



A proposed framework for companies to grow with social media sales

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English Version:

Abstract

Ninety percent of startups fail. This dissertation aims to provide a framework to provide a methodology for the purpose of achieving sales, emphasizing on the use of social media early-stage e-commerce startups, to make them grow and be part of the 10% that prosper. The framework is composed by eight practices ready to be adapted and implemented on businesses' strategy.

With direct application on real startups and description of the cases to be applied, the framework is tested to evaluate its potential to be implemented on the startups' marketing strategy and to lead firms to growth. The practical implementation of the model shown the firm adopting it to see an increase in revenues and consequently on its profits.

Portuguese Version:

Abstrato

Noventa por cento das startups falham. Esta tese providencia um modelo com o propósito de servir de guia de marketing e vendas, com uma forte incidência nas redes sociais para e-commerce startups em início de vida para as levar a crescer e a fazer parte dos dez por cento que prosperam. O modelo é composto por oito práticas prontas a ser adaptadas e implementadas na estratégia das empresas.

Com direta aplicação em startups e descrição dos casos de estudo, o modelo é testado para avaliar o seu potencial de ser implementado na estratégia de marketing de empresas e levá-las a crescer. Os resultados práticos na startup que implementou o modelo mostram uma subida nas vendas e conseqüente aumento dos lucros.

Glossary

This glossary was created to provide definitions of the terms in italic throughout the dissertation.

Credibility Factor: The factor that measures if the Instagram page has legitimacy for other users to consider engaging or buying from these pages. .

Engagement: Metric to assess if the followers of a page are interested on the page (meaning to “like” or comment a post). Engagement ratio is the division between the number of likes on the last posts divided by the number of followers a page has on a social network.

Hashtag: A word or phrase preceded by the (#), used on social media, like Instagram or Twitter to identify messages on a specific topic.

Keywords: Words or phrases describing the websites, or the product/service being sold that are chosen for the websites to be found on Google Search when looking for similar words.

Owner: The entrepreneur behind the startup.

Referral Programs: Programs to make users work for the brand, by giving a compensation for users to share the website/ brand with other users.

Rank SEO: Position for a specific keyword in which the website is on the Google Search Engine.

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1. Introduction

A lot has been discussed about how to move from a hobby to a business. The Lean Startup approach has been dominating in the first stages of creating a new company or product (Ries, E., 2011). In fact, 90% of the startups end up failing (Marmer, Herrmann and Dogrultan, 2011). It is in the next stage after developing a product, where the research have not focus enough: how to make the business grow, how to make it scale, how to survive in a Porter competitive universe (Porter, M. E.,1979) and how to keep the team motivated and focused for all the intense work that is coming with the rise of their startup

The goal of this dissertation is to develop a framework to infer the best practices on the use of social media as the main channel of sales for early-stage business-to-consumer e-commerce startups that already have a product, or at least a functional minimum viable product.

The dissertation will focus on how to increase the sales of the business and use these revenues to estimate the potential market, to evaluate how to keep growing , to define key metrics and to infer how can entrepreneurs motivate their teams to be audacious and look always for additional ways to expand.

In order to analyze the potential of the proposed framework, the methods and recommendations described throughout the dissertation will be applied on the business model of a Portuguese startup: OkBasket. The objective is to analyze the benefits of the framework on real-world companies.

OkBasket is a company that sells basketball apparel, selling jerseys, shorts and socks at low costs compared with its competitors. By selling a different range of products and offering an active customer service, it is starting to grow in name in its niche. For confidentiality purposes, the name of the brand had been changed. Created in February 2019, the company focus on solely selling online through their website and social media. Their biggest problem is not being able to accumulate stock, since they still don't have the monetary means to meet their demand.

The objective of the use of a real-life company is to gather sufficient data to test for the potential of the framework. It will be possible to understand if the model is capable of making the company to grow with sales to be able to fulfill its demand.

This dissertation is organized in six sections. On the first, the goals, problem statement and research questions are presented. On the second chapter, the reader finds the literature review with an analysis of the latest research on the fields studied. The third chapter is where the methodology is defined, with the fourth chapter providing a deep explanation of the framework

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developed with throughout the dissertation. On the chapter 5, the results are empirically analyzed. The chapter 6 concludes and analyses the limitations of the study.

