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Financial Performance and Social Media: A Research on Tourism Enterprises Quoted in Istanbul Stock Exchange (BIST)

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Abstract

Social media is one of the fastest and the most effective ways of information sharing. Thousands or even millions of people can be reached through social media. It might be stated that increased use of social media led many companies to be more interested in social media with varying reasons ranging from communication to advanced networking or providing information. Therefore, businesses have started to give importance not only websites but also social media interactions. In today's business context several companies are promoting their goods on social media similar to the service companies including tourism industry. Social media is used as an information providing platform providing financial and non-financial information for the evaluation of investors and other stakeholders interested in investment activities. Major aim of this study is to analyze and evaluate the relationship between financial performance (market value, net sales, net profits, price/earnings ratio etc.) and efficient use of social media. Mann-Whitney U test of SPSS software is used in order to evaluate the data collected within the scope of this research.

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1. Introduction

In consequence of rapid development of technology, there have emerged many changes in both social areas and business life as a result of increase in internet use and expansion in internet availability. These changes have brought new concepts into our lives. One of these concepts is “social media”. Social media is the whole of internet-based services where individuals communicate with other individuals in an open or half-open system which is surrounded by rules, they can create their own contact groups and watch videos or monitor posts shared by their contacts (Ellison, Steinfield and Lampe, 2007). Kim, Jeong and Lee (2010) expresses social media as online communities whose content is created and shared by users. In another definition, social media is described as high-level measurable and accessible communication technologies or techniques which allow an individual to easily interact with other individuals (Blossom, 2009). In order to meet the components of this definition an application or a website must have users independent from the publisher, have a user-generated content, there must be interaction among users and there must not be limitations of time and space (Erkul, 2009).

Web 1.0 where users could only see internet sites was the period in which there was no interference such as making comments on the content, creating an attachment to the content or contributing to the content (Ozmen and Villi, 2014). Social media built on the second generation Web 2.0 internet infrastructure, which was developed after this period, is a platform operating on an interface where internet users may publish anything that they want to share and other users may comment on these contents according to their demands and ideas or make changes when they want without any space and time limitations (Evans, 2010; Wilson, 2010). In the literature, it is expressed that there is not a generally accepted definition of the term Web 2.0, and it is identified as the total of open-source, interactive and user-controlled online applications which expand experiences, knowledge and market power of users as participants in business and social processes. In addition to the improvements in information technologies, the rapid spread in Internet causes communication networks and structures such as social media to depend on a customer-based business manner (Constantinidies and Fountain, 2008).

As a result of this, enterprises which intend to increase customer communication and interaction must manage their operations based on internet increasingly. Internet has created a radical change in business world and customer behaviors similar to the one created by The Industrial Revolution. This effect of Internet has been observed especially in monetary transactions, communication and all exchange platforms (Sharma and Sheth, 2004).

The use of social media makes the communication between organizations and stakeholders easier. In providing this communication, social media platform has a faster and more effective position, and it is cost efficient (Schniederjans, Cao and Schniederjans, 2013).

2. Literature

2.1. *Social Media and Tourism*

Regarding to tourism, which is a labor-intensive sector, human and technology are considered to be two significant elements which continually renew and develop themselves. In the conducted studies, it is reported that social media increases brand recognition in the sector of accommodation (Zeng, 2013). Providing rapid and two-way communication between parties is among the advantages that social media brings into an enterprise. In tourism sector, social media is generally used to increase interest related to the enterprise, to introduce promotions, to meet requests and complaints of visitors quickly, to arouse attention of the media, to increase brand awareness and to communicate with visitors in a sincere environment (Xiang and Gretzel, 2010).

It is apparent from reviewed literature that there are studies carried out about the effect of social media on financial performance of enterprises regardless of the sector they belong, whereas there are no studies focusing on whether social media affects financial performance of tourism enterprises. Ozmen and Villi (2014) analyzed 340 enterprises totally in their study which is carried on enterprises being traded on BIST (Borsa Istanbul - Formerly known as Istanbul Stock Exchange). The enterprises that utilize social media and the enterprises that do not utilize social media are compared. As a result of the research, it was concluded that there were meaningful differences among 340 enterprises in terms of financial performance indicators such as marketing value, net sales, net profit, price/earnings, firm value/net sales and free float rate between enterprises having social media relations and those

not having. On the other hand, findings revealed that there are no differences in market value/book values.

