CHAPTER ONE: INTRODUCTION

A Study of Social Media Marketing Strategies used by Micro Small and Medium Enterprises (MSME’s) for Customer acquisition and retention

1.1 Background

In today’s digital age we ‘eat, sleep and breathe social media’. Social media has become a conventional way of communicating – for businesses and individuals. Small businesses today cannot ignore the impact of taking their business onto social media platforms. Social media plays a vital role in marketing and creating relationships with customers. In today’s social media driven environment, it is essential for Micro Small and Medium Enterprises (MSME’s) to understand social media platforms such as YouTube, Facebook, Instagram, &Twitter, and the strategies behind using social media for growing their business through customer acquisition and retention.

With limited barriers to entry, small businesses are beginning to use social media as a means of marketing. However, many small businesses struggle to use social media and have no strategy going into it. As a result, without an understanding of the benefits of social media and how to use it to engage customers, many opportunities are missed. This research aims to acquire an understanding of how Micro Small and Medium Enterprises (MSME’s) can use social media marketing strategies for customer acquisition and retention.

Since the inception of the Internet several new applications have been created. One of the most recent innovations to emerge is web 2.0, ‘a collection of web services which facilitate certain behaviors online, such as community participation and user-generated content’ (Chaffey and Smith, 2008: 499). Examples of social media include the micro-blogging site Twitter, the social networking site Facebook, and the video-sharing site YouTube. Circle (2009) lists these particular web 2.0 applications among the top future marketing trends.
Many businesses have begun to recognize the influence and potential of social media as the new communication channels. Social media is already successful as a marketing channel for many large global brands and multinational companies. However, a recent social media marketing industry report indicates social media marketing is still in the preliminary stages of development. ‘A significant 97% of marketers surveyed are using social media to market their business, but 23% have only been doing so for a few months or less’ (Stelzner, 2013). This research aims to uncover the social media marketing strategies used by Micro Small and Medium Enterprises (MSME’s) for customer acquisition and retention.

1.2 Digital Landscape

Social media agency, We are Social, released a report that takes a detailed look at digital in 2016, highlighting digital, social and mobile usage around the world.

Figure 1.1 Global Digital Snapshot 2016
The report found that there are currently 3.42 billion internet users, equaling 46% global penetration; 2.31 billion social media users, for a 31% global penetration; 3.79 billion unique mobile users, representing 51% global penetration; and 1.97 billion mobile social media users, equating to 27% global penetration.

Apart from providing statistics for digital, social and mobile media in 2016, the agency also mentioned three key takeaways and forecasts for digital in 2016:

Mobile Smartphone Revolution. There is a surge in mobile phones and smartphones as well broadband Internet connectivity. According to Statista the number of smartphone users in India is estimated to reach 204.1 million in 2016, with the number of smartphone users worldwide forecast to exceed 2 billion users by that time. Mobiles have become a handy way to access the Internet; and it is changing people’s behavior and social media habits. Business survival and success will be based on optimizing mobile web presence for a mobile centric consumer and world. Businesses need to develop a mobile first strategy for their online and social media presence.

Connectivity is becoming the norm. People now expect everything to be connected; the Internet is no longer seen just as a source of information, but rather a way of connecting the world together. The Internet is the 'electricity' of modern society and it acts as a connector between people and things they care about most. Due to the increased connectivity and Internet access businesses and brands need to investigate how connectivity can improve every part of their business, not just their marketing and advertising.

Social Media is once again about conversations. Social media is rapidly returning to connecting on a personal level. Social media’s role is now evolving into more value-added experiences, providing the one-to-one meaning that social has always promised. For businesses to succeed in this more personal environment, marketers will need to get better at listening to customers and understanding what they want.
1.2 Global Scenario of Social Media and Social Media Marketing

Social media are defined as “a second generation of Web development and design, that aims to facilitate communication, secures information sharing, interoperability, and collaboration on the World Wide Web” (Paris, Lee, & Seery, 2010, p. 531). There are many social media sites; amongst the most prevalent ones being Facebook, Instagram, Youtube, LinkedIn, and Twitter. In 2010, Facebook announced it had over 500 million users; in the same year, Twitter reported 75 million users (Paris et al., 2010; Owyang, 2010). On average, consumers spend more than 5.5 hours per day participating on social media websites (Nelsonwire, 2010). With the increasing usage of social media these sites are seemingly powerful tools for creating online communities of users who share interests, activities, and objectives (Bolotaeva & Cata, 2010).

The Internet has transformed communication, allowing individuals and organizations to overcome time and geographical constraints, which in turn allows consumers and companies to connect around the world at any time (Harris & Rae, 2009). Social Media and online communities allow people to gather together on the Internet for numerous reasons, such as searching for information, sharing information, discussing common problems, and making inquiries (Wang & Fesenmaier, 2004). Due to the rapid changes in information technology, these online activities are now performed via a new form of communication technology known as ‘Web 2.0’ or social media (Gretzel, Kang, & Lee, 2008).

Kaplan and Haenlein (2010) describe social media as “a group of Internet based applications that build on the ideological and technological foundations of Web 2.0, and that allow the creation and exchange of user-generated content.” Social media offers a plenty of services on the Internet. The types of social media include: social networks (such as Facebook and LinkedIn), micro-blogs (Twitter), reviews and ratings sites (such as Amazon, and Zomato), video (YouTube), photo sharing (Instagram) and more.
Social media empowers businesses to engage consumers in an opportune and uninterrupted manner at comparatively low cost and with higher levels of effectiveness than with more traditional media tools. This makes social media not only suitable for large organizations, but for small and medium size companies as well (Kaplan).

The speed of adoption experienced by social media is unparalleled, when matched to previous technological advances, which have had a significant and enduring effect on humanity and business. While it took the radio thirty eight years and the Internet seven years to reach 50 million people, Facebook achieved the same landmark in its third year.

Figure 1.2: Percentage of Internet Users using Social Media by Age Group

![Diagram showing increasing penetration of social media usage over time across all age groups.](source)

Source: Based on data from Pew Research Center’s Internet & American Life Project Surveys, September 2008–May 2010. All surveys of adults 18 and over.
The advent of the Internet and several social media applications has led to many people being able to interact with friends, family members and colleagues on an instant and daily basis. Combining social interaction with technology and user generated content; social media is now permeating almost every age and demographic grouping.