1.1 Problem Statement

The dissertation aims to create and evaluate a new framework on the fields of sales and marketing with use of social medias as a channel of revenues for early-stage e-commerce startups that already have a product, or at least a functional minimum viable product to grow from a startup to a firm.

1.2 Research Questions

Which recommendations can lead to an increase in revenues with the use social media for growth?

This is the main question to answer. By focusing on the use of social media, research will focus on how can companies grow with the use of it.

What are the fundamental metrics for ecommerce businesses?

It might be ambitious to determine metrics to measure different ecommerce businesses, but it is also required to infer if the application of the model is producing the desired results on the different B2C startups. General e-commerce metrics will be formulated for this purpose.

How can entrepreneurs keep their teams focused?

Building a company presents challenges. When the goals are defined for the long term, the team might need some additional rewards to keep them focused on achieving the future proposed objectives.

2. Literature Review

2.1 The Framework of lean entrepreneurship

In (Ries, E., 2011), the author proposes a guide for entrepreneurs to launch their ideas: The Lean Startup Movement. This framework recommends entrepreneurs to develop hypothesis regarding their products and to test them with real customer feedback. In an initial stage where the product is not much more than an idea, it is relatively easy to pivot or apply changes on the products or business model in order to appeal to the targeted audience, consequently generating more revenues and profits, which is ultimately the objective of creating a new product.

The concept of MVP (minimal viable product) allows entrepreneurs to release their products into the market without spending too much on its development. It is a security measure to avoid launching a not successful costly product.

This framework allows to reduce the uncertainty around the launch of new products, making it more secure to launch a new product, which might more likely to generate future sales when developed.

2.2 The Fundamental metrics to evaluate an e-commerce business

The research in the last years have been deep on the fundamental metrics to evaluate an e-commerce business and measure its performance. For evaluating potential metrics, the Balance Scoreboard (Kaplan and Norton, 1996) is the most common method to use. The framework measures performance by looking at four linked areas: financial, customer, internal business process, and learning and growth. It enables startups and companies to analyze their short-term financial results, while watching closely “its progress in while simultaneously monitoring their progress in building and acquiring the intangible assets that generate growth for future financial performance” (Kaplan and Norton, 1996).

It has been difficult to measure the performance of a website, since it depends on who is evaluating the website (Ghandour, Benwell and Deans 2011). The website users, the developers and designers or the website *owner*, each have different perspectives on how to analyze the website. It can also be a complicated process, since interrelated factors are much more probable to measure changes in performance than a single indicator (Segars and Grover, 1998). In (Epstein, 2004), it is argued that *owners* of the websites will only invest, if the website is

generating more revenues than costs, so it is important to focus on looking to monetize the website as soon as possible, in order to incentive owners to keep investing time and capital on their websites.

In Ghandour, Benwell and Deans (2011), the authors define key metrics to measure an e-commerce website, through the creation of a framework consisting in the factors of Usage, Financial Benefits and *Owner* Satisfaction. This model can be used to measure the website performance on the eyes of the *owner*. As for usage, they define eight metrics, with the most relevant being “number of visitors” and “repeat visitors”. For Financial benefits, the most relevant indicators are “return on investment”, “sales”, “profit” and “cost reduction”. As for the factors of *Owner* Satisfaction, the key metrics are the “number of customers” and the “search engines rankings”.

2.3 How to achieve early sales

On the field of how to originate revenues, research have been clear in setting that initial sales success is fundamental for the future growth potential of a startup. For example, in Reynolds, 2007, the authors suggest that there is growing evidence that supports the thesis that reaching initial sales is a challenging process.

Also clear is that achieving sales in the beginning should be a key goal on early stage startups (Reynolds and Miller, 1992). Initial sales for startups are the key metric to evaluate the potential of a firm, since they are also what paces the speed of the growth (George, 2018). And it is the initial sales success in the market, that is a critical milestone for a new venture, since if the sales are low, the effects can be devastating for the success of the company (Macmillan, Narasimha and Block, 1986).

Research has also focused on an integration between the areas of sales and marketing (Rouziès et al., 2015) They argue that a sales-marketing integration creates more value to the firm than by having the fields working in isolation. By merging both fields, the salesforce will work with the guidelines of the marketing team, being able to merge expertise.

