

SOCIAL MEDIA TRENDS IN SMALL BUSINESSES

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ABSTRACT

In this research paper, social media trends for small businesses (SMEs) are explored. Global trends suggest that the use of social media by small businesses has increased. In this small study conducted in Auckland, New Zealand, it was found that real estate companies were more likely to be using social media. It was also found that Facebook was most commonly used for marketing, whereas research conducted elsewhere suggests that LinkedIn is more likely to be used. Finally, small businesses were not prepared to spend more than \$2,000 on social media to support their core business. It would seem therefore, that New Zealand SMEs are not taking the same advantage of user-generated social media feedback to inform market strategy as suggested by Evans (2010).

Keywords: Small Business, Social Media, Marketing.

INTRODUCTION

The purpose of this report is to investigate the issues that impact on small businesses in using social media in Auckland. The report relates to the perceived benefits of using social media by Auckland's small businesses and was carried out by an investigation of the literature relating to this.

The structure of this paper is as follows: first a literature review is presented that explores the use of social media in small businesses; next the research method employed for this study is described; then the findings from the primary and the secondary data are presented; and finally, findings and recommendations are presented.

LITERATURE REVIEW

In this literature review, firstly social media is defined in the context of this study. This is followed by a review of social media platforms in use in New Zealand, and then exploring how social media is used for marketing. Consideration is subsequently given to the use of social media for consulting, which is followed by a discussion on small business trends in

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using social media, both globally and in New Zealand. Finally, advantages and disadvantages of using social media for small businesses are explored.

Social media defined

Wilson (2010) defines social media as content created and shared by individuals on the web, using freely available websites that allow users to create and post their own images, video and text information. In addition, social media has become an integral part of many aspects of life, including business, which allows a complexity of immediate conversations to take place (Al-Deen & Hendricks 2012). In this study, this definition has been confined only to social media use in business.

Social media platforms used in New Zealand

The top social media sites used in New Zealand in 2012 (News Release 2012) are shown in Table 1 below, with Facebook being the most commonly used (63%). This is followed by those people actively engaged on blogs (19%), and Twitter and Tumblr with 10% of New Zealanders having active accounts in 2012. Nine percent of New Zealanders were using Wordpress and Google+, 7% with LinkedIn accounts, 5% on Wikia and Squidoo, and 4% on Pinterest.

Table 1: Top social media sites in New Zealand

Rank	Name	Unique Audience (000)	Population Reach (%) (All people aged 2+)	Active Reach (%) (All people online aged 2+)	Time spent per person
1	Facebook	2,710	63	80	7h 43m 38s
2	Blog	803	19	24	7m 50s
3	Twitter	431	10	13	23m 27s
4	Tumblr	428	10	13	52m 39s
5	WordPress	394	9	12	12m 39s
6	Google+	365	9	11	4m 31s
7	LinkedIn	309	7	9	23m 5s
8	Wikia	218	5	6	20m 23s
9	Squidoo	192	5	6	1m 56s
10	Pinterest	187	4	6	9m 56s

Social media marketing

Kevany (2010) suggests that social media marketing is the use of any social media, including online communities, blogs and wikis for marketing, sales and public relations. Burson-Marsteller (2011) found that 79% of the top 100 Fortune Global companies used social media tools for communication and marketing and not just for social communication. Wilson (2010) also suggests that social media marketing is a promotional activity whereby a business targets customers or prospects through social media platforms in an effort to increase sales, strengthen brand loyalty, or achieve other business goals. Social media nowadays, is no longer a curiosity on the horizon but a significant part of the marketing mix (Scott 2010). Gartner (2012) also forecasts that 50% of web sales will be via social presence by 2015.

