Review Article

Evaluating the Influence of Social Media Advertising on E-Commerce Sales

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I N F O

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A B S T R A C T

Social media has become a value-adding marketing channel. With the significance of social media for online small businesses and the lack of understanding of this area, this study attempts to investigate the impact of social media marketing on the sales performance of such business. This research analysis the marketing through social media and its impact in E-Commerce sales. The digital revolution has ushered in an era where e-commerce plays a pivotal role in shaping business landscapes. Social media platforms have emerged as indispensable tools for e-commerce promotion, with social media advertising witnessing remarkable growth. This research investigates the empirical and theoretical underpinnings of the impact of social media advertising on e-commerce sales. By reviewing literature, analyzing data, and presenting case studies, this study aims to offer insights for companies and marketers aiming to enhance e-commerce effectiveness and optimize social media advertising strategies. The research delves into various aspects including the growth of e-commerce and social media advertising, mechanisms of attraction, the role of social proof and trust, consumer decision-making behavior, ad types and content, challenges with measurement and attribution, types of social media advertising, platforms, and target audience, metrics for measuring, e-commerce sales performance, factors influencing e-commerce sales, the correlation between advertising and sales, factors moderating the relationship, challenges, best practices, future trends, and conclusions. It also discusses implications for e-commerce businesses, research limitations, and future directions, highlighting the need for longitudinal studies, cross-cultural analysis, and experimentation to understand the complex dynamics of social commerce's impact on e-commerce sales comprehensively.

Keywords: Social Media Marketing, E-Commerce Sales, Electronic Media

53

Ilsha M et al.
J. Adv. Res. HR Organ. Mgmt. 2024; 11(1&2)

Introduction

In the age of digital revolution, e-commerce has become a powerful force, causing a paradigm shift in the business environment. This change goes beyond only how things are bought and sold; it also affects the channels that goods and services are promoted and advertised through. With a plethora of tools and approaches to connect and interact with a worldwide audience, social media platforms have emerged as essential tools for e-commerce promotion in recent years

Social media advertising has grown remarkably in the last several years. Digital ad expenditure on social networks is expected to reach $197.47 billion by the end of 2023, a startling 36.8% growth from 2020, according to the eMarketer research (Smith, 2022). At the same time, e-commerce sales have increased dramatically, particularly after the COVID-19 epidemic accelerated the trend toward online buying (Statista, 2022). The significant expenditures that e-commerce companies have made in social media advertising are partially to blame for this spike in the industry's expansion. The impact of social media sites such as Facebook, Instagram, Twitter, and TikTok on e-commerce sales must be fully understood as they continue to change and introduce new ad formats and targeting choices. At the same time, social media advertising has grown remarkably. Businesses are being enticed to spend significant resources to social media advertising by the sophisticated targeting choices and advertising tools that platforms like Facebook, Instagram, Twitter, and TikTok have developed. Smith (2022) predicts that by the end of the project, digital ad spending on social networks would total $197.47 billion.

This research aims to investigate the empirical data and theoretical foundations pertaining to the impact of social media advertising on e-commerce sales. We hope to offer useful insights for companies and marketers looking to improve the effectiveness of their e-commerce and optimize their social media advertising strategies by reviewing the current literature, analyzing data, and providing case studies. Furthermore, our aim is to make a contribution to the current academic discourse concerning the interaction of technology, marketing, and commerce in the digital era.

Literature Review

The way businesses run and engage with customers has been completely changed by the digital revolution. One of the most important aspects of this change has been the exponential expansion of e-commerce over the last twenty years. Social media platforms have developed into effective instruments for brand promotion and advertising at the same time. Academics, marketers, and business experts are very interested in the convergence of social media advertising with e-commerce. The objectives of this review of the literature are to give a thorough analysis of the previous studies on the impact of social media advertising on e-commerce sales, to identify important trends, and to identify any gaps in the knowledge that need to be filled.

