

# Action Research in Social Media Marketing to Improve Firm Performance: Conceptual Paper

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## Abstract

In a hyper-rapidly growing business and marketing environment, with digital platforms increasingly at the center of consumer engagement, companies are constantly looking for innovative strategies to improve performance and remain competitive. This research explores the impact of three social media interventions - social media advertising, live streaming and influencers on firm performance. These tools provide companies with a dynamic method of connecting with their target audience. This conceptual paper delves into the effectiveness of social media advertising in reaching and engaging specific demographics, the power of live streaming in making real-time connections, and the impact of working with social media influencers. It is expected that the adoption of these modern marketing strategies will lead to practical insights for E-commerce business. Finally, this study proposed a conceptual framework that serves as a major attempt to understand the role of social media advertising, live streaming, and influencers on business performance.

**Keywords:** Firm Performance, Social Media Advertising, Live Streaming, Influencer, E-Commerce

## Introduction

Consumers around the world have benefited from online purchases since the advent of the Internet, and E-commerce is transforming public lifestyles and shopping experiences. According to the United Nations, by the beginning of 2021, nearly 5.22 billion people worldwide will be using cell phones for transactions. The scale of this shift confirms the international acceptance of e-commerce trading (Sampene et al., 2022). The phenomenon of digitization has made national businesses and economies dependent on Internet platforms and technologies to survive and prosper, and the digitalization process continues to create significant profits by adding value to companies' products and services while optimizing the E-commerce model.

Data from China's National Bureau of Statistics shows that the number of e-shopping users in China has surged to 782 million, making it the world's most dynamic online market for many

years in a row (Chang et al., 2023). To meet consumers' purchasing needs, more and more Chinese companies have begun to establish their own digital malls, through which consumers can purchase products and services as well as transfer money and data to complete transactions. E-commerce companies have become a direct reflection of shifting consumer behaviors and preferences and have even replaced traditional shopping malls with in-store experiences and interactions with consumers to influence purchasing decisions. The transition to digital shopping centers is not only a result of Internet advances but also a strategic response to the needs of an increasingly tech-savvy and time-conscious consumer base (Salah & Ayyash, 2024).

At the same time, setting up a digital mall has caused many companies in China to face multiple challenges. The ease of operation of digital malls has attracted many entrants, leading to market saturation and fierce competition among industry players. While this phenomenon has increased customer choice, it also creates challenges for the performance of the companies behind digital malls. Firm performance is a key concern for digital mall operators, many of whom are struggling to maintain profitability and meet customer demand. Strategic interventions to capitalize on the potential of digital malls to identify revenues and improve company performance are becoming a more crucial issue than ever before at a time when the industry is facing fierce competition.

## **Literature Review**

### *Firm Performance*

The main objective of studying company performance is to effect performance improvement, and company performance usually consists of both financial and non-financial performance, with financial performance focusing on measures such as sales growth, profitability, and income per share. Non-financial performance refers to measures such as market share, product quality, marketing effectiveness, manufacturing value added, and technological efficiency (Kurniawan et al., 2021). With the development of the Internet, e-commerce enables companies to scale up their operations online by utilizing global resources that provide potential for financial growth in different markets, increasing sales and purchasing opportunities for customers (Hussain et al., 2022). So, in the context of e-commerce, company performance gets more defined by adding market share generated by the company's platform, sales revenues, sales margins, including product promotion, and generating long-term profitability in various indicators (Rodrigues et al., 2021).

Whereas the success of a company's online platform depends on its ability to attract a community of buyers and sellers and facilitate direct transactions between buyers and sellers, one of the fundamental challenges that platforms usually confront is how to increase their target customer base through promotion (Bag et al., 2021). Therefore, to improve company performance, online platforms need to implement appropriate marketing strategies to effectively engage their customer base. In this background, social media has become an important channel for marketing a company's products and brands due to its ability to effectively promote product sales, increase brand awareness, reduce marketing costs, and foster customer loyalty (Orji et al., 2022). Due to the interactive nature of social media, companies can also access and analyze consumer attitudes and views. Social media marketing has been successful in triggering viral communication between online communities, products, and customers, encouraging higher consumer attention and engagement (Tajvidi & Karami,

2021). This marketing strategy becomes the fastest way for companies to create value for their stakeholders with the purpose of fulfilling the company's performance.