Marketers have for a long time understood the impact word-of-mouth referrals and recommendations have on a brand and its business success. Nevertheless, beyond the obvious amplification of word-of-mouth recommendation by a customer, social media is changing the way in which consumers seek information and make purchase decisions.

Today’s consumers actively engage their friends and network through social media platforms such as Facebook and Twitter, advising them on their future purchase decisions. As a result, consumers are increasingly using social media platforms as a source of information to help make purchase decisions. Forrester research found that 54% of peoples’ buying behavior is directly influenced by what others say about a brand, and 60% of customers would change their purchase decision in response to negative feedback from within their social network. Thus, social media now outplays traditional marketing when it comes to driving the buying behavior of customers.

Research in the Harvard Business Review (December 2010), suggests that the conventionally accepted deductive decision making ‘funnel’, whereby the customer begins with a wide choice of potential brands to fulfill their needs, and then reduces the number of options at each stage of the buying process until a decision is made, no longer applies in a social media propelled world. Instead of narrowing their choice of product/brand from an originally larger group, today’s social media active and engaged consumers commence an iterative buying approach whereby they start with a narrow set of brands based on their own knowledge and experience of a category or sector, then through their networks, seek additional recommendations and solutions, widening the decision making funnel.
Based on the strength of these recommendations, the customer then refines the number of options under consideration until a purchase decision is made.

Post purchase, customers use their networks to seek reassurance on their purchase decision which then drives future buying intentions.

**Figure 1.3: Forecast Percentage of Marketing Budget Spend on Social Media**

![Graph showing forecast percentage of marketing budget spend on social media from 2011 to 2016.](image)

Given the significant role that social media is now playing in customer purchasing decisions and the way in which customers engage with brands, it is anticipated that marketing spend on social media will continue to increase, and is forecast to grow by more than 300% by 2016.
Figure 1.4: Social Media User Statistics 2016
Figure 1.5: Time Spent on Social Media

The figure shows the average number of Hours spent using social media each day. The chart covers countries across the world and has broken up the statistics country wise. People in India use social media for an average of 2.3 hours per day. With the increasing number of smartphones and Internet access as well as the young population in India social media usage is on the rise.
Figure 1.6: Active Users by Social Platform

The figure shows the monthly active user accounts by platform in millions. Facebook is the leading social media platform with maximum number of users. The social media platforms that have the maximum number of active users for the purpose of this study can be ranked as follows, Tumblr (Blog), Instagram, Twitter, Snapchat, Pinterest and LinkedIn. Thus the social media platforms that a marketer uses for social media marketing should take into account the active users, which differs from the social media user statistics i.e. the number of users on a social media platform.
The mobile Internet user base in India has steadily increased from 238 million in June 2014 to 306 million at the end of December 2015.

The number of mobile Internet users in India is expected to grow over 55 per cent to 371 million by June 2016, propelled by strong acceptance in rural parts of the country, as per industry body IAMAI (Internet and Mobile Association India).

A report released by Internet and Mobile Association of India (IAMAI) said, of the 306 million Internet users, 219 million users are from urban part of the country. The user base saw a growth of 71 per cent year-on-year. On the other hand, the user base in rural India went up 93 per cent from December 2014 to reach 87 million at the end of December 2015.

The report found subscribers in urban India using mobile Internet mostly for online communication (80 per cent), social networking (74 per cent), entertainment (30 per cent), online shopping (13 per cent) and online ticketing (11 per cent).

In rural India, 52 per cent said they used Internet for entertainment, 39 per cent for
social network, 37 per cent communication, one per cent for online shopping and 0.4 per cent for online ticketing.

The report also found the share of mobile Internet spend (out of average monthly bill) has increased to 64 per cent in 2015 as compared to 54 per cent in 2014.

This is despite the average monthly bill reducing to the extent of 18 per cent in 2015 (Rs. 360) compared to the previous year (Rs. 439 in 2014).

Figure 1.8: Internet in India
1.3 Global MSME Scenario

Micro, Small and Medium Enterprises (MSMEs) are the growth engines of a country. In most countries, MSMEs constitute over 90% of enterprises. Furthermore, they contribute a major share to employment opportunities in a country, industrial production and exports. The Organisation for Economic Co-operation and Development (OECD) reports that more than 95% of enterprises in the OECD area are MSMEs. In these countries, MSMEs account for almost 60% of private sector employment.

According to a report by International Finance Corporation (IFC) that conducted a study across 132 countries, there are 125 million MSMEs with 85 million located in emerging economies. MSMEs have registered a growth of 6% in the period 2000-2009 globally, with Europe and Central Asia experiencing a growth of 15%.
MSME’s play a meaningful role in the global economy as well as in the national economy, due to the employment opportunities and revenue generation coming from them. In OECD (Organisation for Economic Co-operation and Development) economies, MSMEs account for over 95% of the firms, 60-70% of employment, 55% of GDP and generate the largest share of new jobs. In developing countries, more than 90% of all firms, outside the agricultural sector, are MSME, generating a significant portion of GDP.

Within an economy, there are various agencies that have their own MSME definition (e.g. statistical institutes, private banks, governmental MSME promotion agencies and others). Countries across the world use various definitions to define small and medium enterprises. The parameters on which MSME sector is generally defined are:

- Capital investment on plant and machinery;
- Number of workers employed;
- Turnover of business or volume of production.

**International Standards in defining MSMEs**

There is no standard definition adopted for MSMEs globally. Relatively large enterprises with formal organization are classified as MSMEs mostly on the criteria of number of employees or turnover. The definitions are generally flexible even with same country.

SME Department of the World Bank works with the following definitions for classification of enterprises:

- **Micro enterprise**: Upto 10 employees, total assets of up to $10,000 and total annual sales of up to $100,000;
- **Small enterprise**: up to 50 employees, total assets and total sales of up to $3million;
- **Medium enterprise**: up to 300 employees, total assets and total sales of up to $15million. (World Bank, 2005)
Micro, small and medium enterprises are also referred to as Small and medium enterprises or SMEs, and small and medium-sized businesses or SMBs in some countries. The abbreviation SME occurs commonly in the European Union and in international organizations, such as the World Bank, the United Nations and the World Trade Organization. The term small and medium-sized businesses or SMBs is predominantly used in the United States of America (USA).

