

# The Use of Social Media to Enhance the Performance of Small and Medium Scale-Businesses

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## ABSTRACT

This study aimed to examine whether Cost Effectiveness, Compatibility, and Interactivity influences Business Performance through Social Media Usage. The population in this study is small-medium business owners in the culinary business. In this study, the samples consist of 65 respondents as the owners of small-medium businesses in the culinary industry in Southern Jakarta. The sampling technique used was the non-probability sampling, which is specifically the purposive-sampling method. Overall, the results of this study are as follows: 1) Cost-Effectiveness does not influence the Social Media Usage; 2) Compatibility significantly influences the Social Media Usage; 3) Interactivity significantly influences the Social Media Usage; and 4) Social Media Usage significantly influences Business Performance, in the culinary field among small and medium-scale businesses in Southern Jakarta.

**Keywords:** Cost-Effectiveness, Compatibility, Interactivity, Social Media Usage, Business Performance.

## 1. INTRODUCTION

In the 21<sup>st</sup> century, social media is becoming a global trend. Which initially functioned only to connect and interact with each other, now this function has evolved into a place for business people to do business. The use of social media for business actors overtime must be implemented to be able to compete with other businesses and maintain the viability of their business. Historically, marketing expenditures have often been cash to get the message across and are generally viewed as heavy expenditures [1]. Compared to traditional media, which costs exorbitantly, a social media strategy may not require a large budget [2]. Implementing this opens up opportunities for business actors to market their products to a broader market at minimal costs. This is a must for business actors to switch to social media to maintain their existence. When technology matches the work system of an application, companies tend to consider adopting new technology. This is done because business always follows the times. By having a good internet connection, everyone, including business actors, can operate social media in their business because this media is generally easy to adapt [3]. However, it is said that small-medium businesses, especially those in developing countries, are slow adopters of technology [4]. However, suppose there is an operation of a social media platform that is complicated and not by the values of a business. In that case, business actors will avoid it because the ability to operate technology is still relatively low. The presence of social media alone is not sufficient for an organization. Thus, this must be complemented by interactions with customers and potential

customers [5]. Every business must prioritize satisfaction and always want to be the best in the eyes of consumers. There will be things that make the business will continue to advance through criticism and suggestions. The capability of social media to create interactivity and dialogue is a powerful way to engage customers and develop the long-term relationships with businesses and brands [6]. It is believed that technology can improve the processes and performance of a business [7]. Social media presence plays an important role in business in order to increase sales and create repeat sales. It even helps businesses in developing their brand recognition [8]. Business actors who have limited resources, if not appropriately managed, will not be able to compete and experience a decline in performance, resulting in not being able to feel the benefits. Using social media in doing business will make it easier for business actors to reach a broader market.

## 2. LITERATURE REVIEW

### 2.1. Cost Effectiveness

Cost effectiveness itself is considered cost savings in the world of technology to establish direct communication with customers at a relatively low cost [9]. Other researchers define cost-effectiveness as comparing prices and what can be saved, especially with various existing methods [10]. Compatibility. Compatibility is defined as the extent to which an accepted innovation is consistent with the current

values, past experiences, and needs of potential adopters [11]. Compatibility refers to the needs of potential adopters. It relates to relative advantages because if an innovation is not seen as an advantage, it does not meet the needs of its users [12].

## **2.2. Interactivity**

Interactivity is the extent to which two or more communicating parties can relate to each other, both on the communication medium, on messages, and the time to which these influences are synchronized [13]. Interactivity is described as engaging users to provide content in response to communication partner resources [14]. Interactivity is characterized by two-way communication between companies and/or between customers [15].

## **2.3. The Use of Social Media**

Social media is defined as an extension of traditional media with a more sophisticated set of tools, techniques, and technologies to connect one person to another, build relationships, and interact socially [16]. Social media serves as a mean for consumers to share text, image, audio, and video information with each other and with companies and vice versa [17].

## **2.4. Business Performance**

Performance is the result of a process which refers to and is measured over a certain period of time based on pre-determined provisions or agreements [18].

# **3. RESEARCH MODEL AND HYPOTHESES DEVELOPMENT**

## **3.1. The Effect of Cost Effectiveness on Social Media Usage**

The costs of reaching customers through traditional media are generally higher than social media, so experts have recommended social media as a cost-effective platform for marketers [3]. Because most social media accounts are free when signing up, the most common costs are when you spend time creating posts/statuses and responding to customer comments. Thus, now companies have the advantage of deploying innovative strategic brand communications and effectively reaching countless customers through this kind of platform requiring no expensive media and creativity expenditures [2]. Adopting social media is likely to result in significant cost savings [19]. This makes it a good choice for small and medium-sized entrepreneurs who have limited resources.