They propose that managers and entrepreneurs should work in the different areas to develop a better understanding of the business and its activities, thesis also defended in (Griffin and Hauser, 1996), where it is advocated that job rotation on different areas leads to achieving a better cross functional integration, leading to better results.

2.4 Social Media as source of growth

On the field of social media as source of growth, in Groeger and Buttle, (2014), the authors argue that companies should use and view social media in terms of quantifiable numbers. Not only focusing on the amount of money that a client spends, but also in measuring the customers' lifetime worth.

It is mentioned that the business model of companies should be adapted to social commerce, which makes consumers to interact with the brand on social media (Liang and Turban, 2011), increasing its brand awareness. In a study to measure if social media increases the brand loyalty (Cicek and Erdoğan, 2012), the results are that brand loyalty increases with advantageous campaigns, content relevancy and popularity of the content among friends.

2.5 How to keep entrepreneurs motivated

Regarding the research question about how can founders keep their teams focused, on (Verheul and van Mil, 2008), the authors determine the growth ambition of early stage entrepreneurs on the Netherlands. They present an important point in arguing that in economic theory, growth is seen as “phenomenon that occurs until profit is maximized”, but that doesn't hold in reality. Not all entrepreneurs ambition to maximize their companies' profits. Some just desire to have a smaller profitable business to be able to live of it. On the other side, some want to maximize their profits, but loose this desire, once the challenges of managing businesses start to grow.

In the paper, they differentiate nascent entrepreneurs (a person which still hasn't created their final product) from young business *owners*, arguing that the first ones have a bigger desire for growth, being overoptimistic, whereas the young business *owners* already adjusted their goals to a lower growth, becoming more pessimists as their companies matures.

3. Methodology

In order to formulate and develop the framework, data had to be acquired. By acquiring and analyzing data, the goal is to be able to get results that lead to a validation of the model to be described.

3.1 Questions

In order to do it, the first step to follow is to define goals. To do so, questions were sent to the startup in which our model will be applied. The objectives of these questions were to understand where the entrepreneurs see their company, how committed is the team developing the startup and to define schedules and short-terms key goals. Based on the answers, the schedules and metrics are defined.

A table with all the interview guideline (questions) sent to the entrepreneurs is available on the annex section of this dissertation in section 8.1.

3.2 Data collection

The next step is to gather relevant data in order to statically infer the potential of the framework to originate revenues. To do so, So, our objective is to find a non-costly way to acquire new clients, since one of the reasons startups fail is due to the lack of customers. Typically, there is a high cost to find new buyers. The data will be gathered to test if the results provided by the model, for example to test if acquiring a new customer will be cheaper by our method, than through the traditional ways of advertising.

The purpose of the collection of data is to be able to test the model proposed throughout this dissertation. To do it, the framework was applied directly on the social media of the startup OkBasket. Using the social media platform, Instagram and OkBasket Instagram account, it was possible to collect information from 299 users that were recognized as potential clients with the use of the framework, due to their interest in the products sold by the startup.

In order to collect information, Instagram was the choice due to the possibility to *engage* with the clients in a deeper way than through other social media. On this social media platform, it is possible to directly contact other users, situation that for example doesn't happen when using the biggest social media platform, Facebook. Other channels of marketing were analyzed, but

Instagram seemed to be the best way to acquire users using the method to be explained in the next chapter.

The users were divided in two groups: random users that were followed by the corporative page with the intuit of applying the model (224 observations) and random users that previously followed the page of OkBasket, but were, purposely, not followed by the page,, nor contacted by message in order to infer about the differences observable between the two groups.

To collect data about the first group, we looked at the last 224 messages sent and received, messages. These messages were sent with the authorization of the entrepreneurs, by the author of the dissertation. The data from the other group was estimated based on the content of their profile (such as the gender or the age range).

A table was created containing data acquired from the users. Please note that due to data privacy issues, the names of the accounts approached were hidden. The full table is available on the appendix 8.2.

3.3 Key-metrics

Although the framework is able to provide results, as will be shown next, it can be a tedious process due to being repetitive. That is why it was necessary to develop a way to convince the team of entrepreneurs to use it, besides growing in revenues. The idea would be take a percentage of each sale done with the method as an award to keep all employers and the team motivated to grow. This metric will be explained afterwards.

