

SOCIAL MEDIA'S INFLUENCE ON CUSTOMER LOYALTY



UNIVERSITY OF WISCONSIN, PLATTEVILLE

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The attached educational project, by Jeremiah Wilkinson entitled Social Media's Influence on Customer Loyalty in E-commerce, when completed, is to be submitted to the Graduate Faculty of the University of Wisconsin- Platteville in partial fulfillment of the requirements for the (MASTER OF SCIENCE IN INTEGRATED SUPPLY CHAIN MANAGEMENT) degree.

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MASTER OF SCIENCE IN INTEGRATED SUPPLY CHAIN MANAGEMENT

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Abstract

This paper discusses the influence of social media on customer loyalty, specifically in the realm of e-commerce. Utilizing secondary research, the questions that needed to be answered in this paper included: What is social media? What is customer loyalty? What is e-commerce? How does social media influence loyalty? How do social media and e-commerce work together? Social media has grown rapidly over the last decade and shows no signs of slowing down. As society becomes more technologically integrated, businesses will need to adapt to social media and use it to their advantage. Synthesizing secondary research it was found that an organization's well-established social media presence can improve customer loyalty and create a greater customer lifetime value.

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Introduction

The purpose of this paper will be to synthesize research done on social media and analyze the influence it has on customer loyalty in e-commerce. As a society, we are long past the days of paper advertising and marketing campaigns. With the introduction of the Internet in the mid-1990s, the landscape of media has changed and led to the introduction of social media. Social media has grown rapidly over the last several years. According to datareportal.com (2022), “There are 4.62 billion social media users around the world in January 2022.” Over half of the world's population has access to social media, and it continues to grow rapidly at approximately 10.1% or 424 million new accounts per year (datareportal.com, 2022). Social media is a representation of “...technologies or applications that people use in developing and maintaining their social networking sites. Organizations must evolve and utilize social media for their growth.

Sfenrianto et al. (2018) state that “Customer loyalty is very much needed in the e-Commerce business.” According to Firmansya et al. (2021), “...social media can be an effective strategy to reach and engage potential consumers, as well as encourage interaction between companies and consumers, and between consumers themselves.” This leads to a variety of questions, such as how exactly does social media impact e-commerce? How does it affect customer loyalty? In what ways can social media be leveraged to help enhance the customer experience? In social media marketing, “Salespersons can use social media to improve customer loyalty by increasing buyers' trust beliefs in their integrity/benevolence and by reducing purchase risk.” (Zhang and Li, 2019). Understanding the implications of social media and the reach of its influence will change the landscape of e-commerce forever as society becomes more technologically integrated.

Literature Review

The world of social media is vast, as cited by Facebook (2018) in research by Yadav and Rahman (2018), "Its prominence among users could be endorsed by 2.27bn and 1.4bn monthly and daily active users, respectively, on Facebook." Facebook is only one of the many forms of social media available to consumers. With such a diverse set of platforms to utilize in terms of customer engagement, social media becomes a focal point in consumer loyalty in e-commerce. Honigman (2012), as cited in Yadav and Rahman (2018), states that over one million marketing websites have integrated Facebook into their marketing strategy.

M.-W. Li et al. (2020) investigated the role of brand attachment and customer trust through the review of social media use. "Growth of social media technology is a global phenomenon in the current generation." (Li et al., 2020). Looking at the tourism market specifically, social media has become the primary engagement platform. M.-W. Li et al. (2020) look to solve the hypothesis that the relationship between customer engagement and brand loyalty is mediated by customer trust. They have established that consumers develop psychological connections to social media brands and that maintaining a positive connection with consumers enhances the overall levels of customer loyalty. Furthermore, that brand attachment and customer trust play a significant role in building consumer-brand relationships, especially in the social media setting. Social media enhances the communication between brands and consumers, thus building the likelihood that consumers will increase their overall loyalty.