H<sub>1</sub>: Cost-Effectiveness positively affects Social Media Usage.

## **3.2. The Effect of Compatibility on Social Media Usage**

Compatibility has been considered an essential factor in technology adoption. Because when a company finds a match between its values and goals with technology, it will use it. Embedding social media activities in business operations will be the most suitable concept, because it directly helps target customers effectively and efficiently through various product or service content that is shared instantly [20].

H<sub>2</sub>: Compatibility positively affects Social Media Usage.

## **3.3. The Effect of Interactivity on Social Media Usage**

In two-way communication, there are two parties, namely the party receiving the message and the party sending the message. During the use of social media, the party who receives the message can be the opposite, because social media offers features that support this to allow customers and companies to exchange information. Virtual presence requires suitable communication needs between companies and customers. Thus enabling two-way communication rather than one-way in distributing information to customers [21]. Social media can engage customers in real-time and get practical and impactful interactions from customers.

H<sub>3</sub>: Interactivity positively affects Social Media Usage.

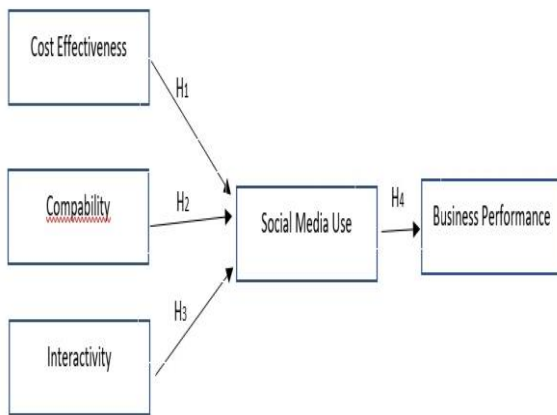
## **3.4. The Effect of Social Media Usage on Business Performance**

Every party who makes use of goods or services would want satisfaction from the things they use. The existence of a perceived advantage makes the party will use the goods or services in the future. The things that drive companies to use social media are attracting new customers, building good relationships with various parties, and communicating their brand online to reach a broader target customer. In addition, they want to get feedback from customers and business partners [8].

H<sub>4</sub>: Social Media usage positively affects Business Performance.

# **4. METHODOLOGY**

In this study, researchers used descriptive research methods. A total of 65 respondents from the owners of small-medium businesses in the culinary sector in Southern Jakarta was used as the subject of this research. The owners of MSMEs in this culinary field use the social media to sell and market their products. The sample selection technique used in this research is purposive sampling. Measurement of respondent responses in this study was measured using a Likert scale.



**Figure 1** Research Design

**5. DATA ANALYSIS**

The AVE value in this study is for Cost-Effectiveness of 0.694, Compatibility of 0.736, Interactivity of 0.720, Use of Social Media of 0.646, and Business Performance of 0.604. The value of loading factors in this study has a value above 0.6. So it can be said that all indicators used in this study have met the requirements. Cronbach's alpha value for Cost-Effectiveness is 0.792, Interactivity is 0.820, Compatibility is 0.870, Business Performance is 0.722, and Social Media Use is 0.868. Then the value of composite reliability in the study has a value greater than 0.7. The analysis of the coefficient of determination (R2) in this study indicates that cost-effectiveness, compatibility, and interactivity can explain the business performance of 57.4%, which is included in the moderate category. The value of predictive relevance (Q2) using the blindfolding method is 0.352, a Q2 score of more than 0 indicates that the variable can predict the model well. The results of the path coefficient shown in this study, namely Cost-Effectiveness (+0.052), Compatibility (+0.434), and Interactivity (+0.356) have a positive relationship to Social Media Use. Then the use of social media (+0.758) also has a positive relationship to business performance. The Goodness of Fit (GoF) test was carried out to test the level of fit of the model in this study, the GoF value can be calculated manually by entering the AVE value and the coefficient of determination (R2). The following is a calculation of the GoF value of 0.625 which has a relatively large level of model suitability. Based on the test results of Cost-Effectiveness on the Use of Social Media, it can be said that Cost-Effectiveness does not significantly affect the Use of Social Media. This can be seen through the t-statistics value of 0.448 (less than 1.96), and the p-value of 0.655 (more than 0.05). Based on the results of the hypothesis testing, H1 was rejected. Based on the Compatibility Test results on the Use of Social Media, it can be said that Compatibility significantly influences the Use of Social Media. This can be seen through the t-statistics value greater than 1.96, which is 3.143, and the p-value smaller than 0.05, which is 0.002. Based on the results of the hypothesis testing, H2 was supported. Based on the