In the European Union and USA, SMB’s are companies whose number of employees or turnover falls below certain limits. The business is classified as per the number of employees employed in the business.

In South Africa the term SMME for Small, Medium and Micro Enterprises is used. Elsewhere in Africa, they use MSME for Micro, Small and Medium Enterprises.

In India, the sector is generally referred to as the Micro, Small and Medium Enterprises (MSMEs). MSMEs play a fundamental role in the overall industrial economy of the country. In recent years the MSME sector has consistently registered higher growth rate compared to the overall industrial sector. The major advantage of the sector is its employment potential at low capital cost.

**India**

Micro, Small and Medium Enterprises (MSME) contribute nearly 8 percent of the country’s GDP, 45 percent of the manufacturing output and 40 percent of the exports. They provide the largest share of employment after agriculture. They are the nurseries for entrepreneurship and innovation. They are widely dispersed across the country and produce a diverse range of products and services to meet the needs of the local markets, the global market and the national and international value chains.

MSME defined in India in accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006. The Micro, Small and Medium Enterprises (MSME) are classified in two Classes:
(a) Manufacturing Enterprises- The enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries (Development and regulation) Act, 1951) or employing plant and machinery in the process of value addition to the final product having a distinct name or character or use. The Manufacturing Enterprise are defined in terms of investment in Plant & Machinery.

(b) Service Enterprises: The enterprises engaged in providing or rendering of services and are defined in terms of investment in equipment.

<table>
<thead>
<tr>
<th>Manufacturing Sector</th>
<th>Investment in plant &amp; machinery</th>
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<tbody>
<tr>
<td>Enterprises</td>
<td>Investment in plant &amp; machinery</td>
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<tr>
<td>Micro Enterprises</td>
<td>Does not exceed twenty five lakh rupees</td>
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<td>Small Enterprises</td>
<td>More than twenty five lakh rupees but does not exceed five crore rupees</td>
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<td>Medium Enterprises</td>
<td>More than five crore rupees but does not exceed ten crore rupees</td>
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<th>Service Sector</th>
<th>Investment in equipment</th>
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<td>More than two crore rupees but does not exceed five crore rupees</td>
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1.4 Importance of Small businesses to the Indian economy

The Micro, Small and Medium Enterprises (MSMEs) play a fundamental role in the commercial and social growth of India. The MSME sector contributes to the economies exports, employment and manufacturing output. MSME’s play a strategic
role in the development of the economy as they have an innovative entrepreneurial spirit and are flexible as well as effective and efficient. The MSME sector has emerged as a vibrant and dynamic sector of the economy. It is expected that Indian economy will grow by over 8% per annum until 2020.

The main benefit of the MSME sector is its ability to generate employment at a low cost. The MSME sector is highly diverse. There are enterprises of different sizes, levels of technology and a variety of products and services. MSME’s helps in the development and industrialization of rural and backward areas. They help reduce regional imbalances. It provides equitable distribution of national income and wealth.

Some Highlights of THE MSME Sector:

a) MSMEs contributes about 40% of India’s total exports.
b) MSMEs contributes about 45% of India’s manufacturing output.
c) This sector has given employment to 73 million people.
d) MSME manufacture more than 6,000 products.
e) MSMEs is the backbone of the GDP in India. Their contribution to GDP is 8%.

1.5 Use of social media for business:

Many companies consider the use of social media as a profitable marketing tool from which they can gain numerous benefits. Firstly, companies can obtain huge amounts of feedback regarding their products/services and brand by monitoring consumers’ online conversations, thus allowing them to resolve problems quickly and work to improve future brand performance (Madupu, 2006). Secondly, social media provides a real-time source to observe consumer needs and market trends. Businesses can use these resources to adapt advertising messages and develop special targeted features for future products. Thirdly, companies can observe whether their brands are truly suited to consumers’ needs and can learn which features of their products make them special or unique in consumers’ eyes (Kozinets, 1999). Through social media, businesses allow consumers to become directly or indirectly involved, in creating new products and brands (Sawhney & Prandelli, 2000). Overall, the popularity of social media has heavily influenced many businesses’ marketing strategy in recent times.
Benefits of Social Media Marketing for MSMEs

Today, companies extensively use Social Media Marketing because it represents a cost-effective marketing solution. The Social Media Marketing tools can be used generally very easily and for free, in comparison with traditional media marketing. The main reasons to use Social Media Marketing are the magnification of word-of-mouth marketing, to gain market research, for general marketing, idea generation and new product development, co-innovation, customer service, public relations, employee communications and reputation management. Undeniably, social networks can increase product and brand awareness, web traffic, customer loyalty, as well as improve the company’s Search Engine Optimization, and even increase the success of new product launches. Hubspot’s report (2012) explains that 63% of companies using social media say it has increased marketing effectiveness among other benefits. According to Stelzner (2012), increased exposure is the major benefit from Social Media Marketing.

According to Hubspot (2012), 57% of Small Businesses say social media is beneficial to their business. Whether it concerns large multinationals or small and medium-sized enterprises, Social Media Marketing presents many significant benefits for the companies’ success. Social Media platforms promote communication around brands and products, boosting positive as well as negative word-of-mouth around a business and its products and services. Any piece of information or message shared on the Social Media platforms can be seen by millions of people in an extremely short period of time. Additionally, 94% of marketers affirm that they are employing Social Media for marketing purposes. 83% of them said that Social Media is important to their businesses and 59% of marketers are using Social Media for 6 hours or more weekly, and 33% for 11 or more hours.
## Summary of Benefits of Social Media Marketing to MSME’s

<table>
<thead>
<tr>
<th>Functional Area</th>
<th>Benefits</th>
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<tbody>
<tr>
<td>Marketing</td>
<td>Increased brand exposure</td>
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<td>Build awareness</td>
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<td>Brand reputation management</td>
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<td>Increased targeted traffic</td>
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<td>Leads generation</td>
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<td>Reduced marketing costs</td>
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<td>Customer Support</td>
<td>Customer interaction &amp; Feedback</td>
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<td>Real-time and personalized support</td>
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<td></td>
<td>Improved customer experience</td>
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<td></td>
<td>Increased customer retention and loyalty</td>
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<td></td>
<td>Reduced support costs</td>
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<tr>
<td>Research and Development</td>
<td>Market insights on target audience</td>
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<td>Competitor monitoring</td>
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<td></td>
<td>New ideas captured from community</td>
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<tr>
<td>Finance</td>
<td>Cost effective</td>
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<td></td>
<td>Reduce costs in marketing, customer service and recruitment</td>
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<tr>
<td>Public Relations</td>
<td>Communication in real-time</td>
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<tr>
<td></td>
<td>Increased brand exposure</td>
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Source: Celine Arca, 2012.
1.6 Online Brand community:

