

HOW SOCIAL MEDIA MARKETING AFFECTS CUSTOMER RETENTION: A CASE STUDY OF UBER IN LONDON, UNITED KINGDOM

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Abstract

More and more social media has been applied in many business operations as a useful tool for these firms to gain customers. The research intends to examine how social media marketing affects customer retention with an example of Uber in London, United Kingdom. After collecting and presenting a number of literature pieces involving social media and its effects on business as well as customer buying decision, the research set up a survey to gather primary data from 120 observations. The empirical result reveals that Facebook is the most popular source where people hear about Uber with 43% among many social media platforms. Whereas, 35.8% of respondents who gain information of Uber through Twitter. There are more than 35% of customers who gives "good" feedback for Uber service while 7.5% states that the price of Uber is unreasonable. 55.8% of users express

that the mobile application of Uber is excellent and convenient. Most of respondents think they will continue using Uber, only 8.3% customers who seem not want to use Uber next times.

Keywords: Customer retention, Customer loyalty, Social media marketing, marketing online, Uber

INTRODUCTION

Uber is a well-known multinational company with online transportation network. With a striking innovation of mobile application, Uber has brought amazing technology to transportation which allows customers to submit a trip request in few seconds by a smartphone. Automatically, the software program can deliver the information to the Uber nearest driver (Pullen, 2014). This American company was founded in 2009 by two co-founders Travis Kalanick, Alexander Hank. Following the information publishing in official website of Uber, there are more than 500 cities all over the world where Uber are available, and more than 6700 staffs of Uber worldwide. In the process of making its operation, Uber has used many kinds of platforms of social media as a useful marketing tool to target customers. The article researches the relationship of a marketing tool – Social Media in the term of affecting customer retention with an example of Uber in London, United Kingdom.

Research Objectives

- To provide literature reviews relating in social media marketing and its effects on customer retention.
- To examine the effects of social media marketing on customer retention of Uber in London, United Kingdom.

LITERATURE REVIEW

Social Media

There is a number of researches which mention about social media. Following(Andreas M. Kaplan, 2010), social media is considered as a set of channels in the field of online communication. In a simple term, the social media has mentioned about the channels which contribute to community by using interaction, collaboration as well as content-sharing. Another definition of social media was introduce by (Nada Dabbagh, 2012) which highlights the role of network as a tool for communication and innovative ideas. Some famous types of social media are Delicious, WordPress, Twitter, Youtube, Facebook or Linkln. As found in (Bratton, 2012)

the author defined social media in simple way that it is text, words, pictures as well as videos. These things are created with the aim of sharing via social media websites by submissions. In general, it is accompanied by a process of voting to generate items of media be “popular”. In a marketplace context, it is the experiences’ participants and their thoughts. The social media is well-known in the aspect of building as well as maintaining a loop of feedback.

A big revolution of social media has been recognized. In the past, social media performed as a tool for people to enhance their communications. For examples, creating some chat rooms or sharing some news, information. Nowadays, social media has developed in many aspects, especially in the business landscape, many companies has adopted social media in their marketing strategies to boost the business organizations (Rachel Harrison, 2013).

Social Media Marketing

Social media marketing involves in using social media platform with the purpose of gaining traffic or attention from a target customer group (Jan Zimmerman, 2017). According to (Evans, 2010), in order to optimize social media marketing of a firm, it should be involved in many things to ensure that the profiles have the accurate keywords including the company’s brand, products as well as services. As found in (Funk, 2014), these kinds of platforms of social media like Facebook or Twitter and blogs is considered as a valuable tool for business to attract a potential audience of millions with speeder and more inexpensive the large-scale publishing. From the perspective of marketer, there are a several benefits of social media in marketing firm. First, social media marketing can provide companies a positive impacts on its brand recognition. Second, it also make business accessible for new purchasers. Thirdly, social media help companies in term of boosting customer’s loyalty.