results of the Interactivity Test on the Use of Social Media, it can be said that Interactivity significantly influences the Use of Social Media. This can be seen through the t-statistics value greater than 1.96, which is 2.166, and the p-value smaller than 0.05, which is 0.031. Based on the results of the hypothesis testing, H3 was supported. Based on the results of hypothesis testing about the use of social media on business performance, it can be concluded that social media usage significantly affects the business performance. This can be seen through the t-statistics value greater than 1.96, which is 14.016, and the p-value smaller than 0.05, which is 0.000. Based on the results of the hypothesis testing, H4 was supported. Based on the explanation above, it can be noted that only Cost-Effectiveness has no effect on the Use of Social Media, but Compatibility and Interactivity significantly influence the Use of Social Media. Then, the hypothesis test shows that social media usage significantly influences the business performance.

**6. DISCUSSION**

The results of hypothesis testing state that Cost-Effectiveness does not have a significant effect on the Use of Social Media. Based on the results of this study, H1 was rejected. Testing this hypothesis is by previous research which says that cost is not a significant factor in the adoption of information and communication technology ([21]; [23]). It is said that there is no effect between cost-effectiveness on social media, this is because MSME owners feel that social media does not cut their marketing communication costs significantly, they prefer the social media which offers free posts without having to make any payments [24]. Many business actors focus on marketing based on product orientation. Still, marketing has shifted to activities based on customer orientation, so social media strategies must incorporate activities to interact with customers and social media users [25]. Therefore, to increase cost-effectiveness in using social media as a means of selling and marketing, MSME owners need to choose media that provide cost-effective communication and pay attention to their marketing. Please switch marketing to marketing based on customer orientation, where in terms of costs, you don't need to spend anything, and in terms of time, you don't need to waste more time taking care of excess things related to product marketing. Because of this customer-oriented marketing, it is beneficial for business owners to quickly disseminate business information to a broader range of potential customers. Then the hypothesis testing on Compatibility has a significant effect on the use of social media. Based on the results of this study, H2 was supported. Compatibility is a crucial factor that gives rise to social media usage. Everyone with good internet connection, can use social media. This is a consideration that cannot be ignored for its use by small-medium businesses [8]. It is also compatible with the existing infrastructure as a simple technology and quickly adopted by organizations [3]. The selection of the right social media platform will have a positive impact on

achieving good performance. Small-medium business owners also need to see whether their business infrastructure is appropriate or not when applying social media as a means of selling and marketing. If proper, business owners must learn the basics of operating social media, but generally, social media is a simple medium, so it is easy and fast to learn. Then for Interactivity has a significant influence on the Use of Social Media. Based on the results of this study, H3 was supported. This is in accordance with previous research, it is said that interactivity can result in companies getting feedback through two-way communication with customers, as well as instilling a feeling of responsiveness and better reciprocity [26]. MSMEs also consider the factors that motivate them to use social media, namely interactive elements in social media [8]. The use of social media has a significant influence on business performance. Based on the results of this study, H4 was supported. This is in accordance with previous research, which states that social media influences company performance both financially and non-financially [3]. It is said that social media improves the company's performance in increasing sales transactions, the number of sales, sales requests, and the number of customers. The role of social media as a strategic tool in optimizing company performance seems to be familiar among small and medium-scale businesses in developing their markets.

## 7. CONCLUSION

Related to the research that has been conducted, the researchers intend to provide some suggestions in order to increase the efforts of marketing and sales. Hopefully, business owners can take advantage of various existing social media platforms, because each social media offers different benefits in its usage. It would be great for business owners to shift from conventional marketing to the marketing based on customer orientation in order to reduce some unnecessary costs. Business owners are also required to observe the business infrastructure they are running first and then start adapting and learning the operation of social media to support MSME owners achieve the smooth business operations. Conducting various interactions with customers is also required to obtain the information or input in order to develop a better business in the future. The optimum use of social media will result in good business performance, as this will be seen from sales transactions, the number of customers, and business visibility that is sustainably increasing. Further research is expected to examine the factors in this study but in different context or by adding other relevant variables. Then, the scope of sampling and area also needs to be expanded. By this way, the results obtained from further research can be expected to strengthen and complement the previous research.

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