

Impacts of Social Media on Business Performance of Vietnamese SMEs

– Master Thesis –

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submitted by

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ABSTRACT

Social media is widely accepted as one of the most effective marketing channels for enterprises. Although it brings many benefits to companies, there are still some potential risks. Furthermore, there is no comprehensive study on the impact of social media on business performance, especially for developing countries such as Vietnam. Based on related theories and studies, we propose an ordinal three-step model explaining the way social media influences business performance. Accordingly, in the first step, enterprises use social media to carry out five activities, including business branding, call for purchases, public relations/customer service, re-posting of customer reviews, and product introduction. In the second step, these activities affect three crucial customer perceptions, namely customer engagement, brand awareness, and information diffusion. In the last step, these three issues directly affect business performance, especially sales and customer growth. We used direct questions, multivariate regression and structural equation modelling (SEM). While there is still some mixed evidence for particular issues within our proposed model, we have confirmed that social media strongly improves business performance for small and medium enterprises in Vietnam by increasing customer engagement, enhancing brand awareness and promoting information dissemination. We also find that the format of social media messages has a significant impact on customer's perception and the effectiveness of communication. Last but not least, we discover that the respondent's perception varies according to the type of company they have worked for and personal characteristics.

Keywords: Social media, business performance, customer engagement, brand awareness, information diffusion

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LIST OF ABBREVIATION

| | |
|------|--|
| SEM | Structural equation modeling |
| NAND | Neither Agree or Disagree |
| MLMV | Maximum likelihood with missing values |

CHAPTER 1: INTRODUCTION

1.1. Background of the study

Social media is the communication channel in which users have the ability to share information and update/respond to other peoples' information. All these media platforms converge in such a way that they are together considered social media. With this view, not only social networks like Facebook and Twitter, but also forums, YouTube, Instagram, Zalo, and even news sites are all considered to be part of social media.

Social networking is a tool that enterprises use to inform their customers about their product offerings. Hence, social media can enable businesses to become more prominent in the eyes of customers. Equally, using social media can help firms connect with other companies within their sector, research and study each other, analyse competitors and develop more effective media strategies. Furthermore, social media is a way of communicating between customers and companies and is a tool for firms to answer customer queries and to satisfy them.

Social media includes tools that combine technology and language skills to promote a brand image of a business on the Internet at a low cost with superior performance. Social media gives marketers a voice and new ways of communicating with customers and prospects. Branding is a means for companies to deliver messages to customers through content that is distributed in the most effective way. Marketers view social media as a vital element of their business and take into account all the activities that take place on social media networks.

In Vietnam, with the development of Yahoo 360, the first social media platform, some brands quickly used it to promote their image. Social media marketing in Vietnam actually began in the 2008-2009 period, following the success of the Close-Up branding campaign, which opened the way for social media campaigns by other big brands. It can be said that the main milestone in the development of social media after the decline of Yahoo 360 from 2008-2009 was the arrival of Facebook in 2011. With the rapid development of the number of users in Vietnam, Facebook emerged as a "fertile land" that brands wanted to exploit.

The biggest advantage to businesses in Vietnam is that there are not many popular social media platforms. Vietnamese users still focus on major social networks such as Facebook and YouTube and major forums (some teenagers use Zalo, which is the second largest social network). Therefore, in Vietnam, the investment in social marketing is more concentrated, more resource-efficient and easier to measure.

Social media marketing has the potential to be a great way for small and medium-sized businesses in Vietnam to increase brand awareness with customers. Companies can also create a playground for the participation of customers, as well as trying to improve customer loyalty

with their products and services. Alongside the positive elements mentioned, social media is also a huge “trap”, because it can consume a lot of money for connecting the community with the marketing campaign and advertisers can be denigrated by competitors. Therefore, this study considers the impact of social media on the business performance of small and medium-sized enterprises in Vietnam and considers whether or not investment in developing social media activities is the right strategy. Further, the question as to which policies the government should use to promote the efficiency of social media for small and medium-sized enterprises in Vietnam will be addressed.

1.2. Significance of the study

This study is expected to contribute knowledge to the effective and efficient management of labour exports; hence, it will benefit the following sectors:

- International employers. Based on the analysis of this paper, Vietnam’s government will build special action plans to improve the competitiveness of Vietnamese labour. Hence, international employers will gain access to better and more competitive labour in the future.
- Vietnamese workers. This study will help workers understand their strengths and weaknesses. In addition, workers will be made aware of the requirements of international employers in term of academic performance, technical skills, communication skills, performance ratings of previous employers, working seniority (in previous companies) and personal characteristics. Thus, Vietnamese workers can prepare and study to improve their abilities and increase their potential for success; this will provide them with assessments and direction in applying for work abroad in the future.
- Managers of labour export. This research will help these managers understand the requirements of international employers. The research will provide them with important suggestions on how to build action plans for improving the competitiveness of Vietnamese labour. The paper could help build the reputation and competitive advantage of Vietnamese labour through superior innovation and meet the expectations of international employers.
- Vietnamese government. This paper will study the current status of Vietnamese labour in term of strengths and weaknesses; it will also provide useful information about the requirements of foreign labour importers. It will be a good basis for the Vietnamese government in planning labour development, especially export activities.

Other researchers. This study will help other researchers to collect necessary information in relation to their research fields. Other researches will also consider the limitations of this research as they conduct future research related to this field of study.

1.3. Research questions and objectives of the study

There are two important questions that need to be studied:

- (1) What is the status of using social media by small and medium-sized enterprises (SMEs) in Vietnam?
- (2) How does social media influence business performance?

To answer these two questions, this thesis focuses on assessing the current status of social media use by Vietnamese SMEs by analysing the results of an enterprise survey, drawing out good and bad points about the application of social media for marketing by these enterprises. In particular, the thesis evaluates the impact of social media on the business performance of Vietnamese SMEs. Based on the results of the analysis, the thesis provides suggestions for businesses to improve the effectiveness of using social media in marketing.

The thesis is organised into five chapters. Chapter 1 explains the importance of social media to businesses, as well as the current issues in the social media debate, research objectives, and the scope of research.

Chapter 2 focuses on the basics of social media and business performance and business performance indicators, as well as research on the relationship between social media and business performance both theoretically and practically. From this literature review, the author presents the proposed research model.

Chapter 3 introduces the research methodology, sample selection and sampling procedures, as well as the analytical methods used to answer the research questions.

Chapter 4, based on the results of the survey, analyses the current use of social media in marketing by SMEs in Vietnam. In addition, it uses multivariate regression to assess the impact of social media on the business performance of Vietnamese SMEs.

Chapter 5 summarises the results of the research and provides solutions to improve the effectiveness of using social media for SMEs in Vietnam.