### *Social Media Advertising*

Social media advertising is a form of Internet advertising that is a consumer-initiated or company-initiated marketing campaign. It is delivering a different view and experience to customers in social media advertising interactions, enabling them to be more engaged in liking, sharing, commenting, and posting (Hervet & Guitart, 2022). As of January 2020, approximately 3.8 billion people worldwide are actively involved in social media, and over 89% of brands use multiple social media platforms for advertising, increasing sales of their brands through the active use of social media strategies (Zeng et al., 2022). The Chinese company known as Tencent has also developed a mobile application called "WeChat," which has nearly 600 million users in China and ranks higher in credibility than Weibo, news broadcasts, and television, respectively (Li et al., 2022). Given its large user base and huge growth potential, as well as its ability to enable accurate marketing and customer interaction, it offers a new perspective on advertising.

Compared with traditional public media advertising or online advertising Web 1.0 applications, social media advertising, being Web 2.0 in nature, has powerful interactive features that help companies connect with their customers in a more authentic way (Rosário & Raimundo, 2021), as well as achieve many marketing targets for the company, including customer awareness, shaping customer perceptions of the product and brand, and incentivizing the customer to actually buy the product (S et al., 2020), which provides marketers with great opportunities and has attracted increasing attention from researchers in the field of social media advertising.

Past research has found that the key challenge in social media advertising is how to direct consumers' attention and reactions to advertisements, so a massive amount of literature has explored the role of consumer word-of-mouth on social media and the impact of consumer-generated content on company performance, including sales and financial results (Gutierrez et al., 2023). Review ads are a new interactive way for consumers to connect with their product experiences on social media, so many companies use social media ads with product-related content to stimulate reviews (Ji et al., 2022). Social media are beginning to use algorithms to prioritize ads with a high number of comments, and China's WeChat has used a variety of interactive features to promote consumer comments with significant marketing results.

### *Live Streaming*

Live streaming is a new sales channel that has gained a lot of interest from practitioners as well as researchers on e-commerce platforms recently. User-generated content, such as games, talent shows, everyday activities, etc., can be streaming live to allow viewers to engage in conversation and real-time engagement (Ye & Ching, 2023). Live streaming and other internet outlets are not the same. First and foremost, digital malls use live streaming to show off their merchandise and respond to inquiries from customers from various angles (Festyan et al., 2023). It improves the engagement's real-time interactivity, visualization, and authenticity in an efficient manner. Second, real-time streaming shopping allows customers to get more thorough product information, reducing their uncertainty and fostering customer trust (Hossain et al., 2023). Third, anchors are usually Internet celebrities with many fans, and

using the celebrity effect to offer lower sales prices can make it easier to close deals (Dong et al., 2022).

China's live streaming industry is booming, and by 2020, it's predicted to be worth over RMB 900 billion. The Chinese government has put into effect a number of national measures to encourage live streaming commerce, given its enormous potential to spur economic development (Wu & Huang, 2023). According to Chen et al (2023), there are two types of live commerce models in China: e-commerce combined with live streaming and live streaming embedded in e-commerce. In China, digital malls typically opt for the second model, wherein the primary objective of live broadcasting is product sales. According to Liu et al (2023), live streaming involves the live streamer using video to convey product information and the effect of the product experience to viewers. For the viewer, real-time presentation of the live streamer's language, visuals, and behavior is more realistic and engaging than words and photos. Customers may be encouraged to make a purchase if they believe that they are in close reach to the seller (Guo et al., 2023). Because consumers can learn alternative skills by watching live streams, this model requires in terms of sales conversion. However, customers have the option to buy through interacting with the live streamer and seeing comments or likes from other viewers on the same stream.