A brand community comprises of consumers who are interested in a specific brand (Jang, Ko, & Koh, 2007). There are two types of online brand communities: consumer-initiated and company-initiated. Just like the names suggest, consumer-initiated brand community is developed by consumers voluntarily, while a company-initiated community is developed and sponsored by a company. In a consumer-initiated community, consumers benefit from uncensored and unrestricted feedback from other members (Koh, & Kim, 2008). In comparison, a company sponsored online community may control the content posted by its members. For example, a message may be removed or deleted if it contains negative consumer opinions and experiences. If consumers recognize these actions, the company may fail to build a strong online community because consumers can lose trust in the company and its brand because of the seeming lack of transparency. A company should seek to foster high levels of trust in and commitment to its brands in company-sponsored online communities, factors that are more critical to the company than in consumer-initiated communities (Jang et al., 2008).

By participating in a company-sponsored online community, consumers can, share experiences with other users of the products, compare products or services and suggest alternative product choices. Furthermore, consumers who participate in company-sponsored online communities are often able to get exclusive information and special deals (Antikainen, 2007) presented by the company. In such communities, companies can enhance their relationships with consumers by providing special benefits that consumers consider important (Antikainen, 2007). Through online member activities, positive attitudes about other members of the community may be generated, and a sense of belonging can develop. This further encourages consumers to share their experiences about the company’s products, especially when they have compliments or complaints (Madupu, 2006). Because of the benefits of participating in social media online communities, a growing number of consumers join company-sponsored online communities before making purchasing decisions (Muniz & O’Guinn, 2001).
Researchers have highlighted that community members’ active participation is critical in ensuring an online community’s long-term survival (Madupu, 2006). Consumers may be discouraged from joining online communities if they do not see active communication among the members and company. If the communities do not provide useful information about products or brands, then consumers may show little interest in joining (Preece, Nonnecke, & Andrews, 2004). Conversely, online communities with actively participating members can attract new consumers and entice existing members to visit the community more frequently or for longer periods (Preece, 2000).

In order to build and manage an active social media online community, companies first need to understand their members’ motivations with regard to the benefits that they expect in return for their participation (Wasko & Faraj, 2000). If companies provide the desired benefits such as information and a sense of belonging, they will be able to attract new consumers, build relationships with them, and motivate them to visit again (Antikainen, 2007; Dholakia, Bagozzi, & Pearo, 2004).

By building an active and effective social media online community, companies can stimulate strong trust in and commitment to their brands. The majority of information and content in a consumer-based online community results from consumers’ experiences with products, particularly with regard to their quality, maintenance, and directions for use (Muniz & O’Guinn, 2001). When the members collect information about a product from an online community, they then anticipate that the products will perform as expected based on the information provided by other members. When the members continuously experience positive product performance and perceive the information to be trustworthy, they are more likely to develop trust in the brand. Trust develops from shared beliefs about information provided by community members and expectations of reciprocal communication (Blau, 1964).

In addition to trust, social media online community members can build commitment through continuous participation. McWilliam (2000) revealed the impact of online communities on building strong relationships between companies and their consumers. These strong relationships reflect members’ psychological attachment to
the community and mutual belief in each other (Morgan & Hunt, 1994). Commitment, like trust, can be enhanced as members increasingly rely on the Internet for product information that will help them make purchasing decisions (Shankar, Smith, & Rangaswamy, 2003). Reciprocal communication regarding consumption experiences with brands enhances consumers’ brand involvement and brand commitment, especially when the products perform as expected based on the information obtained (McAlexander, Schouten, & Koenig, 2002). Companies can therefore utilize online communities to establish a strong bond with active community participants, which in turn can generate trust and commitment to their brands (Ulusu, 2010).

While online social media community building is a relatively new marketing strategy for customer acquisition and retention, its usage has increased dramatically (Sweeney, 2000). The emergence of social media online communities has stimulated researchers’ and practitioners’ interest regarding ways to accommodate these types of communities into new business models for customer acquisition and retention. However, few researchers to date have empirically investigated whether member benefits influence the level of participation in these communities (Muniz & O’Guinn, 2001; Wang & Fesenmaier, 2004a) as well as positive consumer behaviors such as customer acquisition, loyalty and retention contributions to the community (Kim, Lee, & Hiemstra, 2004; Wang & Fesenmaier, 2004b). Their findings indicate that members spread useful information about products and brands to other members and/or to their friends and thus increase community participation (Kozinets, 2002). The relevance of social media online communities for marketers is that active participation may create high levels of brand awareness, brand trust among members as well as loyalty to the brand (Koh & Kim, 2004).

The majority of marketers would agree that the operation of a successful social media online community is now highly relevant to successful marketing activities for many companies, yet studies regarding social media have been rarely conducted in the MSME sector in India. For this reason, the present study proposes the necessity of identifying and understanding the factors that attract consumers to social media
online communities for MSME companies and brands, and investigating the relationships between consumer participation, consumer trust in brands, and commitment to brands. The research also aims to create a framework for MSME’s to create a social media marketing strategy for customer acquisition and retention. From a theoretical perspective, this research provides an enhanced understanding of consumers’ motives for social media online social exchanges (e.g., Internet-based social gatherings with other consumers and with a company) and of their cognitive processes during the development of commitment to a particular brand.

From a practical perspective, online marketers can establish sustainable marketing strategies to keep online communities active, identify what benefits community members look for in participating, and retain members who are willing to be involved in a long-term relationship with the community. It also creates a framework for MSME’s social media marketing strategies for customer acquisition and retention.

1.7 Social Media Marketing

Social media marketing (Evans and McKee, 2010) programs that usually focus on creation of unique and genuine content by marketer which attracts users and encourage them to share it with other users and social networks e.g. Blogs, Facebook, Twitter, YouTube etc. Content may go viral if it attracts users, as it appears from trusted outside source other than company itself. This type of marketing is motivated by word-of-mouth.