A formula for the profitability of social media marketing claimed by Wilson (2010) is:

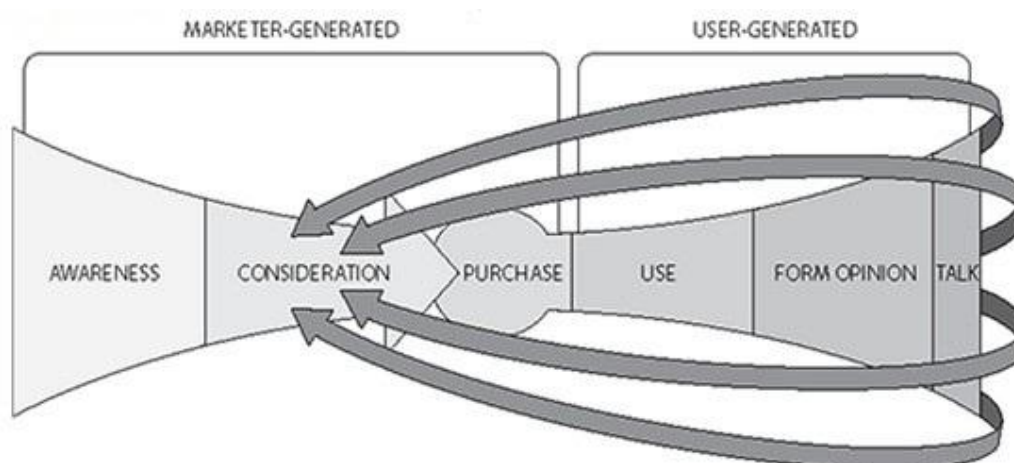
$$\text{Profit} = (\text{Revenue per sale} - \text{Cost of Goods}) \times (\text{No of followers/friends} \times \text{Click rate} \times \text{Opt-in rate} \times \text{Purchase rate}) - (\text{Hourly rate for social media} \times \text{Time spent on social media}).$$

For instance, this means that if the Revenue per sale – Cost of Goods is \$2 and the business has 1,000 followers/friends who click on the site two times, opt in once and purchase once, and spend an hourly rate of \$2 for 10 hours on social media then the profit is $2 \times 2,000 - 20$, then the profit would be \$3,980. That is:

$$\text{Profit} = \$2 \times (1,000 \times 2 \times 1 \times 1) - (2 \times 10) = \$3,980$$

In Figure 1 below, Evans (2010) shows the feedback loop for a social feedback cycle model. This social feedback loop shows the way in which internet-based publishing and social technology has connected people around business or business-like activities in social media marketing (Evans 2010).

Figure 1: Social media marketing: The next generation of business engagement (Evans 2010)



Evans (2010) suggests that marketer-generated characteristics are awareness and consideration, whilst user-generated factors are users talking about products or services online, which, in turn leads to opinions being formed about a product or service, thus influencing use and finally purchase of products or services. These user-generated factors involve multiple feedback loops, which are used both by marketers and users, as shown in Figure 1. Nesbit (2011) also suggests that user-generated factors (word-of-mouth, personal referrals, etc) are more significant in influencing the final purchase of goods and services.

Social media consulting

Brown (2008) suggests that because many people do not know how to maximise efficiency for social media in business, there is a need to hire social media consultants. Brown suggests that consultants can help to: protect a company's online brand and reputation; maximise use of a company's intellectual property; increase prospect, client and employee communication through social media; evaluate methods of monetising a company's online presence to maximise revenue; participate in conversation on a company's behalf; establish policies to control and manage employees' social media participation; build company specific social

media platforms such as blogs, wikis and online communities; educate a company's staff about effective use of social media; create social media assets; and plan search engine marketing that build on social media conversations.

Small business trends in using social media

Results from a 2010 survey (Citibank 2010) conducted in the United States (US) suggest that 81% of the 552 small businesses surveyed did not use social media to promote their business, and in 2011, O'Leary, Sheehan and Lentz (2011) found that small business owners did not have the time or inclination to use social media for their business. In New Zealand, the latest MYOB Business Monitor (MYOB News 2012), a regular survey of over 1,000 small to medium enterprises (SMEs), reported that just 20% of New Zealand businesses were using some form of social media, which was down from 24% in August 2011. MYOB News (2012) also pointed out that many business owners were willing to use social media as part of their marketing mix but did not have the time or the resources to manage a wide variety of online marketing tools.