The power of social media on business operation

As found in (Andreas M. Kaplan, 2010), there are 75% of Internet users who have employed “social media” in 40% by joining social networks, such as reading blogs, making reviews to sites of shopping in 2008. Interestingly, the growth of the user numbers in this field is not only teenagers, but also the age of 35-40. Following (Tsai, 2001), the research draws a view of network on organizational learning, the author argue that organizations is able to generate more creations as well as perform better when they have central position of network which supply access to fresh knowledge rooted in by other units. Funk (2014) outlines some striking statistic about the power of social media. 74% of customers who gain positive impression with a company brand after having interaction with this company by social media. Volume of purchase tend to boost 51% after a purchaser click the button of “Like”. 90% of customers who trust

reviews of products from their friends or relatives while 70% trust this information from people they do not know.

Customer retention

The definition of *customer retention* is the possibility of a product as well as a company to remain its purchasers over some certain periods of time. High level of customer retention means that there are a majority of the company customers coming back to buy or not defect to other companies or other products. In general, business organizations try to put efforts to minimize the *customer defections*. In other words, customer retention includes many aspects, such as, having a contact with a customer, keeping a good relationship and effective retention efforts. In order to get success in customer retention strategy, it is not only for the company to provide what their customers expect, it has to do exceeding expectations. Thus, in the competitive environment, the key of making differentiation is showing a high customer service standards (Michael D. Johnson, 2012).

Effects of social media on customer retention

(Elmerraji, 2015) states that customers tend to engage with a company actively with its brand name to making a buying decision. Thus, social media can be an effective tool for companies to improve image brand's name to take notices from customers. Not only, social media can highlight the mouth power word, but also it can be a tool of marketing strategy to meet its goals. Moreover, Social media can take ideas by promoting purchasers in incorporating their own points of views of others who they know like friends or relatives. Interestingly, social media can enhance relationship of business firms and their customers. An obvious example is that many companies have used social media to communicate with their customer by Facebook or Twitter more frequently. Another instance is that many firms lure customers by offering prizes which can improve their brand name. However, Al-Rabayah (2016) discusses that the social media power has belonged to customer's hand, because if there is a bad review occur, the company will have to face with some issues which affects its success.

According to (Roesler, 2015), in the term of using social media to affect customer buying decision, customers are aware of brand by website traffic for example, it is obvious that using tools of social media allows the companies to spread and express. The study focus on examining the impacts of social media on customer retention in different age group. In general, there is 33.33% of American people who seem to be leaded by social media in the decision of purchasing. 56% of consumers of baby's products will be influenced by social media, while the

figure of that for furniture house is 40%, for wellness and health is 33% and for automotive is 32%.

METHODOLOGY

Research design

The research is considered as a framework what research can base on to examine the data. There are many steps of research design such as data collection, data analysis (Creswell, 2014). The research of “how social media marketing affect customer retention. A case study of Uber in London, United Kingdom. The research is designed with few main stages. Initially, a survey is set up to collect necessary information from Uber customers. There are 120 observations who have ever used Uber.

Survey and Questionnaire

A gathering method is used in this research which aims to collect and interpret the people points of views of the sample group (Cramer, 2003). The research has collected information from 120 Uber customers who have at least one time of using Uber service.

Research choice

The study of “How Social Media Marketing affects customer retention. A case study of Uber in London, United Kingdom” has used two kinds of qualitative and quantitative methods.

Sampling

The survey was set up with the sample of 120 users of Uber who are defined as at least one time of using Uber.

Data source

Both primary and secondary data are used in this research. With the questionnaire giving to answerers, it can collect the primary data. Besides, few kinds of secondary data also are employed such as articles, financial statements of Uber.

Data analysis

After data collecting, the author analyzed the primary data by SPSS, the showing the result of date description and correlation of Uber customers retention and the use of social media of Uber.

