

## SOCIAL NETWORK ADOPTION AMONG CROATIAN MOST PROFITABLE COMPANIES

Drago Ružić, Ph.D.<sup>1</sup>, Antun Biloš, Ph.D.<sup>2</sup>, Ivan Kelić, univ.spec.oec.<sup>3</sup>

<sup>1</sup>Faculty of Economics in Osijek, Republic of Croatia, ruzic@efos.hr

<sup>2</sup>Faculty of Economics in Osijek, Republic of Croatia, abilos@efos.hr

<sup>3</sup>Faculty of Economics in Osijek, Republic of Croatia, ikelic@efos.hr

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### ABSTRACT

Businesses have started using Internet at the beginning of its development during the early nineties of the 20th century. Since then, the process of Internet adoption has had a significant growth for businesses especially as a new communication and distribution channel. Along with the expansion of Web 2.0 and global popularity of social networks, companies started adopting these changes and using social networks for achieving their specific business goals. Even though some sectors showed faster adoption rates, it is a general view that social networks are used for business purposes regardless of the sector those companies belong to. The same trend is apparent in Croatia, especially in the last few years as Croatian companies are using various social networks in their Internet presence strategies. The survey is focused on the most profitable Croatian companies and their Internet activities. The aim of the paper is to explore the volume of Croatian most profitable companies present on social networks and other Internet locations and to determine the main purposes of their usage with specific company goals. In addition, the paper will test the similarities between different sectors in the Croatian economy according to the usage of social networks for their business purposes.

JEL Classification: L14, L86

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### 1. INTRODUCTION

The official web site of a company is the starting point of their business presence, but is by no means the only one. The revolution that has been introduced into the

everyday Internet routine by the perception of the Internet as a media through Web 2.0 applications has greatly affected companies and their marketing strategies. By using social networks, this rather inexpensive media has become even more efficient in bringing companies closer to all target groups opening the doors of interactivity and multilateral communication. This process has enabled an interaction with target groups that is much more profound compared to traditional ways of communication, thus making Facebook, Twitter, LinkedIn and other social networks indispensable for marketing activities of companies in Croatia and throughout the world. The question then arises as to how much Croatian companies use social networks and for which specific business purposes.

## 2. WEB 2.0 AND SOCIAL NETWORKS

*Web 2.0* marks the second generation of Internet services which enables users to cooperate and exchange information. This term represents a new philosophy of mutual increase of collective intelligence and added value for each participant by dynamically creating and sharing information (Ružić et al, 2009, 29). The fundamental characteristics of Web 2.0 are openness, freedom and collective intelligence while one of its main components is social networking and the great popularity it has generated (Strauss & Frost, 2009, 13-14).

Apart from the existence of an official web site, companies have numerous other options concerning Internet presence at their disposal. In the last few years, companies have greatly turned to social networks and have started accomplishing goals through their business profiles (Kerley, 2009). The reason for this change lies in the great popular appeal of social networks and the large growth that is still happening (Joel, 2009, 55-56). At the moment, the most popular network in the world is Facebook and by the end of 2012 it had almost a billion (more than 963 million) active users around the world (Socialbakers, 2013). Social networking media mean a lot more for e-marketing strategies than just opening a user account i.e. profile. Opening a user account or profile is just the first step in building a social networking media e-marketing strategy. The managing of these profiles is a crucial factor since neglecting a profile can have more damaging effects than not opening one in the first place. Of course, the potential that an adequately managed social network profile can generate is huge and we are not yet able to fully evaluate it. However, the existence of numerous examples of achieving business goals cannot be denied (Swallow, 2011; Smith, 2010).

The great advantage of this trend lies in the fact that we are talking of a relatively new way of communicating with consumers i.e. users and developing relations with them. On the other hand, the potential shortcoming is the inability of a holistic evaluation (sales and other goals) of results achieved through social network marketing (Chaffey & Smith, 2008, 113-114). It is also not possible to control the communication which takes place on the social network channels due to its two-way nature. For example, the chances that Facebook or Twitter company profiles with a problematic product will provoke reactions and be the focal point for unsatisfied customers are great. This discussion is not possible to control except in extreme situations: shutting down the business profile or manually approving (or deleting) each comment (Grey, 2012). None of these actions will be of benefit to the company and will only cause additional damage.

There are a few appropriate guidelines for starting and using social networking profiles which one should keep in mind in order to achieve success within the desired marketing goals (Grey, 2012):

- A consistent message on all social networking platforms,
- Consistent strategic goals on all marketing channels,
- Providing relevant messages when starting social networking profiles,
- Including consumers in the brand/product/service because we are talking about two-way communication,
- Providing relevant ideas and advice which complete the communication goal.

User involvement is the basic reason that equally big and small brands enter the social networking space (Scott, 2009, 38-41). In a time in which Internet users are almost equally the creators as they are consumers of Internet content, the potential which is imposed by motivating product or service users to nearly autonomously spread information and directly take part in promotional activities is undeniable.