Table 2 below show the results from a Colmar Brunton poll conducted in 2011 on online marketing and social media usage by NZ businesses (MYOB News 2012).

Table 2: Small Business social media use

	Current Use	% Change VS. 2011
Use Internet Search Engines (like Google or Bing) to promote business	28%	-15.2%
Email marketing to potential or existing customers	28%	12%
Use any form of social media for business purposes	20%	-16.7%
Network with business colleagues and/or clients on LinkedIn	17%	Not measured in 2011
Connect with customers and fans via a business page on Facebook or Google+	16%	Not measured in 2011
Communicate via Twitter	4%	Not measured in 2011
Share news and updates via a company blog	10%	Not measured in 2011
Use Skype or VOIP to make free business phone calls over the internet	21%	23.5%

Social media benefits for small businesses

According to Keller (2009), interactive marketing communications contribute to brand resonance by allowing frequent communication between individual consumers and the brand no matter where they are situated globally. Brand communication via social media sites may act to strengthen brand attachment, in addition to the development of a brand community (Cassery 2013). Additionally, interactive marketing communication via social media sites allows consumers to learn from and teach others about a brand, and observe the brand loyalty of others, further developing a sense of community and creating brand resonance (Winterberg 2013).

One of the advantages for small businesses is that using social media carries little cost as a marketing tool (New Zealand Management 2011), apart from initial setup costs such as the establishment cost, the development of product, the cost of wages, and overhead of the intellectual content (Cassery 2013; Winterberg 2013).

Social media disadvantages for small businesses

Security poses a specific risk for social media use in small businesses. Increased interactivity can result in people divulging information (including proprietary organizational information) to others both inside and outside of the organisation whom they might not have divulged the information to previously (Nesbit 2011). This also increases the risk to other technological issues such as viruses.

Social media trends for small businesses in New Zealand

Whilst there are suggestions from the Communications Agencies Association of New Zealand (CAANZ) that social media should be part of a company's marketing and communication strategy Ptak, quoted in Ward (2010), believes that New Zealand trails the US by about a year in using social media in business. In a Nielsen survey run by CAANZ (2010) 48 out of 166 companies in New Zealand were not using social media. Facebook was the most popular social media site (72/166) followed by YouTube (52/166), Twitter (50/166) and LinkedIn (44/166). Ptak also found that in more than one third of the companies surveyed, no specific employee was in charge of social media, and there were many companies that had only one staff member who was responsible for social media usage.

RESEARCH METHOD

In this qualitative research study with a small sample size (33 participants), descriptive statistics have been used to analyse the results obtained from both primary and secondary data. As this research project was about a recent phenomenon, the use of social media in small business, the research is exploratory and practical in investigating what current social media trends are. A classic planned research design (Luck & Rubin, 1987) has been adopted to provide a framework for data collection and its analysis (Ghauri & Gronhaug 2010). This project started with a literature review, which was the basis for the secondary data required as the research problem and associated questions were explored. Next, primary data was collected with an online survey. Then, the summary of the main findings for primary and secondary data was shown, followed by relevant recommendations. Also, as Monsen and Horn (2008) suggest, descriptive research is an effective way to obtain information used in devising hypotheses and proposing associations. Therefore, the descriptive method of research has been chosen as being the most suitable option for this case.

Sampling

According to Zikmund, Babin, Griffin and Carrn (2010), there are seven stages in selection of a sample. The first stage for selection of a sample is defining the target population. At the beginning of the sampling process the target population must be carefully defined so that the proper sources from which the data are to be collected can be identified. In practice, the sample will be drawn from a list of population elements that often differs somewhat from the defined target population (Zikmund et al., 2010). In this report, all the small businesses with less than 20 employees in Auckland have been included in the target population (Statistics New Zealand 2013).