Social media has become a platform that is easily accessible to anyone with Internet access. Social Media increases interactive communications between organizations and customers, which increases brand awareness and customer service due to feedback from customers. Social media is comparatively economical and hence it can reduce the cost of marketing campaigns. Social media marketing (Evans and McKee, 2010) refers to the process of gaining website traffic or attention through social media sites like Facebook, Twitter, Blogs, and YouTube etc.
Since Social media allows the creation and sharing of content generated by users i.e. participation and collaboration, it is a future marketing tool in values-driven marketing.

Millions of Indians are also actively engaged on the social media platforms. Social media is also exponentially growing in India. Exponential growth of Social Media and millions of active users substantiates the transformation of marketing era from customer-centric to values-driven. Indian marketers can effectively use Social media to market their products and services with the various marketing, advertising and promotion tools available with social networking sites and blogs.

1.8 Types of Social Media (Social Media Platforms)

Social media tends to be grouped together as one whole, but it is important to view the different types of social media as separate entities in that there are various platforms that exist, and different rules of utilization and functionality for each platform. Fraser and Dutta were the first to try and formally categorize social media and they created five broad categories as can be seen in the table below.
Table 1: Categories of Social Media

<table>
<thead>
<tr>
<th>Categories of social media sites</th>
<th>Appeal</th>
<th>Example of site(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Egocentric sites</td>
<td>Allow users to construct profiles of themselves on virtual platforms, facilitating identity construction and connections.</td>
<td>Facebook.com, MySpace.com, Bebo.com</td>
</tr>
<tr>
<td>Community sites</td>
<td>Imitate real-world communities, allowing groups to form around like beliefs.</td>
<td>BigWaveDave.com, BlackPlanet.com, Dogster.com</td>
</tr>
<tr>
<td>Opportunistic sites</td>
<td>Allow for different social organisation of users and facilitate business connections. Often defined vertically.</td>
<td>LinkedIn.com, Academia.edu, alibaba.com</td>
</tr>
<tr>
<td>Passion-centric sites</td>
<td>Allow users to connect based on interest and hobbies. Often defined horizontally.</td>
<td>TheSamba.com, chatterbirds.com, germancarforum.com</td>
</tr>
<tr>
<td>Media-sharing sites</td>
<td>Allow users to share rich media with each other. Defined by content, not by users.</td>
<td>Flickr.com, YouTube.com, slideshare.com</td>
</tr>
</tbody>
</table>

Source: Fraser and Dutta in Parent et al [6]

There are many types of social media and not all types and categories are appropriate for all businesses. There are different rules of application and functionality for each social media platform. There needs to be a process for selection of what social media platforms to use that will meet the desired marketing objectives and purposes of a particular business/organization.

The rise of social media has made corporate communication more democratized. The power has been taken from those in marketing and public relations (companies) in favor of the individuals and communities (consumers) that create, share, and consume blogs, tweets, Facebook entries, movies, pictures, and so on. Communication about brands happens, with or without permission of the firms in question. It is now up to
firms to decide if they want to get serious about social media and participate in this communication, or continue to ignore it. Both have a tremendous impact.

As BBC Business Editor Tim Weber (2010) explains: ‘‘These days, one witty tweet, one clever blog post, one devastating video forwarded to hundreds of friends at the click of a mouse can snowball and kill a product or damage a company’s share price.’’

While it is clear that for better or for worse social media is very powerful, many marketing executives are hesitant or unable to develop strategies and allocate resources to engage effectively with social media. Consequently, firms regularly overlook or mishandle the opportunities and threats presented by creative consumers (Berthon, Pitt, McCarthy, & Kates, 2007). One of the reasons behind this ineffectiveness is a lack of understanding regarding what social media are, and the various forms they can take (Kaplan & Haenlein, 2010).

Presently there exists a rich and varied ecosystem of social media platforms (sites), which vary in terms of their scope and functionality. Some sites are for the general masses like Facebook. Other sites, like LinkedIn, are more focused professional networks. Media sharing sites, such as YouTube, and Flickr, focus on sharing videos and photos. Weblogs (blogs) have become very popular, after a slow start in the 1990’s because they are easy to create and to maintain. The authors of blogs consist of a gamut from everyday people to professional writers and celebrities. Today, the resulting ‘blogosphere’ of more than 100 million blogs and their interconnections has become an important source of public opinion. There are even search engines, like Technorati, that are dedicated to searching blogs.

Further social media platforms include social news and bookmarking sites like Reddit, Digg, and Delicious users can rank sites by voting on the value of content. Lately, the phenomenon of micro-blogging focuses on offering real-time updates. Twitter has been influential in micro blogging since it was founded in 2006. Twitter shows short status updates of what users are doing, where they are, how they are feeling, or links to other sites.
Another social media platform, Foursquare ties real time up dates into location specific information by rewarding users for ‘checking in’ to real sites at any location worldwide, and for leaving their comments for others to view.

Social media marketing involves using social media platforms or sites as part of your online marketing strategy. Social media platforms include Facebook, Instagram, Twitter, LinkedIn, YouTube, Google+, Pinterest, Blogs, Snapchat and other sites where people create profiles and interact with friends.

Each Social media platform has a unique environment. Each social media platform has a unique audience and will require the development of a unique strategy tailored for each platform.

**Figure 1.10: How to Choose Social Media Platforms**

Throughout this study, social media refers to messages created and disseminated through digital, mobile and Internet-based technologies. Social media are the creation of platforms that connect people together, provide an opportunity to produce and share content with others, extract and process community knowledge and share it back. Social media includes content created and shared through the following: (1) Facebook (2) Instagram (3) YouTube (4) LinkedIn (5) Twitter (6) Blogs (7) Pinterest (8) Google + (9) Snapchat

1.8.1. Facebook

Mark Zuckerberg at Harvard University started Facebook in 2004. It is a social networking service and website. Facebook is a platform that can be used by sharing information. Facebook helps connects people with friends, colleagues and people who live, study and work around them. Facebook is now world’s most visited website.

Users must sign-up or register themselves on Facebook before using the site. A user can sign-up on Facebook by simply visiting www.facebook.com and entering name, e-mail, password, gender, date of birth and clicking sign up. After signing up a user can create a personal profile for himself, add other Facebook users as friends send and receive messages and receive automatic notifications from Facebook for updates. Users can also share photos and videos on Facebook. Users can also join Facebook groups for sharing common-interest e.g. Groups for Hobbies, closed friend groups or workplace groups.