According to Nisar and Whitehead (2016), limited work exists that explores customer loyalty through social media platforms. They ascertain that maintaining customer loyalty is an important issue as demands for goods continue to increase and that by utilizing social media,

organizations can enhance the customer experience both during and after the purchase. After administering a survey of 530 users of retail services, in which only 322 participated, they found that 50% of the respondents used the internet for five or more hours each day. Additionally, 73% of respondents have a social media account in which they follow a brand. Nisar and Whitehead (2016) hypothesized that customer satisfaction has a positive effect on user behavioral loyalty. Based on the results of their survey, they concluded that brand pages and customer satisfaction could be used to obtain and maintain customer loyalty in e-commerce through connections with social media.

Zhang and Li (2019) Reviewing social media usage, trust theory, purchase risk, and customer loyalty, Zhang and Li (2019) ultimately define customer loyalty as the customers' willingness to purchase products from a certain supplier and continue to be repeat buyers. Customer loyalty is directly related to the trust of the selling organization. As trust is built in Business to Consumer (B2C) interactions overall customer loyalty will increase. Social media helps to facilitate this interaction by providing direct avenues of communication with salespersons to offer direct sales opportunities or work through risk mitigation. Zhang and Li (2019) found that "...social media usage can enhance buyers' trust beliefs in the ability, integrity and benevolence of salespeople; thereby, integrity and benevolence improve customer loyalty."

Suharto et al. (2022) examined the influence of social media marketing and its impact on customer loyalty in an e-commerce setting. Utilizing an online questionnaire via Google Docs, they gathered results from 222 participants. The questionnaire consisted of questions that pertained to research variables that affect loyalty in an e-commerce setting. They were distributed via social media posts and direct messages to respondents. Suharto et al. (2022) used a structural equation model (SEM) to identify any statistical significance of the data. Overall, the

data showed that social media marketing had a statistically significant effect on customer satisfaction and consumer loyalty, while increased customer satisfaction had a direct influence on customer loyalty in an e-commerce setting.

Analysis

Growth of Social Media

What exactly is social media? According to Power (2014), "Social media employs web-based technologies to create highly interactive platforms to enable people to communicate, share, collaborate and modify user-generated material, thereby providing a platform for real-time virtual interactions." Different social media platforms exist, such as Twitter, Facebook, Instagram, Discord, Reddit, etc. With so many options available and more being created each year, it's easy to see how social media has grown at a staggering rate over the last few decades across different age groups. As cited in M.-W. Li et al. (2020), "Growth of social media technology is a global phenomenon in the current generation." Society continues to become more technologically integrated, so it makes sense more areas are becoming accessible to having an online presence. With access to smartphones and wireless devices, consumers can make e-commerce transactions anywhere.

According to [datareportal.com](https://www.datareportal.com), There are 4.62 billion social media users worldwide, with 5.31 billion unique phone users in 2022. Over half of the world's population has access to social media, and it continues to grow at a rapid pace of approximately 10.1% or 424 million new accounts per year (Kemp, 2022). With such a large growth of users on social media, it only makes sense for organizations to adapt their strategies and create a social media presence as well.

According to Honigman (2012), as cited in Yadav and Rahman (2018), over one million marketing websites have integrated Facebook as part of their marketing strategy. In the world of e-commerce, social media presents a platform that can increase not only brand loyalty but also customer loyalty.

Social Media and E-Commerce

Social media is often used as a marketing means including brand management and product or service promotion (Chae, 2015). Through the use of social media marketing (SMM), organizations can directly reach consumers away from brick-and-mortar stores and advertise directly in their homes. With over 4.62 billion social media users worldwide, this is quite the undertaking. SMM includes various tools, including user ratings, reviews, recommendations, referrals, internet forums, online communities, and social shopping/group buying. Positively reinforcing brands will help to build the relationship with the consumer not only with that specific product but also increasing overall customer loyalty.

According to Melnychuk (2022), there are important benefits that come from social media use including: the opportunity to increase sales and brand awareness, connect the brand with consumers, potential to reach a greater amount of consumers, build long-term relationships, increase customer satisfaction, and provide a direct line of communication to consumers. "The effective communication and interaction between stakeholders have significant importance for business success, and social media platforms provide the place to interact and communicate." (Nuseir & Elrefae, 2022).