The second stage for selection of a sample is to select a sampling frame. A list of elements from which the sample may be drawn is called a sampling frame. The sampling frame is also called the working population because these units will eventually provide units involved in the analysis (Zikmund et al., 2010). This research has used data from Statistics New Zealand

and the Ministry of Business, Innovation and Employment to search for small businesses in Auckland. In order to calculate the number of small businesses in Auckland the following information was used:

- The total number of enterprises in New Zealand: 469,120 businesses
- The total number of businesses in the Auckland region=32%
- Of the 146,230 employing enterprises, 91% had less than 20 employees
(Source from www.stats.govt.nz)
- Small and medium sized enterprises (less than 20 employees) 97.2% in New Zealand.
(Source from www.med.govt.nz)

According to the information above:

- The number of businesses in the Auckland region = $469,120 \times 32\%$, which equals 150,118 businesses
- The number of businesses that had less than 20 employees in the Auckland region = $146,230 \times 91\%$, which equals 133,069 businesses
- The number of businesses with no employees = $150,118 - 146,230$, which is 3,888 businesses
- The number of small businesses in the Auckland region = $133,069 + 3,888$, which is 136,957 businesses
- The number of small businesses in the Auckland region = The total number of enterprises in New Zealand: $469,120 \text{ businesses} \times 32\% \times 97.2\%$, which equals 145,915 businesses

The target population for this research project of small businesses in the Auckland region therefore is calculated as 145,915 businesses.

The third stage for selection of a sample is to determine the sampling method. In this case, a convenience sampling method was chosen due to the time constraints imposed on the project. As the name suggests, convenience sampling refers to sampling by obtaining people or units that are conveniently available (Zikmund et al., 2010). For this project, the most convenient and economical method was to set up an online survey, using SurveyMonkey^c to send the questionnaire to small businesses in Auckland, selected from the businesses chosen, as shown in Table 3 below.

Table 3: Convenience sampling in small businesses

Business services	Consulting services	Education & training
Entertainment & sports	Financial	Health & fitness
Hospitality	Legal	Medical
Real estate	Retail	Trades & services

These businesses were chosen from 12 main sectors, which were business, consulting, education and training, entertainment and sports, hospitality, real estate finance, legal services, retail sector, education, health and fitness, medical, and trade services. These categories were chosen to align with Statistics New Zealand business categories. Convenience samples are usually used to obtain responses to completed questionnaires quickly and economically, or when obtaining a sample through other means is impractical (Zikmund et al, 2010). Many internet surveys are conducted with volunteer respondents who, either intentionally or by happenstance, visit an organisation's web site. Although this method produces a large number quickly and at a low cost, this was not used for this project (Zikmund et al., 2010). The questionnaire was sent out after carefully selecting small

businesses in the industry fields listed in Table 3 below. Contact information was obtained from an online business directory.

The fourth stage for selection of a sample is to plan the procedure for selecting sampling units. In this research, the sample unit chosen is a small business in Auckland.

The fifth stage for selection of a sample is to determine the sample size. In this research, the researchers were advised to use the Sample Size Calculator from Surveysystem (2013). Here are the formulas used in the Sample Size Calculator:

$$ss = \frac{Z^2 \times (p) \times (1-p)}{c^2}$$

Where:

Z = Z value (e.g., 1.96 for 95% confidence level)

p = percentage picking a choice, expressed as decimal (.5 used for sample size needed)

c = confidence interval, expressed as a decimal (for instance, .04 = ±4)

FIGURE 2: Sample Size Calculator

The image shows a web-based calculator interface with the following elements:

- Title:** Determine Sample Size
- Confidence Level:** Two radio buttons, with 95% selected and 99% unselected.
- Confidence Interval:** A text input field containing the number 5.
- Population:** A text input field containing the number 145915.
- Buttons:** Two buttons labeled 'Calculate' and 'Clear'.
- Output:** A text input field labeled 'Sample size needed' containing the number 383.

As shown in Figure 2 above this Sample Size Calculator indicates that the sample size of 383 will provide statistically significant results.

The sixth stage for selection of a sample is to select actual sampling units. The sampling units are all small businesses in Auckland.