### *Influencer*

In recent years, social media has changed the way humans communicate, connect, and interact with each other. Enabling social media users, both celebrities and ordinary people, to share their thoughts and feelings, create, and curate various types of online content, allowing them to have unique roles on social media (Ki et al., 2020). When these social media characters and their content become particularly popular, it enables them to gather millions of followers and become influencers with the potential to exert influence over their followers. Influencers typically represent categories of social leaders with new insights that arise with the growth of social media opportunities. Influencers have been used in marketing activities for a long time, which attempt to transfer the image or value of an influencer to a brand or product (Belanche et al., 2021)

Because influencers are closer to their specific viewers and their recommendations are more trustworthy and adoptable, followers are inclined to seek out or rely on their opinions to inform what their purchase decisions are, thus revealing the relevance and potential impact of social media influencers on marketing. Influencers have appeared and played an important role in various fields based on the development of live streaming commerce in China, and they are at the forefront of a trend in China that is transforming the sales process and the industry landscape (Chen & Chang, 2021). The TikTok platform has approximately 3 million influencers entertaining the audience while selling their products, and they have quickly become some of the most capable marketers for companies (Yang et al., 2021). Influencers often provide different information based on their product experience to convince users to buy. Intimate style and friendly service have become increasingly popular factors in social media (Ki et al., 2020). This new marketing approach can effectively convert higher profits and has become an integral part of digital marketing strategies; thus, the rapid growth of influencers in China has huge volume and potential and is expected to continuously lead to significant growth in various industries and directly link to consumer behavior in the future.

### Conceptual Model and Propositions

This study was conducted by initially reviewing the current research orientation and findings through a literature research approach to evaluate the impact of three social media marketing interventions, including social media advertisements, live streaming, and influencers, on firm performance, applying productive insights to further examine the relationship between social media marketing and firm performance. The proposed conceptual framework is as follows:

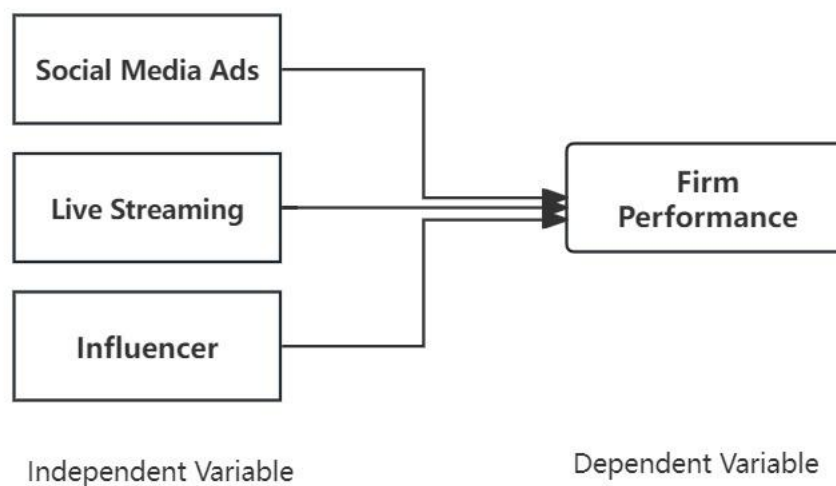


Figure 1: Conceptual Model

Next, the following research propositions are also proposed:

Proposition 1: Social media ads has a significant positive impact on firm performance.

Proposition 2: Live streaming has a significant positive impact on firm performance.

Proposition 3: Influencer has a significant positive impact on firm performance.

### Conclusion

International e-commerce is a global trend driven by supportive economic policies, rapid logistics upgrades, and technologies to master customer behavior, as small and medium-sized enterprises (SMEs) continue to upgrade their traditional trade through digital technologies and leverage platforms to enhance their ability to match resources in the hope of increasing firm performance. While e-commerce faces unique issues and barriers in adopting effective marketing, there is still a blind spot on how to utilize social media marketing to improve firm performance.

This study aims to shed light on how influencers, live streaming, and social media advertising impact e-commerce success, and arguing through action research that these three variables significantly improve firm performance in different ways will serve as a theoretical foundation for researchers to conduct further empirical studies, and the theory will provide a new research perspective on sales strategies in the e-commerce sector in China.

In the growing future of e-commerce, the role of companies is crucial, the conceptual model proposed in this study is expected to provide practical references for business operators on how to utilize the three strategies of influencers, live streaming, and social media advertisements to improve company performance, and through the action research approach, the next step will be to incorporate real data from the companies to carry out the empirical research and further demonstrate the reliability of the interventions.

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