.
- LID=The dummy variable where 1 is given if the company uses LinkedIn, and 0 otherwise.
- YTD=The dummy variable where 1 is given if the company uses YouTube, and 0 otherwise.
- CWD=The dummy variable where 1 is given if the company uses a Custom Website, and 0 otherwise.
- IGD=The dummy variable where 1 is given if the company uses Instagram, and 0 otherwise.

Specification Issues with this Linear Regression Model

1. The first specification issue seen here, is that there are omitted variables in the equation. More specifically, social media is not the only variable that determines brand equity and customer relationship, especially not for all industries alike. This, as mentioned earlier lower the adjusted R squared. Nevertheless, the focus of this thesis is to see if social media has a positive impact on both brand equity, and stakeholder relationship, therefore the signs of the coefficients under this regression are more important.

2. Classical Assumption three is slightly violated in the first equation because SMBE is positively correlated with the error term. The reason for this is because social media itself can influence the error term, which contains what could not have been explained to build brand equity in this equation. Thus the adjusted R squared, once again becomes slightly inaccurate, since it is overstated between the correlation of SMBE and the error term.
3. Furthermore, since the sample size is relatively small and was close to the lower bound acceptance limit of a sample size of thirty for a good regression analysis, issues of multicollinearity between variables comes into play, and therefore has to be taken into consideration when observing the adjusted R squared number in the regression analyses, which shows how much of the dependent variables in the equation was proven by the selected independent variables. In addition, multicollinearity also arises when observing the significance levels of the t-values for the variable coefficients, by making them lower than what they should be under a larger random sample.
4. Lastly, because in certain industries the error term might vary in predicting brand equity, and customer relationship, classical assumption five is also violated. For example, industries like the CIA, wouldn't benefit from social media in building brand equity and customer relationship as much as say, Pepsi. Therefore, the error term would vary greatly, depending on sample size. Nevertheless, comparing the actual coefficient signs to the theoretical ones, are the focus in this regression analysis, and therefore this violation will only be of concern to individuals, who are choosing to investigate this topic more specifically.

Appendix B: Survey Questions

1. In what year was the company founded?
2. What type of industry is your company in?
3. What is your position within the company?
4. Do you use social media as a means to reaching your target market?
5. If yes- What types of social media have you used?
6. How effective was the use of social media on your business in terms of building brand recognition?
7. If it was effective, please explain how.
8. What is your company's market share, as a percentage of your company's profits to the industry's profits?
9. How effective was the use of social media on your business in terms of maintaining better customer/stakeholder relationships?
10. If it was effective, please explain how.
11. On a scale of one to ten, where one is least loyal and ten is most loyal, how loyal are your customers/stakeholders to your company, according to your social media campaign?

Appendix C: Interview Questions with Brazilian Entrepreneurs

1. What were some of the ways that you used to reach your initial stakeholders and customers?
 2. What worked?
 3. What didn't work?
 4. Do you use social media as a means to reaching your target market?
- If yes---
1. In what ways have you used social media? (Specific campaigns)
 2. What impact has the use of social media had on your business? (in terms of brand recognition, customer relations)

If no---

1. Why have you not used social media?
2. Have you thought about using social media? If so, what strategies would you use?

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