Finally, the last stage is to conduct the online survey. It should be noted at this stage, that a statistically significant sample was not achieved, however, when the combined primary and secondary data were analysed the results were of interest and provided valuable recommendations to the client.

Data collection

An online survey was designed and the website link was emailed to the businesses selected for use with the descriptive research method chosen. Krishnaswamy, Sivakumar and Mathirajan (2006) define a survey as “used primarily for a research study in order to assess the current status of various research issues of management and organization like the use of management techniques and methods”. Questions for the survey are shown in Appendix 1.

Information processing

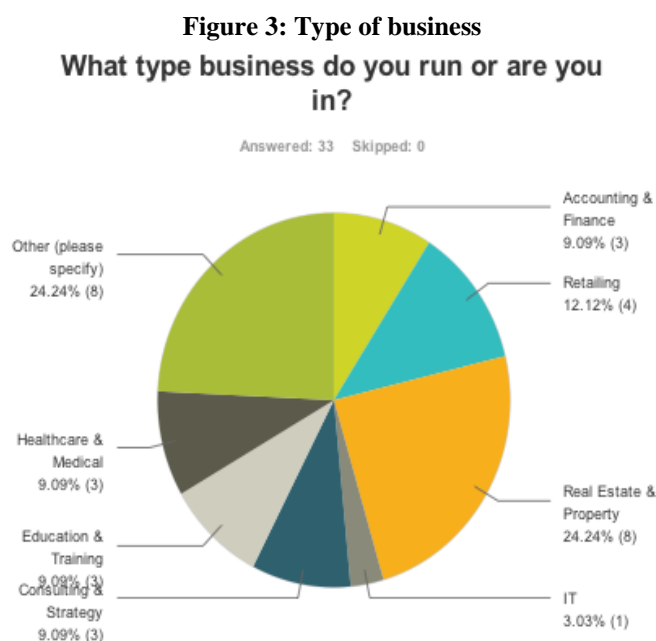
Tables and figures produced by both the online survey tool (Survey Monkey) and IBM's SPSS have been used to summarise the survey results.

Limitations

The first limitation for this research was the convenience sampling method that was chosen because of time limitations. The second limitation was the small return of 33 (8.6%) responses received from 383 requests sent to participants. The third limitation was the reliance on secondary data because of the small response rate. It is to be expected that secondary data obtained from available literature may not have the same research parameters as the primary research (Ghauri & Gronhaug 2010). The fourth and fifth limitations were that questions were not asked about the age or gender of the participants.

Analysis

Figure 3 below shows that of the responses received from the online survey, 24% were from real estate, 27% from health, education and training, consulting, and accounting and finance, and 12% from the retail sector. The remainder of small businesses were in hospitality, art and design, car sales and entertainment.



As shown in Figure 4, 52% of respondents were managing directors or managers of businesses most of which had been in operation for more than three years (65%), which suggests that the small business sector in Auckland is relatively stable. 78% of the small businesses surveyed had ten or less employees, and 84% had less than 15 employees.