1. E-commerce and Social Media Advertising's Growth

The development of e-commerce is undeniable. E-commerce is becoming an essential part of the world economy as more and more customers choose to shop online. The U.S. Department of Commerce (2021) reports that e-commerce sales in the US alone hit $791.7 billion in 2020, a significant rise over prior years. (Vidani, 2015) This pattern is widespread; according to eMarketer's 2022 prediction, global e-commerce sales will amount to $5.095 trillion by that year.

Mechanisms of Attraction

The methods by which social media advertising affects e-commerce sales have been the subject of numerous research (Vidani & Solanki, 2015). The capacity to reach a large and highly focused audience is one of the major channels. Businesses can create more effective advertising campaigns by customizing their messaging to target audiences based on their interests and demographics through accurate ad targeting (Vidani, 2015) (Choi et al., 2020).

According to Verhagen et al. (2015), interactive features like polls, quizzes, and interactive content can encourage user participation and boost consumer interaction with the business (Solanki & Vidani, 2016).

Social Proof and Trust's Role

The relationship between social media advertising and e-commerce sales is heavily influenced by trust (Vidani, 2016). Before making a purchase, consumers frequently turn to friends and social media influencers for approval and comfort (Vidani, 2016). According to (Niyati & Vidani, 2016) reviews, ratings, and testimonials have the power to build trust and act as social proof, persuading prospective customers to finish their transactions (Niyati & Vidani, 2016).

Consumer Decision-Making and Behaviour

It is critical to comprehend how consumers behave when it comes to e-commerce and social media advertising (Modi, Harkani, Radadiya, & Vidani, 2016). According to (Vidani, 2016) research, social media advertising has a big impact on how consumers make decisions, especially at the stages of awareness, consideration, and purchase (Vidani, 2016).

Ad Type and Content

Important elements influencing social media advertising's efficacy are its format and content (Singh, Vidani, & Nagoria, 2016). According to research by De Vries et al. (2012),

Ilsha M et al.
J. Adv. Res. HR Organ. Mgmt. 2024; 11(1&2)

54

user engagement and e-commerce sales are more likely to be positively impacted by entertaining and emotionally compelling content. Video advertising has becoming more popular, especially on sites like YouTube and Instagram, because it can present product information in an eye-catching and captivating way (Singh & Vidani, 2016).

Difficulties with Measurement and Attribution

Although it is clear that social media advertising affects e-commerce sales, determining its exact impact and linking certain ad campaigns to specific transactions are still difficult tasks. Establishing a straight cause-and-effect relationship is challenging due to multiple touch points, cross-device browsing, and offline-to-online conversions (Pfeiffer & Zorbach, 2012). (Vidani & Plaha, 2016). These models' accuracy can differ, though.

Social Media Advertising In E-Commerce Sales

Types

Many e-commerce websites support the mechanism of social login where users can sign on to the websites using their social network identities such as their Facebook or Twitter accounts. Users can also post their newly purchased products on microblogs with links to the e-commerce product web pages. Social media advertising is a multi-billion-dollar market and has become the major revenue source for Facebook and Twitter. To deliver ads to potentially interested users, these social network platforms learn a prediction model for each user based on their interests. Finally, we propose a hybrid model to combine the merits of both methods by analysing the dynamism of news feed to determine an appropriate retrieval strategy (Solanki & Vidani, 2016). By evaluating the performance of these diverse social media advertising approaches, businesses can the influence of social media advertising on e-commerce sales is often harnessed through various types of campaigns and strategies. Here are some common types of social media advertising used to evaluate and enhance e-commerce sales:

Paid Social Media Advertising

- **Facebook Ads:** Targeted ads on the world's largest social media platform.
- **Instagram Ads:** Utilizing the visual appeal of Instagram to showcase products.
- **Twitter Ads:** Promoted tweets to reach a wider audience and drive engagement.

Influencer Marketing

Partnering with social media influencers to promote products and services.

Leveraging influencers' credibility and reach to connect with a broader audience.