Facebook helps to keep up with old friends and socialize through sharing photos, videos, events, comments, playing games, and social applications.

Facebook had 65 million monthly active users in India as of October 2012, an increase of 84 percent compared to the same period in 2011. This is an eight-fold jump in a span of two years. Facebook is currently available in over 70 languages. In India, it is available in Hindi, Bengali, Punjabi, Tamil, Telugu and Malayalam.
Facebook has shown exponential growth since its inception in 2004. The Facebook website states that it has crossed 1 Billion Mark and tops the list of social media websites in the world.

Businesses can use Facebook Pages, Ads & Sponsored Stories to market their products and services. Pages are for businesses, organizations and brands to share their stories and connect with people. Businesses can engage and grow their audience by posting regularly. People who “like” a marketer’s Page will get updates about the business or brand in their news feeds. If a marketer is the official representative of an organization, business, celebrity, or brand, he can create a Page to represent his organization on Facebook. Businesses can also target the audience by Gender, Relationship Status, Interested In, Age, Location, and Language in Pages.

Facebook Ads for Pages and Events allow other users to engage with company’s ads the same way they interact with other content on Facebook – without leaving the page they are viewing. Sponsored stories are messages coming from customers about them engaging with company’s Page, app or event that a business, organization or individual has paid to highlight so there is a better chance people see them.

1.8.2 Instagram

Instagram is a social media app that is available on mobile phones. It is a social networking service that allows photo and video sharing. It allows its users to take pictures and videos, and share them on the app either publicly or privately. Instagram allows sharing of photos and videos through a variety of other social networking platforms, such as Facebook, Twitter, Tumblr, and Flickr. Digital filters may also be applied to images. The maximum duration for Instagram videos is 15 seconds.

Instagram was created by Kevin Systrom and Mike Krieger, and launched in October 2010 as a free mobile app. The service rapidly gained popularity, with over 100 million active users as of April 2012. In December 2014, Instagram co-founder Kevin Systrom announced that Instagram has 300 million users accessing the site per month.
Instagram announced that 100 million photographs had been uploaded to its service as of July 2011. This total reached 150 million in August 2011. By May 2012, 58 photographs were being uploaded and a new user was being gained each second. The total number of photographs uploaded had exceeded one billion.

Users can upload photographs and short videos, follow other users' feeds and geotag images with longitude and latitude coordinates, or the name of a location. Users can connect their Instagram account to other social networking sites, enabling them to share uploaded photos to those sites. As of June 2013, users can connect their Instagram accounts to Facebook, Twitter, Tumblr and Flickr.

In 2012, Instagram created web profiles which allows users to use their Instagram account like a social media site. This gave users a web profile featuring a selection of recently shared photographs, biographical information, and other personal details. The web feed is a simpler version of the phone app, mimicking the look and feel users are already accustomed to.

In December 2013, Instagram added a feature named Instagram Direct that allows users to send photos only to a specific user or group of users, rather than having it be viewable by all. This was viewed as a response to the popularity of services like Snapchat.

In October 2015, Instagram announced that it would allow advertisers to buy carousel ads to expose company brands to more people.

In 2016, Instagram announced the launch of new tools for business accounts, including new business profiles, analytics and the ability to turn Instagram posts into ads directly from the Instagram app itself.
1.8.3 Youtube

YouTube (Chen et al., 2005) is an online video-sharing website founded by Steve Chen, Chad Hurley and Jawed Karim in February 2005. While unregistered user can only view the video, registered users can upload, view and share unlimited videos on YouTube. Users can upload variety of user-generate video content, small movie clips, various TV clips, music videos and educational videos. Content on YouTube is usually uploaded by individuals and some corporations. YouTube was bought by Google, Inc. in 2006.

YouTube accepts videos in almost all the formats. YouTube now also accepts HD Video and 3D Videos.

YouTube videos can also be viewed on other sites than their own website by using HTML code of YouTube and inserting it on any webpage. Users who want to insert YouTube videos into blogs and social networking sites mainly use this. In India, YouTube had more than 35 million users as of June 2012. YouTube has millions of users and it has a potential to make videos viral if they are creative and genuine.

1.8.4. Twitter

Twitter is a Microblogging or a “real-time short messaging service that works over multiple network and devices. People follow the sources most relevant to them and access information via Twitter as it happens – from breaking world news to updates from friends” (Twitter About Us). Each micro blog posting on Twitter can be no longer than 140 characters and are referred to as “tweets.”

Twitter (Dorsey, 2006) is an online social networking and micro-blogging site created by Jack Dorsey in 2006. Twitter is an information network that brings people closer to what is important to them. It allows its users to send and read text-based messages of up to 140 characters, called as ‘tweets’. Every day, millions of people visit Twitter to connect to their interests, to share information and to interact. Twitter has 500 million registered users as of December 2012 and very popular worldwide. Twitter is now one of the top ten most visited websites on the Internet worldwide.
Users have to sign-up or register with Twitter to send tweets through Twitter Website or mobile SMS. Twitter started its own integrated photo-sharing on June 2011 to allow users to upload photo along with the tweets on Twitter.

As per the Twitter website, there are more than 20 million monthly active users of Twitter in India as on December 2012. Massive engagement by users describes popularity of Twitter amongst the users.

Twitter has been used for a variety of purposes. Though not designed, it is used for emergency communication systems for breaking news. It is also used in schools and colleges for communication and learning tool. Twitter users list ranges from top politicians to top celebrities of the world.

It took Twitter three years, two months and one day to touch first billion Tweets. Today, there are over a billion Tweets sent every three days. These Tweets represent conversations related to almost any topic imaginable. For businesses and brands (Thomases, 2010), these conversations provide a rich canvas and a powerful context in which to connect companies’ messages and brand to what people are talking about right now. It is a canvas for telling engaging stories, for participating in cultural events, for broadcasting content, for connecting directly with consumers, and for driving transactions.

Businesses (Lacy, 2011) can influence and participate in real-time conversations on Twitter to drive consumer action with integrated paid, earned and owned campaigns, delivering results throughout the marketing funnel. Businesses can also use Twitter to listen and gather market intelligence and insights. It is likely that people are already having conversations about marketer’s business, competitors or industry on Twitter.