Figure 4: Role in your business

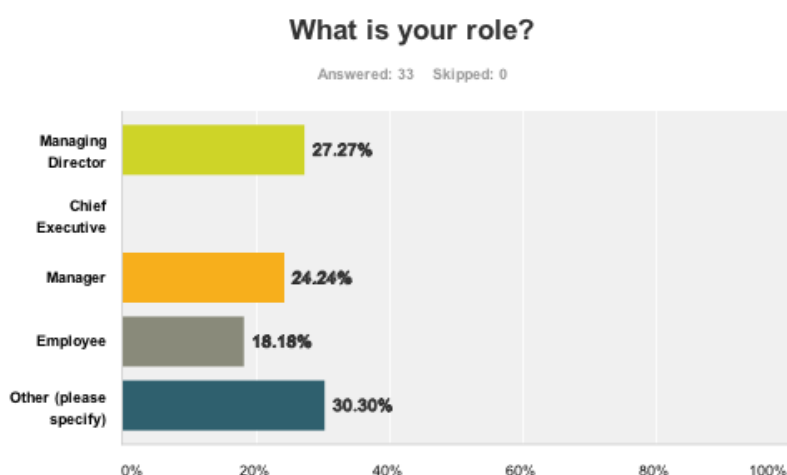
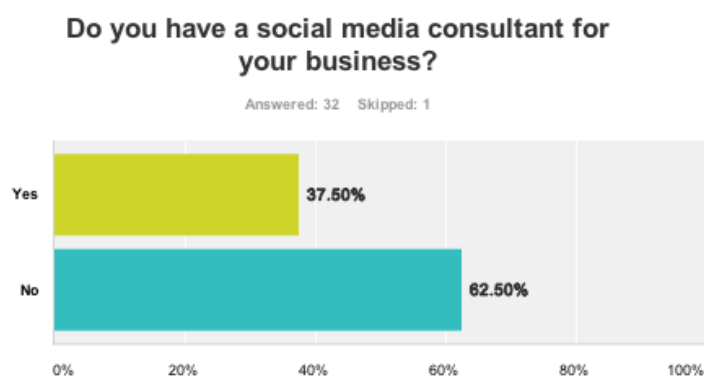


Figure 5 below shows that most of these businesses did not have a social media consultant (62.5%), however 50% of this selection of businesses believed that a social media consultant would enhance their business in the future.

Figure 5: Social media consultant



Perceived benefits from this sample for the use of social media in business are shown in Figure 6. These include: increased sales (58%); communication with customers (48%); online branding (41%) and product display and building trust (9%).

Figure 6: Social media benefits for small business

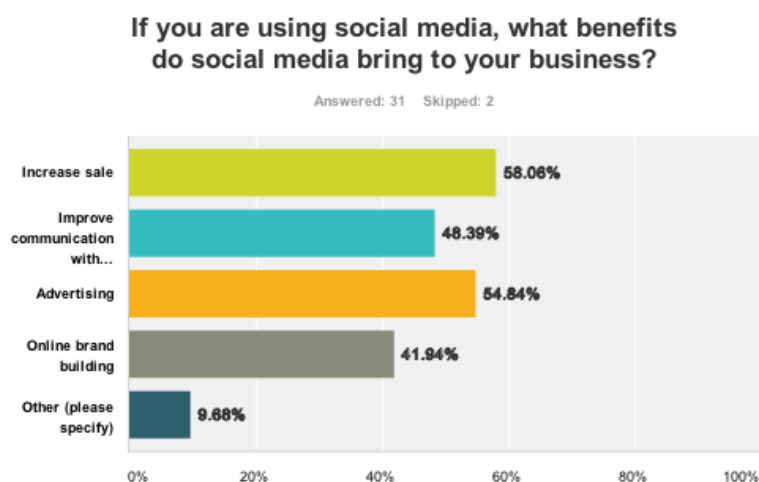
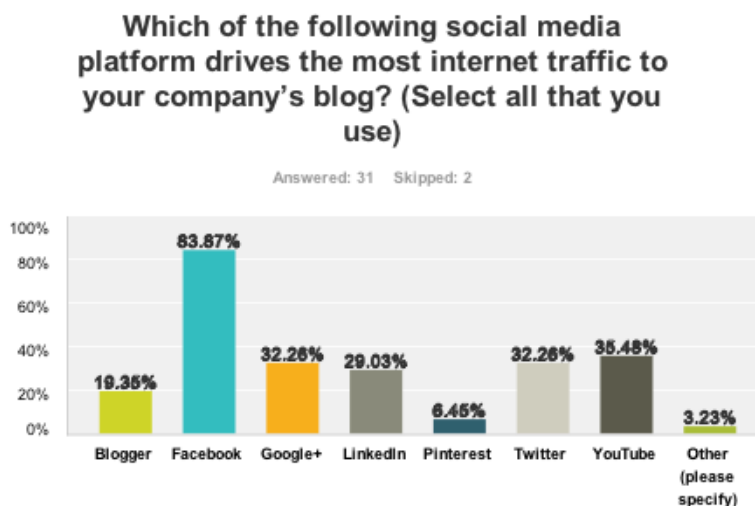


Figure 7 below shows that Facebook was the most popular social media platform for these respondents (84%). About 30% of respondents used Google+, LinkedIn, Twitter and YouTube. Only 19% of businesses surveyed used blogs. For those respondents who were not using social media, Facebook was the most commonly selected for future use (33%).