2.2 Financial Performance and Social Media

When the literature is examined, it might be said that social media use is focused on researching and developing, marketing and selling (Hoffman and Novak, 1996; Neti, 2011), customer services (Schultz and Peltier, 2013), human resources (Hauptmann and Steger, 2013; Slovensky and Ross, 2012) in regard to enterprises. Furthermore, it is seen that finance and financial relationships are not included and they are ignored in domains where social media is employed. In fact, today, an infrastructure which would provide a contact between enterprises and investors, and which would attract small investors to the enterprise might be presented through social media (Ozmen and Villi, 2014).

In our study, financial performance indicators were used in order to determine the relationship between financial performance of enterprises and social media. The Financial Performance indicators are chosen as following and hypotheses are developed in accordance with them.

Net Profit: The profit which is calculated by subtracting all expenses related to an operation from the revenue obtained by enterprises within a certain operating cycle is stated as net profit of enterprises (Harrison and Horngren, 2008).

H₁: Net Profit averages of the enterprises having social media relations are different from those which do not have.

Net Sales: It is the value obtained by subtracting sales discounts and returns from gross sales (Porter and Norton, 2010).

H₂: Net Sales averages of the enterprises having social media relations are different from those which do not have.

Market Value: It is the value obtained by multiplying the number of stock shares that an enterprise owns by the value of one share (Waren, Reeve and Duchac, 2014).

H₃: Market value averages of the enterprises having social media relations are different from those which do not have.

Price/Earnings Ratio: This ratio can be calculated in two different ways. The first calculation method is based on dividing market value of an enterprise by the net profit for the year; the second one is based on dividing share price by net profit per share (Ozmen and Villi, 2014).

H₄: Price/earnings ratio averages of the enterprises having social media relations are different from those which do not have.

Market Value/Book Value: It is calculated by dividing share price of an enterprise by book value per share (Weygandt, Kimmel and Kieso, 2014).

H₅: Market value/book value averages of the enterprises having social media relations are different from those which do not have.

Market Value/Net Sales: It is value which is obtained by dividing firm value which is the total of all debt and claims of an enterprise by net sales of the current period (Harrison and Horngren, 2008).

H₆: Firm value/net sales averages of the enterprises having social media relations are different from those which do not have.

3. Methodology

The purpose of the research is to determine whether there are differences between the financial performances of tourism enterprises being traded on BIST and having social media relations and those tourism enterprises not having social relations. The research includes 11 tourism enterprises being traded on BIST. As many global, sectoral, economic, politic, social and corporate factors may affect financial performances of enterprises and these factors vary from year to year, the research was confined to the year 2014. Financial statements which were required for the research were obtained from Public Disclosure Platform (www.kap.gov.tr) and the data related to the BIST were obtained from official web site of BIST (www.borsaistanbul.com). In the research, social media data were collected through Facebook and twitter. In addition to this, whether tourism enterprises included in BIST use social media

was revealed by examining websites of the enterprises. Besides, whether the enterprises have links or connections related to social media was determined and it was controlled that whether the links of those enterprises were active or not. After collecting data required for the research, Kolmogorov-Smirnov and Shapiro-Wilk tests were applied before analysis in order to test whether the data distribution was normal or not. In consequence of tests, it was detected that the data distribution was not normal ($p < 0,05$) and thus Mann Whitney U test which is used for non-parametric data was conducted. The obtained data were analyzed using statistical software.

4. Findings

As it is observed in Table 1, net profit averages of the enterprises having social media relations are higher in comparison with those not having social media activities, and as a result of Mann Whitney U test which was done to compare net profit of the firms having and not having social media relations, it was concluded that the averages were statistically different.

Table 1. Effect of social media on net profit.

Group	N	Mean Rank	Sum of Rank	U	Z	Sig.
Users of Social Media	4	9,50	38,00	,000	-2,646	,008
Non users of Social Media	7	4,00	28,00			

As a result of Mann Whitney U test which was done to compare net sales of enterprises having social media relations and those not having such activities, it was determined that there were not meaningful differences ($p > 0,05$) in the averages of “net sales”. As it is demonstrated in Table 2, it is likely to conclude that social media does not have a dramatic effect on net sales of tourism enterprises being traded on BIST which have social media relations and which do not have.

Table 2. Effect of social media on net sales.

