Chapter 12
Social Media and its Effect on Consumer Loyalty: Firm Satisfaction on Social Networks

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ABSTRACT

Due to the increasing number of users and powerful Web-based tools available today on social networks such as Facebook, enterprises are strategically focusing on the marketing opportunities provided by social media. In fact, presence on a social network such as Facebook can provide the firm with a mechanism for gathering consumer information quickly on a wider segment of the population. This chapter investigates the effectiveness of the firm’s presence on social networks and their effect on the firm and the consumer. It attempts to identify a possible linkage between a firm’s presence on a social network and consumer loyalty by addressing critical elements useful for developing new and efficient strategies based on online channels. The data collected from 1,520 surveying Facebook users was analyzed using the Structural Equation Modelling (SEM) technique. The results suggest there is a strong relationship between the firm’s presence on the social network and consumer loyalty, thus contributing to the sustained marketing strategies of “social commerce.” Hence, a page rich in content has a positive influence on consumer judgement and loyalty toward the firm with benefits for consumer-centric-oriented strategies.

1. INTRODUCTION

Current advances in Information and Communication Technologies (ICTs) encompass new Web-based tools such as the uploading and downloading of video and photos, updating personal profile and details about personal life, receiving, reading and responding to comments, and free and fast access from anywhere. These tools are capable of transmitting efficient Internet-based messages in a fast and entertaining way (Corvello et al., 2012; Di Pietro & Pantano, 2012; Di Pietro et al., 2012; Mangold & Faulds, 2009; Mayer, 2009; Pantano & Naccarato, 2010; Pantano et al., 2010). In this
context, social networks such as Facebook are emerging as the most used tools for connecting people and allowing them to communicate with one another globally.

Statistical data from the 2012 Facebook 10-K SEC (Security and Exchange Commission) filing of February 1, 2013 revealed that as of December 31, 2012, Facebook had 1.06 billion monthly active users (MAUs), a total of 618 million Daily Active Users (DAUs) who access the platform from external websites on a daily basis, and over 680 million Mobile Active Users (MAU) (see Figures 1-3 below). Additionally, the social network had more than 350 million photos uploaded on a daily basis and more than 900 million objects (e.g., pages, groups, events) with which users interact (Facebook, 2013). Such a platform offers virtual spaces where consumers can interact and share knowledge and digital materials without constraints while marketers can observe consumer behavior as they are online (Corvello et al., 2012; Di Pietro & Pantano, 2012; Di Pietro et al., 2012; Pantano et al., 2010).

Social networks allow firms to engage in fruitful activities such as (Hogg, 2010):

1. Identifying a group of products of interest to the members of the network through the observation of their behaviors and interaction while online;
2. Targeting a product to a single consumer, based on observations of his/her behavior through the analysis of comments, posts, photos shared with other users;
3. Suggesting possible products, based on observed preferences through creating interactive contents, applications, and advertising;
4. Achieving constant and fast feedback on existing products and strategies (i.e., efficiency of any current promotions) by asking consumers opinion or observing their shared experience with other users.

These types of activities, although non-exhaustive, create “Social Commerce” (SC). In this context, we define SC as the Strategy of connecting Businesses to Consumers (B2C), Businesses to Businesses (B2B), and Consumer to Consumer (C2C) using online platform while leveraging these interactions for commercial purposes. SC has become an integral branch of the general commerce.

Figure 1. Facebook monthly active users
Source: Facebook 10-K SEC (Security and Exchange Commission) filing