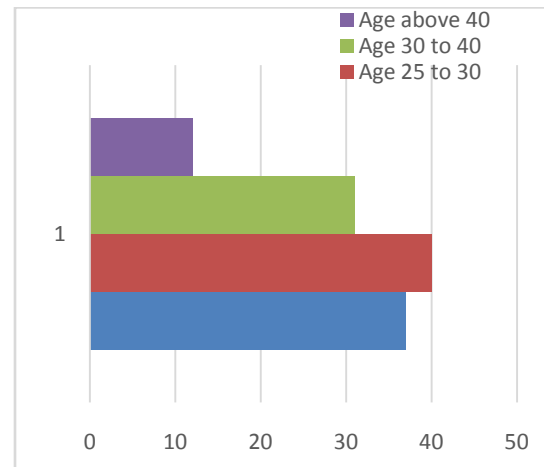
FINDINGS

Data description

Age of respondents

Table 1: Age of respondents

Age of respondents	Percent	Valid percent	Frequency
Age 18 to 25	30.83%	30.83%	37
Age 25 to 30	33.33%	33.33%	40
Age 30 to 40	25.83%	25.83%	31
Age above 40	10%	10%	12
Total	100%	100%	120

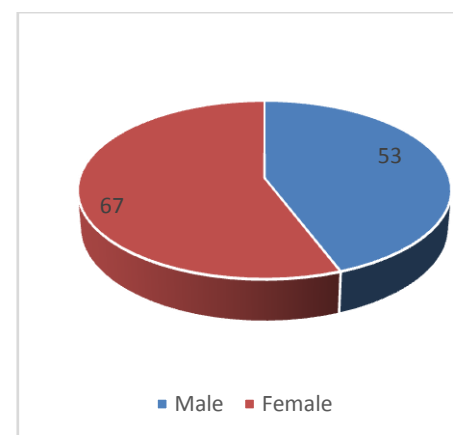


The table displays a description of the sample about the age of respondents. There are 37 people who are from 18 to 25 being responsible for 30.83 per cents of the sample. Whereas, the age from 25 to 30 occupies 33.33% which is equal 40 people among these respondents. With the age 30 to 40, there is 25.83 per cents which is exact 31 answerers. Finally, with the age above 40 year olds, there is the smallest percentages of respondents which is 10% being equal with 12 people.

Gender of respondents

Table 2: Gender of respondents

	Frequency	Percent	Valid Percent
Male	53	44.2%	44.2%
Female	67	55.8%	55.8%
Total	120	100.0%	100.0%

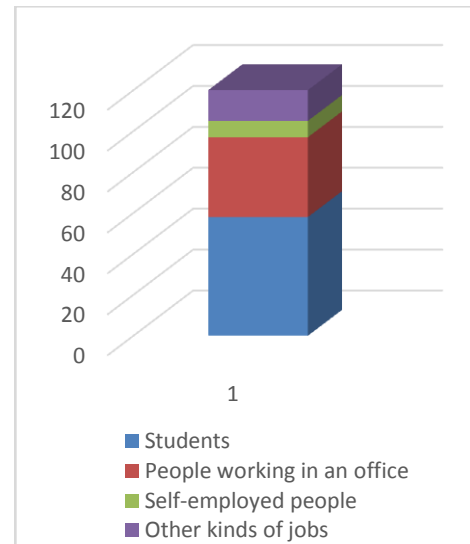


In the respondent group, there are more female with 55.8% while male has 44.2%

Career of respondents

Table 3: Career of respondents

	Frequency	Percent	Valid Percent
Students	58	48.3	48.3
People working in an office	39	32.5	32.5
Self-employed people	8	6.7	6.7
Other kinds of jobs	15	12.5	12.5
Total	120	100.0	100.0



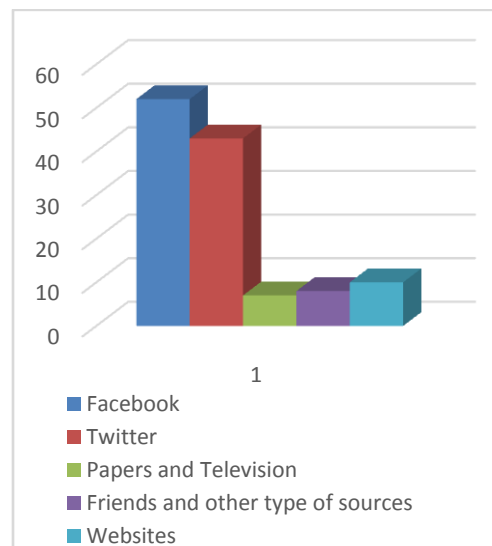
The table describes that in the sample group, most of them are students with 48.3%, 32.5% is people working in an office and self-employed people is 6.7%. The rest part of the group is 12.5%.