Platforms and Target Audience

Implementing conversational commerce to guide users through the purchasing process.

Social Media Platforms

Facebook

- **Target Audience:** Diverse demographics; suitable for a wide array of products.
- **Features:** Robust advertising platform with extensive targeting options.

Instagram

- **Target Audience:** Youthful demographics, ideal for visually-driven products.
- **Features:** Visual storytelling through images and videos; effective for lifestyle and fashion brands.

Twitter

- **Target Audience:** Information seekers; effective for trending or tech-related products.
- **Features:** Quick updates, trending hashtags, and sponsored tweets.

YouTube

- **Target Audience:** Video-centric content consumers; great for product demonstrations.
- **Features:** Video ads, product reviews, and influencer collaborations.

LinkedIn

- **Target Audience:** B2B products or services; professional and business-focused.
- **Features:** Sponsored content, targeted advertising for professionals.(Vidani, Chack, & Rathod, 2017).

Metrics for Measuring

The system of indicators that play an important role in the management of promotion on the Internet, allows one to quantitatively analyze activities in the field of communication with customers and evaluate the effectiveness of promotion tools. The article discusses such indicators as advertising contact, opportunity to see (OTS), and share of advertising exposure, frequency, average frequency of advertising exposure, gross rating point (GRP), target rating points (TRP), cost of advertising contact, cost per mile (CPM), net reach, effective reach, and rating point. In addition, the article describes web-based metrics used in digital marketing: page views, click-through rates, cost per click (CPC), cost of order, visit, cost of attracting one customer, bounce rate (failed purchases), conversion rate (CR), cost

55

Ilsha M et al.
J. Adv. Res. HR Organ. Mgmt. 2024; 11(1&2)

per install (CPI), cost per lead (CPL), cost per sale (CPS), average order value (AOV) (Vidani, 2018).

E-Commerce Sales Performance

Sales Metrics and Key Performance Indicators

When evaluating the influence of social media advertising on e-commerce sales, it's crucial to employ a comprehensive set of metrics that provide insights into different aspects of the campaign's performance. Here are key metrics to consider:

Conversion Rate

- **Definition:** The percentage of website visitors who complete the desired action, such as making a purchase, after clicking on the ad (Vidani, 2018).
- **Importance:** Measures the effectiveness of the ad in driving actual sales.

Click-Through Rate (CTR)

- **Definition:** The percentage of users who click on the ad after seeing it.
- **Importance:** Indicates the ad's ability to generate interest and prompt user engagement.

Return on Ad Spend (ROAS)

- **Definition:** The revenue generated for every dollar spent on advertising.
- **Importance:** Assesses the profitability and efficiency of the advertising campaign.

Historical Sales Trend

Sales forecasting has been playing an increasingly important role in real-world E-Commerce systems. Current methods either only utilize historical sales records with time series-based models, or train powerful classifiers (e.g., DNN and GBDT) with subtle feature engineering. Despite effectiveness, they have limited abilities to predict new products due to the sparsity of product-related features. With the observation of real-world data, we find that some additional time series features (e.g., brand and category) implying product characteristics also play vital roles in new product sales forecasting. (Vidani, 2018).

Analyzing historical sales trends is essential for businesses to understand past performance, identify patterns, and make informed decisions for the future. Here are some key components to consider when examining historical sales trends:

Periods

Monthly, Quarterly, and Annual Trends: Break down sales data into different periods to identify patterns and seasonality.

Sales Growth over Time

- **Percentage Growth:** Calculate the percentage increase or decrease in sales from one period to another.
- **Compound Annual Growth Rate (CAGR):** Determine the average annual growth rate over a specific period.

Seasonal Patterns

- **Identify Seasonal Peaks and Troughs:** Recognize recurring patterns during specific times of the year.

