

Trust, Reputation and the Small Firm: Building Online Brand Reputation for SMEs

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Abstract

Social media provides numerous opportunities for small businesses to promote their products and services, build brand communities and reach diverse market niches. An important factor in seizing these opportunities is developing trust and creating reputation among consumers. This qualitative study examines how a group of Australian small business managers utilize social media websites to connect to, communicate with and maintain their customer base. For the purpose of this paper we are using case studies of four companies physically based in Victoria, Australia. These businesses have a high presence in online consumer groups, being both active members of communities and representatives of their businesses. The duality of their role as participant and company representative imposes difficulties in creating reputation among community members. We have used in-depth interviews as a primary research method, additionally monitoring their activities on social media sites such as forums, social networking services, blogs and micro-blogs. We have identified practices helpful for developing trust, building reputation and create a brand image in online communities.

Introduction

Small and medium enterprises (SME¹) account for 96 per cent of Australian business operators, or 1.9 million

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¹ The Australian Bureau of Statistics (2002) defines small businesses as those employing less than 20 people, and medium businesses employing over 20 but less than 200 people. The small business definition includes the subcategories of non-employing, micro (1-4 employees) and other small (5-19 employees) firms.

businesses (ABS 2010). Some of these companies have a basic online presence, while others have an extended use of social media technologies as part of their marketing, public relations and customer service. A recent study concluded that in 2009, only 26 per cent of Australian SMEs had some sort of online marketing, 74 per cent of companies did not have a stand-alone website, and that their average annual marketing expenditure was \$5,813AUD (Research International 2009). The main barrier to higher usage of online marketing tools was indicated to be the lack of awareness and knowledge of how to utilize these tools. The Australian SMEs incorporating digital strategies into their marketing mix perceive online advertising to be an effective marketing investment. However, relatively few of these enterprises consider social media as an integral part of their overall marketing strategy.

Few longitudinal studies have been conducted into the adoption and ongoing use of social media by small businesses. An early study of small business internet use (Poon and Swatman 1998) noted that micro-sized businesses were the most active participants – refuting earlier predictions that these firms would be unlikely to reap any significant benefit from the internet. Instead, micro firms were using the internet's global connectivity to take advantage of previously unviable niche markets. If social media adoption follows a similar pattern to other forms of eBusiness adoption, small businesses could display innovative behavior in their use of new media platforms for activities such as customer relations, promotion and marketing. We examine four small business entrepreneurs from different industry sectors. The social media practices of these companies are valuable case studies in how to develop trust, build brand awareness and maintain reputation in online communities.

Social media environment

With the proliferation of social media websites, the importance of word of mouth marketing and peer recommendation is becoming more pertinent for companies that are immersing themselves in online conversation with consumer communities (O’Leary and Sheehan 2008). Social media provides platforms for consumers to share experiences in their social networks, and to evaluate businesses through websites featuring reviews and recommendations of products and services. These practices of posting information on frequently-visited websites can build or destroy the reputation of a business organization (Ghose and Ipeiroitis, 2009). Appropriate communication channels and context of messages are crucial elements in developing trust (Marimuthu and Dean 2008), as they help to clarify expectations in prospective relationships between companies and their customers.

Trust and reputation

Most social interactions require a certain level of trust, especially in commercial transactions. Trust is a mechanism that helps dealing with unknown in very complex situations, especially in situations when foreseeing the final outcome is not possible due to numerous uncertainties (Grabner-Kräuter and Kaluscha 2008). In a conventional relationship between a consumer and a business, trust is built over a period of time and through a repeated personal interaction (Cabral and Hortaçsu, 2010). Eisenegger (2009) depicts trust in business, politics and everyday life as “the most important operational resource in our society” emphasizing that “trust cements existing relationship and at the same time acts as a magnet for future relations”. In cases when people have no previous experience with a business, they consider recommendations or judgments of others, forming “reputation judgments” shaped according to these recommendations. Eisenegger describes three dimensions of reputation: *functional reputation* is defined by previous success of a company and its competence in achieving the performance goals. In the economic sense it is demarcated by profits and can be objectively verified. *Social reputation* is determined by the codified or non-codified social norms, or whether the company or organization acts responsibly and in accordance with those norms and values of the society. *Expressive reputation* is based on the emotional attractiveness of an individual character and appearance, based on a subjective perception of personal traits, and helps to differentiate competitors by qualities such as uniqueness or sympathy.