How Uber uses social media in marketing online

The sources where people have heard about Uber

Table 4: The sources where people have heard about Uber

	Frequency	Percent	Valid Percent
Facebook	52	43.3	43.3
Twitter	43	35.8	35.8
Papers and Television	7	5.8	5.8
Friends and other type of sources	8	6.7	6.7
Websites	10	8.3	8.3
Total	120	100.0	100.0

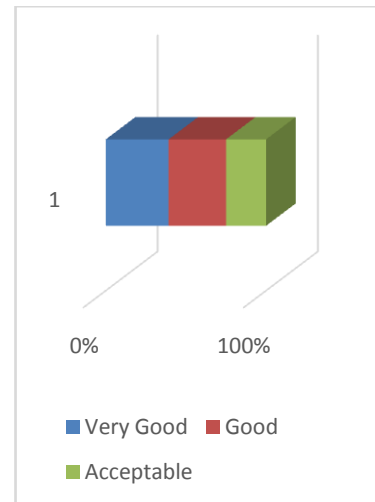


Among the listed sources, respondents shows that most of them heard about Uber through Facebook, while 35% of them heard about Uber from Twitter. There is only 5.8% of the group took notice about Uber from paper or television. 6.7% who heard about their friends, relatives, while 8.3% who heard from website?

Feedbacks of Uber’s customers – Service quality

Table 5: Feedbacks of Uber’s customers – Service quality

service quality	Frequency	Percent	Valid Percent
Very Good	47	39.2	39.2
Good	43	35.8	35.8
Acceptable	30	25.0	25.0
Total	120	100.0	100.0

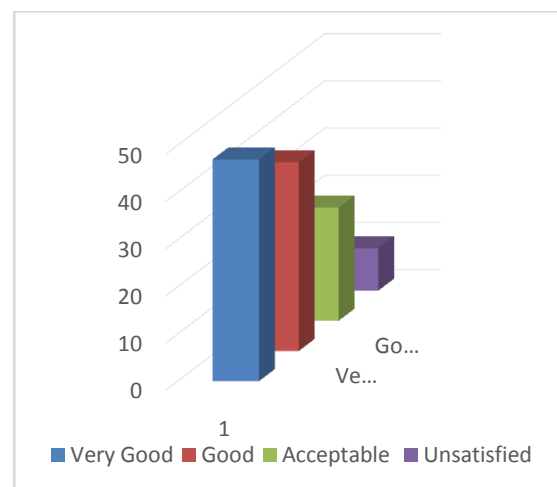


There are no people who have complains about Uber service. It has nearly 40% of respondents who state that the Uber service is “very good”, 35.8% people feel “good” and 25% feel “acceptable”.

Feedbacks of Uber’s customers – Price satisfaction

Table 6: Price satisfaction

	Frequency	Percent	Valid Percent
Very Good	47	39.2	39.2
Good	40	33.3	33.3
Acceptable	24	20.0	20.0
Unsatisfied	9	7.5	7.5
Total	120	100.0	100.0