Group	N	Mean Rank	Sum of Rank	U	Z	Sig.
Users of Social Media	4	4,75	19,00	9,000	-,945	,412
Non users of Social Media	7	6,71	47,00			

In Table 3, as a result of the conducted test, it was found that market value averages of enterprises having social media activity and not having social media activity were different. That is to say that among tourism enterprises being traded on BIST, market value averages of tourism enterprises using social media were higher than the averages of those which do not use social media.

Table 3. Effect of social media on market value.

Group	N	Mean Rank	Sum of Rank	U	Z	Sig.
Users of Social Media	4	9,50	38,00	,000	-2,646	,008
Non users of Social Media	7	4,00	28,00			

While the mean rank in price/earnings ratios of the enterprises having social media relations was 9,25 , the mean rank of the enterprises not having social media relations was 4,14. Besides, a meaningful difference was found in consequence of the analysis which was conducted to compare price/earnings averages of the enterprises being traded on BIST which have and do not have social media relations.

Table 4. Effect of social media on price/earnings.

Group	N	Mean Rank	Sum of Rank	U	Z	Sig.
Users of Social Media	4	9,25	37,00	1,000	-2,679	,007
Non users of Social Media	7	4,14	29,00			

As it is apparent in Table 5, no statistical differences were found in market value/book value averages following Mann-Whitney U test which was applied for the comparison (Market value/book value) of tourism enterprises using social media relations efficiently and tourism enterprises which do not use.

Table 5. Effect of social media on market value to book value ratio.

Group	N	Mean Rank	Sum of Rank	U	Z	Sig.
Users of Social Media	4	5,00	20,00	10,000	-,756	,450
Non users of Social Media	7	6,57	46,00			

As it can be seen in Table 6, among 11 tourism enterprises included in the scope of the research, market value/net sales ratio of those having social media relations is lower in comparison with those not having social media relations. In order to learn whether or not these enterprises show differences in terms of market value/net sales which is one of the corporate financial performance indicators of enterprises, Mann-Whitney U test was applied. As a result of the analysis, it has been concluded that there is a meaningful difference between enterprises having and not having social media relations.

Table 6. Effect of social media on market value to net sales ratio.

Group	N	Mean Rank	Sum of Rank	U	Z	Sig.
Users of Social Media	4	9,50	38,00	,000	-2,646	,008
Non users of Social Media	7	4,00	28,00			

5. Conclusion

In addition to its fast and effective usage, when the number of people reachable by means of social media is considered, it is among the most effective communication platforms of recent times. Particularly, enterprises have recently been showing an interest in social networks as they are cost efficient, along with other qualities of social media. As in other sectors, social media has begun to be used in tourism sector. Enterprises generally prefer using social media for purposes such as marketing and selling, customer services and human resources, whereas they ignore using it in financial areas. In our research, we examined whether there were differences between the financial performances of 11 tourism enterprises being traded on BIST in terms of using social media and not using social media. Findings of the research revealed a considerable difference between net profit average, market value average, market value to net sales ratio and price to earnings ratio averages which are among financial performance indicators. In other words, as a result of the analysis of these financial performance indicators, it is possible to conclude that the use of social media in tourism enterprises being traded on BIST has a positive effect on net profit, market value, market value to net sales ratio and price to earnings ratio of an enterprise. On the other hand, it has been concluded in the research that there is not a meaningful difference between tourism enterprises using social media and those which do not use social media in terms of net sales and market value to book value ratio which are among financial performance indicators. If this research conducted on the basis of tourism corporations listed on

BIST and the research conducted by Ozmen and Villi (2014) on all enterprises included in BIST are compared, it is observable that there is a meaningful difference in the averages of market value, net sales, net profit, price to earnings ratio, market value to net sales ratio in the research conducted on all enterprises; meaningful differences are found in the averages of net profit, market value, market value to net sales ratio and price to earnings ratio in the current research which is tourism sector-based. On the other hand, no significant differences were found in the averages of market value to book value in the research conducted on all enterprises included in BIST. In this research conducted on tourism enterprises listed on BIST, no significant differences were found in the net sales and market value to book value averages. Based on the findings of this study it might be claimed that social media utilization by tourism enterprises in BIST may contribute to the financial performance of these entities. Regarding to the limitations of the research it is possible to admit that the research can be spread over a wider time interval in further researches. Besides, it is possible to manage comparative researches whether there are any differences among different sectors included in BIST or not.

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