Figure 7: Social media platforms used



Small businesses in this sample were reluctant to allocate funds for social media. 26% of respondents were not planning to spend any money on social media marketing and 32% planned to spend less than \$1,000. 23% of respondents were prepared to spend up between \$2,000 and \$5,000. Only 3% of respondents wished to spend more than \$5,000.

In Table 4 below it can be seen that 50% of Blogger users were planning to spend money on social media. In terms of Facebook, 77% of respondents planned to invest in social media. Moreover, that same kind of willingness percentages were 80% in Google+, 78% in LinkedIn, 50% in Pinterest, 90% in Twitter and 82% in YouTube. As a result, these responses show that users of Twitter and YouTube are most likely to spend money on social media marketing in the following year.

Table 4: Social media platforms / Budget

		What social media platforms are you using?								Total
		Blog	Facebook	Google+	LinkedIn	Pinterest	Twitter	YouTube	Other	
Social Media marketing spend 2013	None	3	6	2	2	1	1	2	1	8
	<\$100	2	9	3	4	1	2	3	0	10
	\$1k-2k	0	4	1	1	0	3	2	0	5
	\$2k-5k	1	6	3	2	0	3	3	0	7
	>\$500	0	1	1	0	0	1	1	0	1
Total		6	26	10	9	2	10	11	1	31

Table 5 below shows different business needs. For example, the accounting and finance companies, and the education and training sector respondents perceived increased sales as more important than other benefits as a result of using social media. The healthcare and medical respondents and the consulting and strategy respondents perceived improved communication with customers as the most important benefit of using social media. Advertising was perceived as more important to retailing and entertainment respondents. The

real estate and property respondents and information technology respondents were more aware of online brand building as a benefit. Different business categories therefore emphasized different benefits for using social media.

Table 5: Business type/ benefits

		What benefits does social media bring to your business?					Total
		Increased sales	Improved communication with customers	Advertising	Online brand building	Other	
What type of business do you run or are you in?	Accounting & Finance	3	2	2	2	0	3
	Retail	2	1	3	1	0	4
	Real Estate & Property	3	2	3	4	0	7
	IT	0	0	0	1	0	1
	Consulting & Strategy	1	2	1	0	0	2
	Education & Training	3	2	1	1	0	3
	Healthcare & Medical	2	3	3	2	0	3
	Other	4	3	4	2	2	8
	Total	18	15	17	13	2	31

FINDINGS

Primary data collected in this small survey on social media usage in small businesses in Auckland, suggests that the perceived benefits of using social media are: increased sales, improved communication with customers, advertising, and online branding. However, as most small businesses surveyed did not want a professional social media consultant (63%), the likelihood of improving efficiency and effectiveness by using social media is diminished. Facebook was the most popular social media site used (84%), which is in agreement with results obtained by other social media researchers. Surprisingly, users of Twitter and YouTube were more likely to allocate a budget for social media marketing.

DISCUSSION

When comparing the primary and secondary data results it can be seen in Table 6 below that the reluctance to engage with social media, and indeed to even consider using a social media consultant is largely based on the perceived cost of this engagement. From the literature surveyed, there was a marked difference in the use of social media for business networking via platforms such as LinkedIn.

It would appear that the difference may be that such social media platforms are used by large rather than small businesses, with large businesses favouring LinkedIn and small businesses turning to Facebook first. The primary data appears to indicate that different business sectors are prepared to adopt social media for different purposes; for instance, social media for advertising is more important for the entertainment and retail sectors, and increased sales are perceived as the major benefit for the accounting, finance and education sectors. There was no evidence in either the primary or the secondary data to support the use of social media

consultants for small businesses in New Zealand. The literature surveyed suggests that security may be a problem for social media use in business, however this did not appear in the primary data gathered.