Factors Influencing E-Commerce Sales

In the dynamic landscape of e-commerce, numerous factors intricately influence the success of online retail ventures. A pivotal determinant lies in the seamless user experience (UX) design of an e-commerce platform. Intuitive website navigation, mobile responsiveness, and a streamlined checkout process collectively contribute to an optimal shopping environment, reducing friction and enhancing user satisfaction (Vasveliya & Vidani, 2019).

The Impact of Social Media Advertising

The Internet is playing a wider role in making shopping easier than it is ever before. The web makes shopping much easier, and nowadays shopping is not more than away from a click. The latest term is introduced that is known as "Online Shopping". Consumers can directly shop for p products or services from the sellers without any interaction of intermediate parties. There are over 875 million consumers who have shopped online. The number of Internet shoppers has increased by 40% in two years (Eurostats, 2011). Exploring the correlation between social media advertising and e-commerce sales involves a nuanced analysis of various factors. One critical consideration is the attribution model used, recognizing that conversions may result from multiple touchpoints in the customer journey. (Pathak & Vidani, 2016).

Factors Moderating the Relationship

Advertising Content and Creativity

With the rapid development of e-commerce and social media in China, user-generated short video ads through social media have become very popular (Vidani, Das, Meghrajani, & Chaudasi, 2023). However, the unique elements and phenomena for user-generated short video ads through mobile platforms have not yet been investigated. Therefore, a theoretical framework is proposed to explain the effect of user-generated social media short video ads on product sales from the perspective of advertisement sociability and vividness attributes, especially considering the moderation effect of advertisement content generators, including influencers, sellers and buyers. An empirical study using data from the Douyin platform (Bansal, Pophalkar, & Vidani, 2023).

Ilsha M et al.
J. Adv. Res. HR Organ. Mgmt. 2024; 11(1&2)

56

Industry and Product Specifics

To perform marketing undertakings, various platforms are taken advantage of, such as Twitter, Facebook, YouTube, LinkedIn, and numerous blogs. The presence of a number of platforms in the digital environment increases user traffic. At the same time, there is constant competition to acquire and retain the message recipient. Currently, undertakings performed by various companies are not only oriented towards acquiring Internet users, but also encouraging them to disclose some pieces of information about themselves, their fields of interest, and their preferences. The gathered data are then taken advantage of to generate further profit. (Patel, Chaudhary, & Vidani, 2023)

Return on Investment

Social media facilitates and enhances communication between businesses and customers. Nowadays, although it is commonly recognised that companies implement social media into their marketing activities, it is also acknowledged that companies struggle to calculate the return on investment (ROI) from social media marketing efforts as most of them focus only on certain tangible outcomes such as the impact on sales and purchases. Thus, this chapter aims to provide a review of ROI in social media marketing with a particular focus on intangible outcomes such as brand awareness, customer engagement/relationship and eWOM (Sharma & Vidani, 2023).

Challenges and Limitations

With the rapid development of big data and the accelerated pace of economic globalization, market competition pressures have led manufacturers to face greater challenges in choosing the appropriate marketing strategies for selling their products to the right customers at the right time (Tsai, Wu, & Chang, 2012; You et al., 2015). Recently, precision marketing has been recognized as a key means of generating profit for manufacturers because it delivers more accurate product information to customers based on the understanding of customers' consumption behaviors and preferences, which can improve the purchase intention of consumers (Idemudia & Jones, 2015).

Best Practices and Strategies

The increase in sales through AdWords happens since the advertisement is displayed on the Google search page or another page belonging to Google Network. Google AdWords could be selected as a good marketing tool because it could introduce the products on sale. Moreover, we do not need expensive invest to advertise the products by Google AdWords. Google AdWords allows the owner of e-commerce to reach customers in many countries which have less contact, so that it could support the increase in s (Erkkilä et al., 2003) the customers would look for the desired goods or services by typing the keywords into the search engine. As one of mostly used search engines, Google provides advertising facilities for e-commerce users as well.