The adaptation of social media and e-commerce has led to the creation of social commerce.

According to Wang and Zhang (2012), as cited in He et al. (2019), "...social commerce is a form

of commerce mediated by social media involving the convergence between online and offline environments.” Social commerce heavily relies on the use of social media and online communities to be effective and encourage commercial activities. Urne and Aggrawal (2018) state that “Social commerce is just impossible without social networking media. A large number of members participating in social networks, word of mouth, and other activities in social networking are important factors that affect the attitude and behaviour of consumer.”

Customer/Brand Loyalty

Brand loyalty describes a consumer's positive feelings towards a specific brand and the likelihood that a consumer will purchase said brand over other competitors regardless of external factors. Yadav and Rahman (2018) state, as cited in Nuseir and Elrefae (2022), “The social media platform found to be very effective in spreading rapid information among large-scale existing customers and to acquire new customers that create brand awareness, brand image to boost the sales and increase the market share.” According to research by M.-W. Li, et al. (2020), brand attachment and customer trust are key to developing consumer-brand relationships. Additionally, with the rapid growth of the internet and the ability to utilize social media, consumers may develop an emotional attachment. According to Schmalz & Orth, 2012, as cited in M.-W. Li, et al. (2020), “...customers with emotional attachment to a brand display considerable brand loyalty.” Customer engagement through social media has the potential to positively impact brand engagement which in turn will impact brand loyalty.

Customer loyalty is essential in any organization for continued success. Suharto, et al. define customer loyalty as “... the willingness of customers to use and buy products or services at one company repeatedly, not easily influenced by other brands, and voluntarily introduce these

products or services to others.”. According to Sfenrianto et al. (2018), “Customer loyalty is very much needed in the e-Commerce business. The use of social media is one of the ways to maintain customer loyalty.”. Social media provides a direct path for communication with a particular salesperson or brand. The open line of communication allows for risk mitigation and trust building. Consumers purchase a product or service and realize they are unhappy with the purchase; they will immediately reach out. How a company responds to this and the willingness to resolve the issue gives the consumer a sense of satisfaction, knowing that the salesperson is willing to work with them. If the experience is positive, it can drive additional sales. Happy customers are more willing to pay more from an organization even though there may be a cheaper option on the market.

Through the use of social media, a salesperson can look at data and trends regarding what consumers want and gear strategies to capitalize on that. This strategy can dictate customer loyalty by responding or listening to what customers would like to see. An example of this can be seen with McDonald's fast food chain when they went to social media to find how important having an all-day breakfast was for consumers. Looking at Twitter, they found over 300,000 tweets mentioning how customers want an all-day breakfast. Through the use of social media, McDonald's was able to market directly to consumers and turn around a 14-quarter decline (Tungande et al., 2020). But this does not only work for brick-and-mortar stores, as these opportunities are readily available in e-commerce.

While social media has a significant level of potential growth regarding positive customer loyalty, it also has the potential to affect the image of a brand or organization negatively. Sfenrianto et al. (2018) state that consumers that are dissatisfied with a product or service can write a review or share any experience online for anyone to view. This potential negative

visibility can cause customers to shy away from repeating business, especially with many potential buying options in the e-commerce environment. With over 4.6 billion social media accounts, this can significantly affect an organization.

Through the use of SMM, a salesperson is able "...to improve customer loyalty by increasing buyers' trust beliefs in their integrity/benevolence by reducing risk." (Zhang & Li, 2019). Organizations must prioritize the security of online interactions or transactions. Reduced risk for consumers can be a determinate factor for continued business through e-commerce. Organizations that prioritize improvement in their integrity will promote the customer experience and increase overall customer loyalty. Consumers are not solely interested in the quality of the material being purchased, rather they are looking at entire social responsibilities. Many consumers also take into account how materials are sourced. For example, recycled products or organizations that promote green energy are on the rise and are gaining the support of many consumers within the global markets. Understanding these subtleties are important when working with consumer to create greater trust and ultimately increase the customer's lifetime value through customer loyalty.

