

# Businesses increase revenue with social media

March 25 2013

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Researchers at Aalto University, the University at Buffalo, and Texas A&M University have proven a link between customers' use of social media and higher revenue.

Now there is proof that customers who engage with a business through social media contribute more to the bottom line than customers who do not, said Ashish Kumar, assistant professor of marketing at Aalto University.

Our study showed that social media activities help strengthen the bond between the customer and the firm. Participating customers on a firm's social media site contribute 5.6% more revenue and visit the business about 5% more than non-participating customers, he explains.

In the past there was no individual-level data that connected a customer's participation in a firm-hosted social media site and their actual purchase behaviors.

Companies questioned whether there was any return on their investment of resources to operate their social media site. This study proves that building online communities, personalizing messages and encouraging contributions from online members enhances the customer experience as well as increases the frequency of social media visits and promotes sales overall. Such data is important to confirm the pay-offs of social media efforts by firms.

The research showed that the keys to success include maintaining a user-friendly site, sending regular updates about events, personalizing key messages to customers and encouraging interaction from them.

By fostering an online relationship, customers can be segmented depending upon their purchase history and prior interactions to determine which customers would be best to target with this marketing effort. It is important to note that not all customers respond to social media efforts equally. This makes market segmentation essential.

As a result of this study, business managers now have a better understanding of the return on their investment in social media. They also now know there is a direct correlation between social media participation and the number of items a customer puts in their shopping basket and subsequently purchases. By capitalizing on this knowledge, marketing can be focused on creating and nurturing the [social media](#) communities that generate the most profits.

**More information:** Rishika, Rishika; Kumar, Ashish; Janakiraman, Ramkumar; Bezawada, Ram: The Effect of Customers' Social Media Participation on Customer Visit Frequency and Profitability: An Empirical Investigation. Published in *Information Systems Research*, March 2013. [dx.doi.org/10.1287/isre.1120.0460](https://dx.doi.org/10.1287/isre.1120.0460)

Provided by Aalto University

Citation: Businesses increase revenue with social media (2013, March 25) retrieved 24 April 2024 from <https://phys.org/news/2013-03-businesses-revenue-social-media.html>

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