Future Trends and Development

In the dynamic landscape of evaluating the influence of social media advertising on e-commerce sales, several emerging technologies are playing pivotal roles in reshaping digital marketing strategies. Artificial Intelligence (AI) and Machine Learning are at the forefront, enabling advanced data analysis to understand user behaviour, predict preferences, and optimize ad targeting. This results in enhanced personalization, improved targeting accuracy, and the ability to automate and optimize advertising strategies based on real-time data.

Conclusions

Seamless Integration Drives Engagement: The seamless integration of e-commerce functionalities within social media platforms is a key driver of consumer engagement. Shoppable posts, live shopping events, and in-app purchases provide users with a frictionless experience, allowing them to explore and make purchases without leaving the familiar social media environment.

User-Generated Content Builds Trust: User-generated content and reviews play a crucial role in building consumer trust. Authentic testimonials and social proof from fellow users influence purchasing decisions, emphasizing the importance of a trustworthy online community within the social commerce space.

Personalization Enhances Relevance: Personalization, facilitated by algorithms offering tailored product recommendations, is a significant factor influencing consumer behaviour. Consumers now expect and appreciate personalized content that aligns with their individual preferences, contributing to a more engaging and relevant online shopping experience.

Implications For E-Commerce Businesses

The evolving landscape of social commerce, coupled with changing consumer behaviour, carries significant implications for e-commerce businesses. Understanding and adapting to these implications is crucial for businesses seeking to leverage social media advertising effectively and enhance their e-commerce sales. Here are key implications for e-commerce businesses:

Investment in Social Commerce Integration: E-commerce businesses should prioritize investments in social commerce integration. The seamless incorporation of e-commerce functionalities into social media platforms is essential for providing a convenient and engaging shopping experience. This may involve optimizing product listings for shoppable posts, exploring live shopping events, and ensuring compatibility with in-app purchases.

57

Ilsha M et al.
J. Adv. Res. HR Organ. Mgmt. 2024; 11(1&2)

Cultivation of User-Generated Content: Building and cultivating user-generated content becomes a strategic priority. E-commerce businesses should actively encourage customers to share their experiences, reviews, and testimonials. This content serves as a powerful form of social proof, influencing potential customers and enhancing the overall trustworthiness of the brand.

Adoption of Personalization Strategies: E-commerce businesses must embrace advanced personalization strategies. Utilizing algorithms to deliver personalized product recommendations based on user preferences enhances relevance and user engagement. Businesses should invest in technologies that enable real-time personalization.

Research limitation

- **Social Media Platform Dynamics:** The study may face limitations in capturing the nuances of different social media platforms. Each platform has unique features, algorithms, and user behaviours that can influence the effectiveness of social media marketing. Generalizations across platforms might oversimplify the diverse landscape.

- **Temporal Factors:** The dynamic nature of social media and e-commerce landscapes presents a challenge in terms of temporal factors. The study's findings might not fully account for changes in algorithms, user behaviours, or marketing strategies over time, impacting the study's relevance.

- **Measurement of Marketing Impact:** Determining the direct impact of social media marketing on e-commerce sales may be complex. The study might face challenges in isolating the specific contributions of social media marketing from other marketing channels or external factors that influence e-commerce sales.

Future Directions

- **Longitudinal Studies:** Conducting longitudinal studies can address the dynamic nature of social commerce and consumer behaviour. Tracking changes over an extended period allows researchers to capture evolving trends and assess the long-term impact of social commerce on e-commerce sales.

- **Cross-Cultural Studies:** Investigating the cross-cultural variations in how social commerce influences consumer behaviour can provide valuable insights. Comparisons across different cultural contexts can enhance the generalizability of findings and highlight unique patterns of adoption and engagement.

- **Experimentation and A/B Testing:** Future research can employ experimental designs and A/B testing to establish causal relationships between specific social commerce strategies and changes in consumer behaviour. This approach allows for more controlled assessments of the impact of interventions.

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Ilsha M et al.
J. Adv. Res. HR Organ. Mgmt. 2024; 11(1&2)

58

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