### **3. SOCIAL NETWORKS ADOPTION IN CROATIA**

Along with expansion of Web 2.0 and global popularity of social networks, companies started adopting these changes and using social networks for achieving their specific business goals. The same trend is apparent in Croatia, especially in the last few years as Croatian companies are using various social networks in their Internet presence strategies. The survey is focused on the most profitable Croatian companies and their social networks activities.

### 3.1 HYPOTHESES

The goal in this paper was to test 3 hypotheses directed at the presence and purpose of using social networks among the most profitable Croatian companies:

H1: The most profitable Croatian companies use social networks to achieve business goals;

H2: The most significant goals of the most profitable Croatian companies which use social networks are product/service promotion and communication with target groups;

H3: There are no significant differences in social network presence between the most profitable Croatian companies in different business field (sections).

### 3.2 SAMPLE

The used sample i.e. the primary data in this paper is a part of the author's primary research within the doctoral thesis *Electronic Marketing of Business Subjects in the Republic of Croatia* which was conducted between May and September 2012. A quota sample with available business data from the Poslovna.hr database was created for the needs of the research. Financial data for 2010 was taken which was the most recent data at the time of sample creation. The data was not significantly different from the data for the first quarter of 2011. With the goal of better understanding and obtaining a clearer picture of the Croatian economy, the National Business Classification List was used i.e. the 21 business activity fields that it recognizes (Metodologija za statističku primjenu Nacionalne klasifikacije djelatnosti NKD 2007). 30 most profitable companies from each business field were analyzed in order to test the most successful companies by taking into account the business fields they are active in. Further analysis has shown that 2 business fields need to be excluded from the sample since they didn't contain a significant number of subjects (2 subjects in 2 fields). A quota sample of the first ten companies from each field according to profit (190 companies) was created from individual category lists of the most successful companies. It was a matter of logic to assume that certain companies will not want to take part in the research. In that case, it was specified that the next company according to the defined criteria will be included in the sample. The described procedure resulted in a sample of 109 companies from different business fields.

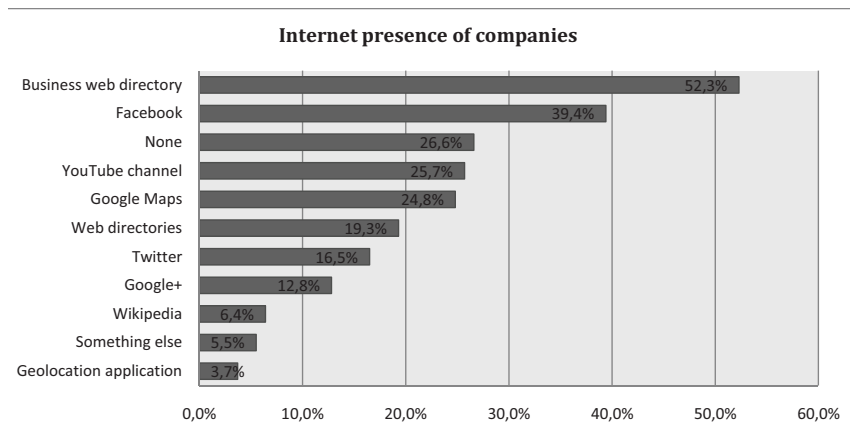
If we look at the number and distribution of subjects in the sample compared to the business field they belong to, we can deduce what the findings of this paper will

refer to. They refer to the sample of the most successful companies in the Republic of Croatia chosen according to business field. 4-8 companies from each field were interviewed under the condition that they belong to the 30 most successful companies in their field according to profit. In other words, the sample does not represent the most profitable companies in the absolute sense. It represents them in a relative sense taking into account their business field. A better insight into the overall state was achieved in this way. When we talk about the most successful companies further on in this paper, it should be considered that we are talking about the most successful subjects according to individual business fields.

### **3.3. ANALYSIS OF COLLECTED DATA**

The research work is focused on a broader Internet platform and observes on which locations the company is present apart from its official web site, whether or not the business subject has its own web site (5% of subjects in the sample did not have their own official web sites, but were present on at least one secondary Internet location). The analysis of 109 companies from the sample according to their internet presence is shown in Figure 1. The largest number of companies is present in business web directories (52%). In the majority of cases the owners of the directory index the company automatically and the company does not have control over that level of presence. It is also significant that a much larger percentage of companies are present in business web directories but they are probably not aware of it (or they do not approve entries they don't make themselves). Apart from these business directories, companies have the biggest presence with their business profiles on the social network Facebook (almost 40%), on YouTube channels (26%) and Google Maps listings (25%). Geolocation applications are used the least (4%). It is important to point out that more than half (51%) of the companies are present on at least one social network and 27% use none of the mentioned platforms. We should also note that 12% of companies don't have their own official web site and are not present on the Internet in any way which is a very serious indicator of involvement deficiency.