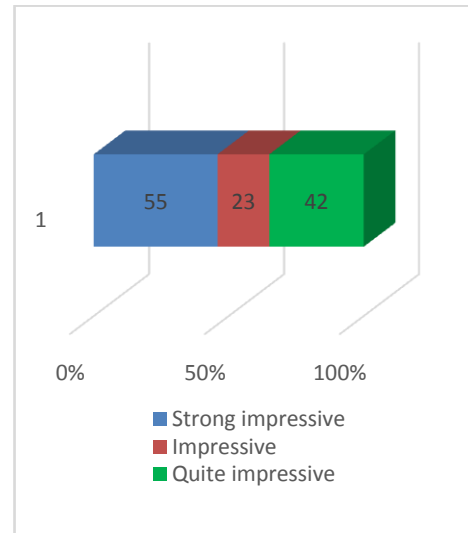


In the term of price consideration, there is 7.5% of customer who said that the price is unsatisfied as higher than expected. There are 39.2% who feel the price is “very good” for them, while the figure of feeling “good” is 33.3%. The rest of group with 7.5% who feel “acceptable.”

Using social media to impress image’s brand name – Customer’s evaluation

Table 7: Using social media to impress image’s brand name – Customer’s evaluation

	Frequency	Percent	Valid Percent
Strong impressive	55	45.8	45.8
Impressive	23	19.2	19.2
Quite impressive	42	35.0	35.0
Total	120	100.0	100.0

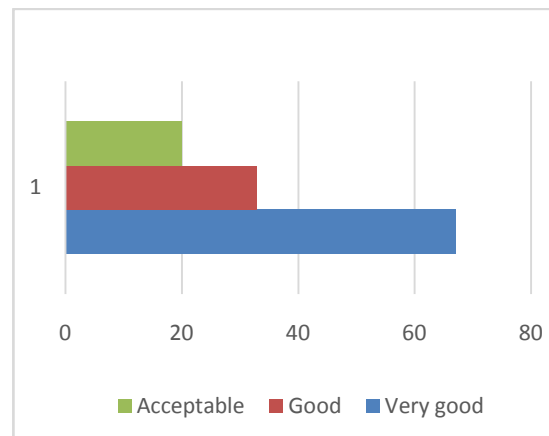


Next, this table shows how people evaluate about Uber using social media to impress image’s brand name. the result displays that from customer perspectives, 45.8% of customers states that they are strongly impressed about Uber brand name through social media while 19.2% of them answer that they are impressed. 35% of them said they feel “quite impress” about brand name of Uber through social media.

Offering a helpful and convenient mobile application – Customer’s evaluation

Table 8: Offering a helpful and convenient mobile application – Customer’s evaluation

	Frequency	Percent	Valid Percent
Valid Very good	67	55.8	55.8
Good	33	27.5	27.5
Acceptable	20	16.7	16.7
Total	120	100.0	100.0

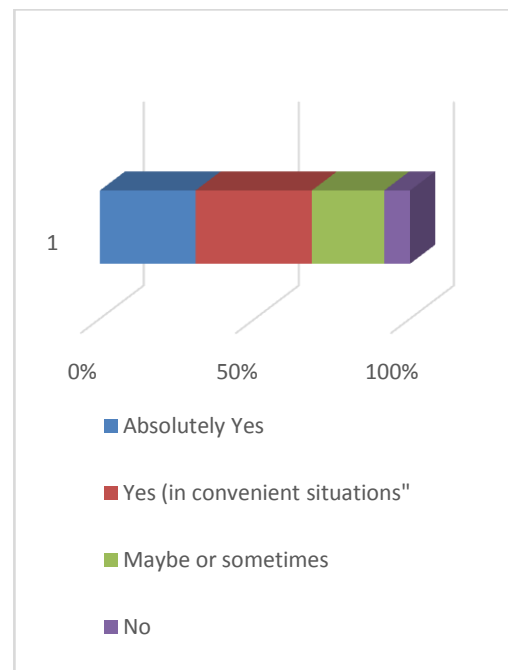


Providing a helpful mobile application can be one of the big competitive advantage of Uber. With the apps which can be easily installed in a smart phone, customers are able to know estimation of the lengths of their journeys, the prices, time and general information of drivers as enabling to view driver's profile. For this aspect, there are no customer feel "bad", while most of them rates "very good" on this with 55.8%. 27.5% shows "acceptable" and the rest of sample displays "good".