Reputation is the key asset of any organization (Gaultier-Gaillard, Louisot and Rayner 2009), delivering the capability to “differentiate the business and create competitive advantage”, while providing the company with

“the continuing trust and confidence of customers, investors, suppliers, regulators, employees and other stakeholders”. A recent survey on issues of trust, conducted in 23 countries on five continents, found that trust is a highly appreciated asset by consumers, and essential for building reputation (Edelman 2011). While online search engines and online news sources currently account for a greater proportion of inquiries, we argue that social media is capable of reaching specific audiences and market niches more profoundly than other types of media. The relevance of social media as a channel of communication with online communities forms a major theme in our research.

Methodology

The case studies used for this paper form part of a larger study into the use of social media by small firms in the greater Melbourne area, Australia. All businesses are actively using at least one form of social media for business purposes, such as marketing and promotion; research into products, customers and competition; customer relations, or maintaining business networks. In the four cases selected for this paper, the business manager takes an active role in representing their business on one or more forms of social media. Interviews and observations were conducted between December 2009 and January 2011.

Two shortcomings common to many small business studies include a lack of longitudinal data, seen as essential for “understanding the effect of experience, experimentation and intervention by third parties” (Parker and Castleman 2007); and the need for data collection methods that include observation of actual use of online media, rather than relying solely upon participant recall. These concerns have guided our research design.

Qualitative semi-structured interviews with business managers form our primary data collection method. These were designed to explore the manager’s background, the history of the business and its activity online, how and why social media has been used by the business, and the means by which the staff learn about using social media. All interviews were recorded and transcribed. The NVivo software package was then used to assist in data management and qualitative analysis.

Interview data has been supplemented by a periodic collection of social media posts made by each business, including blog articles, forum posts, and social networking updates. Combining data from actual use of social media with the manager’s recall and intentions towards using social media allows us to triangulate between data sources (Lincoln and Guba 1985), to examine themes in more detail. The process of ongoing data collection had the additional effect of developing a prolonged period of engagement with each case study.

Case studies and key themes

a) IT company

Established in 2003, and employing seven full-time staff. Specializing in network installation and technical support, they use forums to gather industry-specific information and establish reputation for their service.

b) Hobby retailer

A retail store (games and toys) established in 2009. Managed by two co-owners, with 4 casually employed staff. They use forums intensively for information gathering, promoting their products and events, and interacting with communities of customers and business peers.

c) Game company

A computer games and entertainment website established in 2007, employing two full time staff and several contractors. Their primary income source is online advertising. The website includes forums, news, columns and reviews, and has built a large community of fans and content co-creators with around 100,000 active members.

d) Restaurant

The restaurant was established in 2008 by an experienced restaurateur and chef, with six full time staff and several part time employees. The establishment is highly active on Twitter and Facebook for marketing, promotion, and the development of business-to-business networks.

Each business manager identified trust and reputation as important factors in their use of social media. The four case studies show how each firm has begun using social media tools to complement existing strategies.

Reinforcing existing reputation

All managers involved in this study see building a strong online reputation as an essential marketing tool. The time and effort invested in developing or maintaining an online reputation is considered an alternative to spending money on advertising or public relations. The IT company viewed their company's reputation as an important point of difference in a highly competitive industry, emphasizing the relationship with their customer base. They aim to reinforce this reputation online, using social media to present an image of the firm as knowledgeable, approachable, and helpful. Even businesses 'born on the web' like the Games company have experienced pressure to extend their existing brand reputation into new social media channels. Originally known for building highly successful forum-based communities, in the eyes of potential business partners and investors their social presence is now measured by new metrics, such as the size of their Twitter network. Business owners expect to use social media to attract and maintain the interest of their regular or potential customers.