Methodology

Social media has continued to grow at an unprecedented rate. Understanding how social media influences customer loyalty is becoming a key business practice, specifically in the realm of e-commerce. The influence of social media on customer loyalty in an e-commerce setting has been thoroughly explained throughout this paper. The questions that needed to be answered in this paper included:

- What is social media?
- What is customer loyalty?

- What is e-commerce?
- How does social media influence loyalty?
- How do social media and e-commerce work together?

When deciding what type of methodology to use in preparation for this research paper, multiple avenues were considered. Utilizing information from ivoryresearch.com, it made the most sense to utilize a qualitative approach in the form of secondary research. Secondary research looks at "...data that was previously gathered from primary research and can be used to evaluate and identify gaps in existing knowledge. Secondary research studies are frequently the foundation for subsequent primary research works which examine these identified gaps." (Taylor, 2021). The information was synthesized from several different sources and helped to establish the overall influence that social media has on customer loyalty. Due to the vastness of social media, the use of secondary research was the most logical choice for this topic.

There is a wealth of information available for this review as social media has become a common platform for many e-commerce companies. Utilizing the University of Wisconsin – Platteville's Karrmann library to search for research articles, journals, and books was the primary method of research material selection. Additionally, Google Scholar and internet-based search were also used to acquire research material. A variety of keyword descriptors were used to find relevant material. Keyword descriptors used included: social media, customer loyalty, e-commerce, social commerce, social media marketing, brand loyalty, and customer engagement.

Criteria for material in secondary research included peer-reviewed journals, date of journal submission, and quality of content. Credibility, validity, and reliability were all considered when deciding what sources to use. The authors were reviewed to ensure that they were a subject matter expert on the material. Due to the sheer volume of information relevant to

the topic of this paper, narrowing down the sources was a necessity, and reviewing abstracts for content helped to ensure relevant topics and information. The majority of cited materials are within the last three years, with a few sources dating further back to help establish foundational concepts that still apply today. Material that met these criteria was then reviewed and synthesized in the analysis of this paper. Drawing on information researched across different platforms and industries allowed for a more in-depth understanding of how social media influences customer loyalty. Cross-referencing different data found in peer-reviewed articles shows that social media has a significant influence on customer loyalty.

Discussion and Conclusions

The purpose of this paper was to synthesize research done on social media and analyze the influence it has on customer loyalty in e-commerce. Over the last 30 years, since the internet was introduced in the early 1990s, social media has exploded as more than half the world's population has a social media account. Adding the ease of access and consumers are no longer bound to using computers at home as they now have multiple mobile devices at their fingertips. E-commerce has capitalized on this fact and found ways to utilize social media to market to both new and existing customers that they previously could not reach. Organizations are also able to market brand-specific products based on past customer views or what social media a customer may be following. Engaging in social media marketing, organizations have been able to secure numerous new customers and increase the overall surplus for e-commerce.

With over 4.62 billion social media users interconnected with the internet, it became clear for organizations to utilize this new landscape to build and enhance customer relationships to ultimately increase customer lifetime value. Companies are now able to work on risk mitigation in real time by responding to customer reviews and driving resolutions much faster. Ensuring

positive experiences with consumers is essential when working through digital platforms, as new customers will base future purchases on ratings or reviews found online. With this increased level of communication, organizations are now able to enhance both customer and brand loyalty in e-commerce. Sfenrianto et al. (2018) state that "Customer loyalty is very much needed in the e-Commerce business." This is as true now as it was then. As the saying goes, "There is a big difference between a satisfied customer and a loyal customer. Never settle for satisfied."

After conducting secondary research on the impact of social media, I have realized social media may have an even bigger influence on e-commerce than I first thought. As society becomes more technologically integrated, e-commerce organizations will continue to grow, and I am certain at some point to be preferential over brick-and-mortar stores. One thing remains certain, organizations must continue to learn and understand the implications of social media and the reach of its influence as society becomes more digitally integrated.

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