Continue using Uber

Table 9: Continue using Uber

	Frequency	Percent	Valid Percent
Absolutely Yes	37	30.8	30.8
Yes (in convenient situations"	45	37.5	37.5
Maybe or sometimes	28	23.3	23.3
No	10	8.3	8.3
Total	120	100.0	100.0



Turning to the question to test customer intension about whether they want to keep using Uber. The result has showed that most of them are satisfied with Uber and they tend to come back to use Uber's servie. 30.8% said that they will use Uber absolutely. With this group, high possibility they can become loyalty customers of Uber, so the company should focus to reinforce the relationships with them. 37.5% of respondent think they will use Uber if they are in the convenient situation to use this, 23.3% of customers will use Uber sometimes. Only 8.3% refuses to use Uber for their next trips.

Correlation analysis

Table 10: Correlations

		Keep using Uber	Providing convenient mobile app	Making Impressive image's brand by using social media	Quality of services	Price satisfaction
Keep using Uber	Pearson Correlation	1	.702**	.754**	.756**	.877**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	120	120	120	120	120
Providing convenient mobile app	Pearson Correlation	.702**	1	.592**	.662**	.620**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	120	120	120	120	120
Making Impressive image's brand by using social media	Pearson Correlation	.754**	.592**	1	.641**	.846**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	120	120	120	120	120
Quality of services	Pearson Correlation	.756**	.662**	.641**	1	.810**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	120	120	120	120	120
Pricing satisfaction	Pearson Correlation	.877**	.620**	.846**	.810**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	120	120	120	120	120

** . Correlation is significant at the 0.01 level (2-tailed).

The above table display a positive correlation of “*Customer intention to keep using Uber*” and “*Convenient mobile application*”, “*Making Impressive image's brand by social media*”, “*Quality of services and Pricing*”. Regarding relationship of “*Continue using Uber*” and “*Convenient mobile application*”, it is recorded a significant positive relation between two elements. The result is $r = +0.702$ which means that the correlation is close to $r = +1$, $n=120$ observations, $P = 0.000 < 0.01$ with significant at 99.99% confident level. In other words, when Uber rise 1% of convenience’s level of mobile application, the number of users keep using Uber can grow 0.7%. With correlation of “*Continue using Uber*” and “*Making Impressive image's brand by using social*”

media”, a strong positive relationship was showed with $r = + 0.754$, $n = 120$ observations, $P = 0.00$ significant level at 99.99%. It means that when Uber rises “*Making Impressive image's brand by using social media*”, the number of customers “*Continue using Uber*” can improve 0.75%. Turning to relationship of “*Keep using Uber*” and “*Price satisfaction*”, A strong positive relationship is found with $r = + 0.877$, $n = 120$ observations, $P = 0.000$ confident level at 99.99%. in a simple term, when Uber increase 1% satisfaction of price, the number of customer retention can increase 0.877%. With element of “*Quality of services*”, there is a significant positive correlation between them with $r = + 0.756$, $n = 120$ observations, $P = 0.000$ confident level at 99.99%. In other words, if Uber can leap 1% of its quality of service, the number of retention customer can increase 0.756%.

CONCLUSION

With the objective of examining the effect of social media marketing on Uber’s customer retention, the result reveals that element of “*Making Impressive image's brand by using social media*” has a strong positive impact on “*customer retention*”. Based on that, Uber can be suggested to invest more on social media to maintain and improve the social media effectiveness in the term of keeping customer loyalty. Beside, *price satisfaction and service quality* also are key factors for customers to consider to continue using Uber. With *mobile application*, most customer feel this helpful and advanced compared with other competitions, so Uber can regard its mobile application software as its competitive advantage. In many sources where people heard about Uber, Facebook is currently the most popular, thus Uber can utilize more tools on Facebook like tool of advertising or interacting more people which can help Uber to gain more potential users.

In the further research, the authors will focus on the larger data of an industry in order to examine how social media marketing affect a certain industry in specific aspects involving in customer retention, customer loyalty, customer behavior and some other traits of purchasers. The research can provide useful knowledge for companies in gaining more customers as many as they can.

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