Understanding new social platforms

Using social media effectively requires more than just an understanding of how to post content online. In each case study, managers highlight the importance of developing a deeper understanding the social norms of an online community, in order to build trust and credibility. Interviewees built on existing staff knowledge from personal use of social media. The IT company, Restaurant and Hobby retailer all began their formal social media presence with a Facebook business page, as staff were already familiar with the social networking service.

When starting a new social media profile, low initial exposure (measured via numbers of followers, page views and replies or retweets) made it difficult for managers to justify time invested in developing a social media presence. However, this period of virtual anonymity also proved to be a valuable time in which to learn about the new platform. The Restaurant manager found little success in her early experiments with Twitter and Facebook, but adapted her style and tone to match that of prominent users, noting that her social media use began to have more impact and reach a wider audience. Recently, the Retail manager has begun formalizing social media guidelines for her staff in order to mitigate potential issues with staff making personal posts that are perceived as being made on behalf of their employer, potentially damaging the business' credibility.

The IT company manager recognizes the importance of allowing all staff members to participate in social networks in order to gain new skills, and has hired staff with the intention of increasing their presence on forums. The Restaurant manager has begun engaging with local bloggers, successfully raising the profile of the business. However, the manager emphasizes the importance of treating her new audience with empathy and consideration to avoid compromising their relationship.

Online social networks as information gathering tools

Small business owners rely heavily on informal networks to gather information on their customers, competitors and suppliers (Gibbs *et al* 2007; Frazier and Huddleston 2009). Each firm in this study uses online social networks extensively to gather information. The retailer, IT and Games company use forums as a primary source of industry information, while the Restaurant uses Twitter in a similar capacity. The Hobby retailer is active on local and international sites – listening and talking to customers in order to monitor trends that have not emerged locally.

Community Engagement and Interaction

All managers emphasized the importance of active and frequent interaction with online communities of customers or business peers. In the case of the Games company, these members are the lifeblood of the business – without user-

generated content, the website would not attract the traffic or advertising revenue needed to survive. The IT company seeks out potential customers on tech-support forums, solving problems and providing evidence of their level of expertise and customer service. They find building their online reputation within the industry to be more rewarding than advertising through mass media. The Restaurant manager used micro-blogging to discover and engage with members of Melbourne's active 'foodie' community. What began as an attempt to learn the protocols attached to a new media platform soon became an important method for finding influential voices in the new medium, via Follower lists and re-tweeted articles.

Conclusions

The use of social media to reinforce existing reputation is seen as important by firms moving online, as well as those moving into new forms of social media. While most businesses began exploring social media with the intention of using it as a marketing tool, online social networks are being increasingly relied upon as sources of information about products, competitors and customers. Forums, micro-blogging and social networking services have been used to discover or create communities, allowing businesses to find and communicate with customers.

Once these communities are discovered, effective use of social media effectively requires two-way communications instead of simply broadcasting announcements. Engagement and interaction with these groups is seen as crucial to the success of a firm's social media involvement. Social media can increase a small firm's connectivity to business and customer networks, helping them to efficiently source information and overcome problems of limited resources or expertise in their organization.

Time is consistently cited as the major barrier to active social media engagement in each of our case studies. While technical expertise can be developed comparatively easily, developing an awareness of the social norms of each online community requires a longer period of involvement. Considerable time is required to maintain an active presence: processing new information, posting updates and engaging with other users.

Despite these factors, each businesses in our study has experienced benefits to their online activity, successfully discovering and engaging with customers unlikely to have responded to a more traditional marketing approach.

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