

Social media pays off for businesses, study shows

January 18 2013, by Kevin Manne

(Phys.org)—Customers who connect with a business through social media will go to the business more frequently and contribute more to its bottom line, according to a new study from the University at Buffalo School of Management.

The study, forthcoming in *Information Systems Research*, found that customers who participate in a firm's social media visit the business about 5 percent more frequently than those who don't.

And those socially [savvy customers](#) mean more [money](#) for the company, says the study's co-author, Ram Bezawada, PhD, assistant professor of marketing in the UB School of Management.

"There have been [doubts](#) about the effectiveness of social media for business because the link between a firm's efforts and the return on investment hasn't been established," explains Bezawada. "Our results show that when customers engage with a business through social media they contribute about 5.6 percent more to the firm's bottom line than customers who do not."

The study used data related to individual customers' participation on a Facebook page and combined it with their actual purchases at a large specialty firm in the Northeastern United States.

Bezawada says there are a number of ways businesses should engage customers to achieve the best results.

"Social media activities help strengthen the bond between the customer and the firm – and boost [financial performance](#)," says Bezawada. "When building communities, businesses should craft personalized messages, encourage member contribution, integrate knowledge about customers from both online and offline interactions, and create specialized sub-communities for customers looking for premium and unique products."

Provided by University at Buffalo

Citation: Social media pays off for businesses, study shows (2013, January 18) retrieved 3 May 2024 from <https://phys.org/news/2013-01-social-media-businesses.html>

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