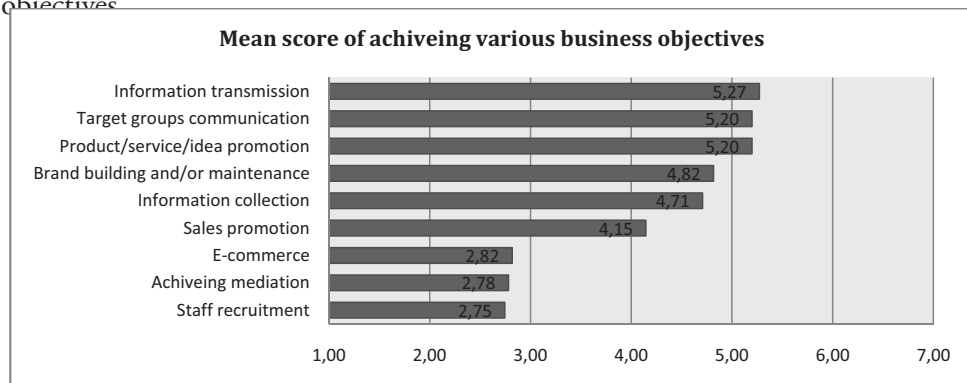
Figure 1. Internet presence of companies besides the official web site



Source: authors' research.

Apart from the presence on social networks, companies were tested according to the utilization of social networks for different business goals. The subjects were offered 9 goals for the achievement of which, they numerically expressed the significance of using social networks through the 7 point Likert scale, from insignificant to extremely significant. The graphic representation (Figure 2) shows the mean scores for business goals in social network profiles. Social network profiles are the most significant for sending information (mean score 5.27), communicating with target groups and promoting products/services (both have a mean score of 5.20). They have the smallest importance for staff recruiting (mean score 2.75).

Figure 2. Mean score of using social networks for achieving various business objectives



Source: authors' research.

The distribution of the 109 companies according to business field shows a very diverse picture regarding social network presence (Figure 3). In other words, there are significant differences between individual business fields. The highest social network presence have companies from group P – Education (100% presence), and the lowest from group O – Public administration and defense; compulsory social security (0%). Out of the 18(19) analyzed fields, 7 of them have a presence percentage higher than 50%. We can conclude that these fields are sensitive to social networking and that they use them more often in order to achieve business goals.

Figure 3. The presence on at least one social network according to business field

Section	Yes	No	Presence percentage
A - AGRICULTURE, FORESTRY AND FISHING	3	3	50.0%
B - MINING AND QUARRYING	1	4	20.0%
C - MANUFACTURING	7	1	87.5%
D - ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	1	4	20.0%
E - WATER SUPPLY; SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES	1	6	14.3%
F – CONSTRUCTION	1	6	14.3%
G - WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES	2	3	40.0%
H - TRANSPORTATION AND STORAGE	3	5	37.5%
I - ACCOMMODATION AND FOOD SERVICE ACTIVITIES	4	2	66.7%
J - INFORMATION AND COMMUNICATION	7	1	87.5%
K - FINANCIAL AND INSURANCE ACTIVITIES	7	1	87.5%
L - REAL ESTATE ACTIVITIES	0	1	0.0%
M - PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	2	3	40.0%
N - ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES	5	2	71.4%
O - PUBLIC ADMINISTRATION AND DEFENCE; COMPULSORY SOCIAL SECURITY	0	6	0.0%
P - EDUCATION	4	0	100.0%
Q - HUMAN HEALTH AND SOCIAL WORK ACTIVITIES	2	2	50.0%
R - ARTS, ENTERTAINMENT AND RECREATION	1	3	25.0%
S - OTHER SERVICE ACTIVITIES	4	1	80.0%

Source: authors' research.

#### 4. CONCLUSION

For the needs of hypothesis testing in this paper, the utilization of other web locations (apart from the official website) through which communication with the target group was enabled was tested along with the business subjects presence on at least one social network and web services with significant Web 2.0 elements like Google Maps, Wikipedia etc.

Based on the research we can conclude that the majority (although only by a small margin – 51%) of the relatively defined most profitable companies in Croatia use social networks in order to achieve their goals. Although we are dealing with a border line situation, the hypothesis H1 will be accepted because more than half of the business subjects use social networks.

The significance of business goals varies, but social networks are mostly used to transmit information, communicate with target groups and promote products and services. As one of the main traits of social networks is the dynamic multilateral communication, the reasons for using social networks in contrast to other media for the mentioned communication goals are apparent. Therefore we can accept the hypothesis H2.

Very significant differences were noticed in the presence of business subjects in 18(19) business fields on social networks regarding their presence in individual areas. From fields with maximum presence (100%) to fields in which none of the subjects were present on social networks (0%). Because of these differences hypothesis H3 is not accepted.

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