Companies can advertize their products and services on Twitter and Twitter helps businesses to set-up their advertizing account with Twitter. Companies can visit https://business.twitter.com/en/advertise/start/ and https://business.twitter.com/en/smallbiz/ to start advertizing with Twitter to target millions of potential customers.
1.8.5 LinkedIn

LinkedIn is a business-oriented social networking service, launched in 2003. It is mainly used for professional networking. As of 2015, most of the site's revenue came from selling access to information about its users to recruiters and sales professionals. As of March 2016, LinkedIn has more than 433 million users, out of which more than 106 million are active.

The basic functionality of LinkedIn allows users (workers and employers) to create profiles and "connections" to each other in an online social network which may represent real-world professional relationships.

LinkedIn enabled an "applications platform" that allows other online services to be embedded within a member's profile page. Among the initial applications were an Amazon Reading List that allows LinkedIn members to display books they are reading, members are also able to display their latest blog postings within their LinkedIn profile.

In November 2010, LinkedIn allowed businesses to list products and services on company profile pages; it also permitted LinkedIn members to "recommend" products and services and write reviews.

1.8.6. Pinterest

Pinterest is a web and mobile application company that operates a photo sharing website. Registration is required for use. Pinterest CEO Ben Silbermann summarized the company as a "catalog of ideas," rather than as a social network, that inspires users to "go out and do that thing."

Pinterest is a free website that requires registration to use. Users can upload, save, sort, and manage images—known as pins—and other media content (e.g., videos) through collections known as pinboards. Pinterest acts as a personalized media platform. Users can browse the content of others in their feed.
Users can then save individual pins to one of their own boards using the "Pin It" button, with Pinboards typically organized by a central topic or theme. Users can personalize their experience with Pinterest by pinning items, creating boards, and interacting with other members. The end result is that the "pin feed" of each user displays unique, personalized results.

Content can also be found outside of Pinterest and similarly uploaded to a board via the "Pin It" button, which can be downloaded to the bookmark bar on a web browser. They also have the option of sending a pin to other Pinterest users and email accounts through the "Send" button.

On the main Pinterest page, a "pin feed" appears, displaying the chronological activity from the Pinterest boards that a user follows. When browsing for new boards and relevant pins, users can visit a "Tastemakers" page that recommend pinboards with content similar to previous pins saved by a user.

The website has proven especially popular among women. According to Nielsen, in 2012 the U.S. female audience of Pinterest accessing the website through the computer was 70%. The average Pinterest user spent about 90 minutes per month on the website in 2012. The most popular categories on Pinterest are food & drink, DIY & crafts, women's apparel, home decor, and travel.

1.8.7. Google+ (Google Plus)

Google+ is an interest-based social network that is owned and operated by Google Inc. A Google+ User profile is a public visible account of a user that is attached to many Google properties. It includes basic social networking services like a profile photo, about section, background photo, cover photo, previous work and school history, interests, places lived and an area to post status updates.
Google+ Pages was released on November 7, 2011 to all users, which allows businesses to connect with fans. It allows entities which are not individuals (such as organizations, companies, and publications) to set up profiles, or "pages", for the posting and syndication of posts. It is similar to Facebook Pages.

User engagement on Google+ has been low compared with its competitors. ComScore estimated that users averaged just 3.3 minutes on the site in January 2012, versus 7.5 hours for Facebook. In March 2013, average time spent on the site remained low: roughly 7 minutes, according to Nielsen, not including traffic via apps. In February 2014, The New York Times likened Google+ to a ghost town, citing Google stats of 540 million "monthly active users", but noting that almost half don't visit the site. The company replied that the significance of Google+ was less as a Facebook competitor than as a means of gathering and connecting user information from Google's various services.

1.8.8. Blog

Blog is an abbreviation of ‘weblog’ (Blood, 2000). It is a a type of Web site that is a form of an online journal developed and maintained by an individual or a corporation with regular entries of commentary, description of events, or other material such as photos, graphics or video. Entries are commonly displayed in reverse-chronological order. A blog can thus be regarded as a personal journal published on the World Wide Web. Blogs can be started by individual or organizations normally mainly based on single subject.

Most of the blogs are interactive in nature i.e. they allow visitors to leave comments on the post and even message on the blogs. This interactivity distinguishes blogs from other static websites wherein visitors cannot leave comments and interact. Hence, blogging can be seen as a form of social media. In addition to posting the content on blogs, bloggers make social relations with their readers and other bloggers due to interactive nature of blogs. Hence, blogs and blogging is very popular.
Many blogs provide information on a meticulous subject or topic including personal information while some others act as an online brand advertising of an individual or organization. Bloggers can publish posts on the blog using text, photos and videos. Bloggers can also link the posts to other blogs and other social media. Most blogs are mainly uses texts. Companies can provide detailed descriptions of products or services and also include product photos and videos on Blogs. Details of the products or services can include the product applications and reasoning. Bloggers can promote the blogs by requesting visitors to subscribe their blogs and also advice these subscribers to organizations’ other social networks.

Blog marketing (Holtz and Demopoulos, 2006) is the term used to describe internet marketing via blogs. Typically, corporations use blogs to create a dialog with customers and explain features of their products and services. Since customers can post comments on the blogs posts, it acts as a direct customer feedback from the customer to the companies, which helps in improving product and services offering of the Companies. Companies can also start interactive dialogues with the customers to address their concerns and thus improve customer service.

There is five-fold growth in number of blogs from 2006 to 2011 which indicates the popularity of blogs worldwide and users’ engagement in blogs. As of December 2011 (2011 -02-16), there were over 181 million public blogs in existence.

1.8.9 Snapchat

Snapchat is an image messaging and multimedia mobile application. The prototype for Snapchat was started as a project for a class at Stanford. Beginning under the name "Picaboo", the idea was for users to communicate using images that were explicitly short-lived. The application later relaunched under the name Snapchat.

Snapchat evolved into a mix of private messaging and public content, including brand networks, publications, and live events such as sports and music. Nevertheless, according to survey studies conducted in March 2016, the personal oriented messaging was still being accessed by users more than the publicly offered content that was being presented.
71% of users surveyed said that they preferred the app for its chat, messaging, and imaging services, versus 5% who almost exclusively chose the various events, brand features, and celebrity content on a daily basis. 24% responded that they accessed all features equally. However, about three quarters of those surveyed were also familiar with the brand content and had a favorable opinion of those areas. These findings are based on the survey conducted by Andrew Wallenstein, Susanne Ault, "Snapchat Content Survey: How Much Millennials Actually Use Live Stories, Discover and More", Variety, March 24, 2016. Retrieved May 8, 2016.