Table 6: Primary/ secondary data comparison

	Primary	Secondary
Social media uses	Reluctant to spend money on social media for business in any form	Promote business Email marketing Network e.g. LinkedIn Connect with customers on Facebook Blog Skype
Social media platforms used	Facebook Google+ LinkedIn Twitter YouTube	LinkedIn Facebook Twitter Youtube Blog
Social media marketing		Used globally, but NZ behind
Social media consulting		Predicted to help
Social media consultant	Majority of small business did not have a social media consultant	Nobody in charge, or only one person that knows
Business trends	Small businesses surveyed slow to take up social media	20% of business using social media
Small business trends in NZ	Facebook most commonly used	Facebook, Youtube, Twitter, LinkedIn
Social media benefits	Increased sales Communication with customers Online branding and product display Building trust	Sense of community Brand resonance Little or no cost as marketing tool
Social media disadvantages	Cost and time Lack of trust on social media platforms	Security Need time and resources to make use of social media

RECOMMENDATIONS

Results obtained from both primary and secondary data suggest that social media consultants could concentrate on small businesses in the real estate sector. Social media consultants could also advise customers on how to use Facebook for their core marketing strategy. Opportunities for social media consultants appear to be at the lower end of small business budget, as most small businesses, especially those operating as sole traders, are not prepared to spend more than \$2,000 on social media.

CONCLUSION

In this paper, current trends for social media use in small businesses in Auckland, New Zealand are that social media is well known to small businesses and that there are opportunities for social media agencies to consult with small businesses. Whilst results from this research are limited by the small sample size, trends reflected in this study are mirrored globally in social media use in small business.

Two other limitations for this research were that questions were not asked about age and gender of participants. Recent Australian research suggests that the majority of small business owners younger than 40 are turning to social media to communicate with customers (73%), seeing the advantages offered by mobile technology such as smart phones (NZ Business 2013). Social media is the channel of choice to boost brand awareness and to reach new customers. Increasingly, younger small business owners are using social media to recruit staff. A further research study including this information would provide a point of comparison between Australia and New Zealand small business trends in the use of social media. It is predicted that as younger small business owners with their familiarity and awareness of the benefits of social media for their businesses, replace older business owners as they retire from the workforce, there will be an even greater uptake of the use of social media for business. As technology, especially smart mobile devices offer more features such as geospatial functionality, instant pictures, live streaming, and instant access to marketing information, so 'tech-savvy' younger small business owners can take advantage of these to run their businesses. It is also likely that new business roles will emerge with the evolution of new technical features.

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Appendix 1: Online Survey Questions**1. What type business do you run or are you in?**

- Accounting & Finance
- Retailing
- Real Estate & Property
- IT
- Other (please specify)

2. What is your role?

- Managing Director
- Chief Executive
- Other (please specify)

3. If you own your business, how long have you run?

- < 6 months
- 6 – 12 months
- >12 months

4. How many employees do you have or in your company?

- < 5
- 5 – 10
- 11 – 20
- 20

5. Do you have a social media consultant for your business?

- Yes
- No

6. If you don't have a social media consultant, are you going to find a professional social media consultant help to enhance your business performance in the future?

- Yes, within 6 months
- Yes, within 12 months
- No

7. If you are using social media, what benefits do social media bring to your business?

- Improve communication with customers
- Advertising
- Online brand building
- Other (please specify).....

8. Which of the following social media platform drives the most Internet traffic to your company's blog? (Select all that you use)

- Blog
- Facebook
- Google+
- LinkedIn
- Other (please specify).....

9. If you are not using any social media for your business at present, choose what social media you are most likely to use for your business in the future.

- Blog
- Facebook
- Google+
- LinkedIn
- Other (please specify).....

10. How much budget would you spend on social media marketing for 2013?

- < \$1000
 - \$1000 - \$2000
 - >\$2000 - \$5000
 - >\$5000
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