Snapchat, has more than 100 million daily users who spend an average of 25 to 30 minutes on the app each day, Chief Executive Officer Evan Spiegel said in February 2016. About 60 percent of the daily users send content to friends or their stories. Snapchat is focused on serving people who create and broadcast content, not just consume it. The first screen of the app is a camera, prompting users to share what they’re seeing or doing. Users can decide whether to send their snap directly to friends, where it disappears after it’s watched, or post it to their Snapchat Story, where a broader audience can view it for 24 hours.

More than a third of Snapchat’s daily users create “Stories,” broadcasting photos and videos from their lives that last 24 hours, according to people familiar with the matter. Now users are watching 10 billion videos a day on the application according to a Bloomberg report.
1.9 Statement of Purpose

The prime research objective is to identify the social media marketing strategies that aid Micro Small and Medium Enterprises (MSME’s) to use social media marketing strategies for customer acquisition and retention. The research deals with two specific topics that are rarely discussed together: MSME (small businesses) marketing strategy and social media. The majority of academic literature discussing social media strategy in organizations only researches strategy in large organizations. The weakness of such literature, however, is that those same strategies do not necessarily work for small businesses (MSME’s).

The present study focuses on how MSME’s can develop social media online communities and which online platforms that they employ for building their communities.

Through social media, customers share experiences with and suggest ideas to others while developing new relationships within their communities. For this reason, many MSMEs consider social media a powerful tool to enhance consumer loyalty and satisfaction (Kasavana, 2008).

A number of studies regarding online communities have identified the benefits of member participation in social media online communities (Chung & Buhalís, 2008; Hwang & Cho, 2005; Wang, Yu, & Fesenmaier, 2002). Wang et al. (2002) identified four categories of benefits: functional, social, hedonic, and psychological, and found that these benefits bear an impact on whether members participate actively or passively.

This study examines Micro Small and Medium Enterprises (MSME’s) recognized for their effective use of social media marketing strategies. The goal is to gain insight to how the MSME’s use social media to acquire and retain customers. The customer motivation for social media online participation is also studied to help design social media marketing strategies. The research provides a set of techniques that the MSME’s use for their social media strategy, and lessons from the techniques that may benefit other small businesses.
1.10 Research Problem

Statement of the Research Problem:

“A Study of Social Media Marketing Strategies used by Micro Small and Medium Enterprises (MSME’s) for Customer Acquisition and Retention”

1.11 Need and Significance of the Study

MSME’s (small businesses) and entrepreneurs all over the world are recognized as the cornerstone of efficiency, flexibility and innovation; they generate employment and wealth for the nation. The Internet and social media help existing businesses to develop, interact and serve their customers in a way that was never imagined before. There is a strong need for research linking social media with marketing especially with the increase in number of social media platforms and penetration of the Internet. The purpose of this research is to identify the strategies that aid Micro Small and Medium Enterprises (MSME’s) use of social media marketing to acquire customers and retain them. According to a Forbes India (2013) Report there are about 40 million small business owners in India, out of which, around 500,000 have their presence online.

Since the MSME sector is important within most economies, it is important to understand how small businesses are taking advantage of marketing techniques and social media best practices to help promote business to consumer relationships. Social media affords small businesses with a variety of marketing opportunities for little to no monetary cost. MSME’s should embrace such opportunities since they often face resource constraints in terms of time and money. Social media provides businesses the opportunity to engage and interact with consumers to create lasting relationships.

India is among the top three fastest growing Internet markets in the world as stated by industry body Assocham and ComScore. “Among the BRIC nations, India has been the fastest growing market adding over 18 million Internet users and growing at an
annual rate of 41 per cent.” The report further suggests that internet users in India are expected to touch 350-450 million by 2015-16 and this will act as a catalyst in the growth of small businesses. Yet small business success in India requires more than tools and technology. Small businesses need to re-imagine business with a social mindset.

An emerging trend within the small businesses in India is the use of social media as a marketing solution to reach out to their target audience and beat competition. The likelihood of compatibility between small businesses and social media marketing is high. Micro Small and Medium Enterprises (MSMEs) have a lower percentage of their budgets available to spend on marketing compared to large global companies. These budget constraints, coupled with the low costs generally associated with social media marketing, suggest a substantial opportunity for MSMEs to increase their marketing activity, relatively inexpensively, through social media marketing. However, the use of social media within the small business industry in Mumbai is an unexplored topic and, while many small businesses are engaging in social media marketing, detailed information on best practice is not currently available within the literature.

The research tries to identify and analyze the social media marketing strategies used by Micro Small and Medium Enterprises for customer acquisition and retention, so that other small businesses can use it as a guide to acquire and retain customers. Such a research is trying to fill the gap of knowledge in the Indian context. The results gained from this study provide an understanding of how a small business uses social media to engage customers and build long term relationships, which helps the business grow.
1.12 Objectives of the Study

In the era of globalization multinationals and few large Indian companies have strong financial muscles and spend heavily on marketing. On the other hand, Micro Small and Medium Enterprises (MSME’s) neither have the money power, reach, nor the ad spend. This motivated the researcher to conduct a study based on the following objectives.

1. To study and understand the concept of social media marketing and its role in the Micro Small and Medium Enterprise (MSME) sector.
2. To understand the different benefits for social media participation among consumers.
3. To study correlation between a successful marketer and the time spent on social media marketing.
4. To study and understand the social media marketing tactics that are most effective for customer acquisition and retention.
5. To examine the best ways to engage target audience with social media.
6. To study and examine how to create a social media marketing strategy.
7. To suggest social media marketing strategy to small businesses on the basis of the findings and conclusion of the study.

Summary

This chapter has laid the foundation for the study. The introduction and background to the study have been discussed in this chapter. The study focuses on the social media marketing strategies used by MSME’s for customer acquisition and retention. The Global scenario of social media landscape as well as the digital landscape in India has been described. The role and importance of MSME’s in the global as well as Indian economy has been explained. The various social media platforms have also been discussed. The problem statement and the objectives of the study were also outlined in this chapter.