4. Model explained

Throughout this chapter, a deep explanation will be provided about the model. Providing the tools, assumptions and methods in order to apply the framework.

As mentioned before, the main purpose of the dissertation is to provide a sales framework aiming to lead B2C startups to grow with the use of social media without requiring significant investment.

4.1 Tools

It is important to define what is required for the framework presented in this paper, the tools used.

The first tool required for the model is Instagram, the social media mobile application. It will be used as the main instrument to *engage* with the customers of the startups. Inside it, smaller tools will be adopted for the model.

Instagram has a lot of pros regarding other social media in the fields of sales. In (Jackson, 2019), it is observable that the level of *engagement* provided by Instagram is substantially higher comparing for example with Facebook. Instagram has one thousand million of monthly users, substantially less than the two thousand million of Facebook, but important is to mention the *engagement* of the users of both platforms. *Engagement* ratio is the average number of “likes” per post divided by the number of followers of a page. As mentioned in the article (Jackson, 2019), brands see a median *engagement* rate of 0.09% per Facebook post, when on Instagram there is a median *engagement* of 1.6%. This is where Instagram has the biggest advantage which is going to be used in the advantage of the growth of the startups following this model.

In this social media, brands are the same as other Instagram user, both are pages, there is no significant distinction between being a normal user or a corporate page. The benefit of this structure is that it allows brands to directly interact with their target customers. It allows the brands to “like” other users’ posts, to follow and to send them direct message. This is one of the keys for the proposed marketing strategy. On the contrary, Facebook only allows users to contact or follow the corporate pages directly, not the opposite.

Other big advantage is the Instagram Stories. Those are pictures or videos that are only visible for a period of 24 hours. The adequate use of “stories” can be a channel of sales, as it will be explained later.

The second tool required for this model to be developed is the collection of all the relevant data. Different kinds of data should be gathered/collected: The Order Tracker, The Monthly Counter, the Goals Sheet, the Research sheet and the already mentioned Sales Funnel.

The Order Tracker is where it is possible to organize the sales of the company, with some stats, such as revenues, costs, profits and date of the sale. The Monthly Counter is where the startup will register the sales of the month and analyse how the startup has been growing.. The

recommendation is for the entrepreneurs to reflect on a monthly basis about its startup and where the plan is working and where they should improve it.

The Goals sheet is where the startup define their objectives. It is important to define objectives in various fields of the company, but in this specific sheet, the goals should be related to sales. It is here, where the entrepreneur will set objectives and later analyse if the model has been achieving the results wanted.

The Research sheet should contain information about the market in which the startup is focusing.

4.2 Assumptions

The adoption of the model proposed in this dissertation is recommended for startups, which already created Instagram account and that the entrepreneurs adopting will commit time for the implementation of the model. The process is aimed to start to produce results in the first month, but with the expectation that the owners are aiming to grow their businesses. The results of the adoption of the framework are bigger in a period of at least 6 months, since one of the assumptions of the model are that entrepreneurs may not be willing to invest more money in their companies at this stage. The goal is to use the sales as source of growth and reinvest the vast majority of the profits in ordering inventory. This will lead for the startup to accumulate cash and reinvest to be able to keep growing at a fast pace and to be able to meet the demand for its products.

Before developing the final model, it was tested by applying on other smaller corporate pages. It is important to notice that the startup should already have at least one hundred followers before starting with to follow the model. This happens, due to the *credibility factor* of the page. According to those previous applications, the model fails to provide the engagement desired in pages without more than one hundred followers. Outside the scope of this dissertation is how to grow an Instagram account to a hundred followers.

It is also assumed, but not required that brands applying the model to have a website developed to manage sales. This is not a requirement for the application of it, but it is recommended to better manage track of the orders. There are also other benefits from having a website created,

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by allowing the brand to appear on Google Search industry *keywords*, which is likely to lead to more sales.

4.3 Practices

On this section, an explanation of the model will be given. This framework is targeted for entrepreneurs to be able to grow their startups through sales with a reduced upfront investment required. It can be directly implemented without significant costs in the marketing strategy of the brand and without requiring significant structural changes, besides the adoption of the methods explained.

Practice 1: To find the Target Audience

The first step of the model is to find the target audience in which the brand wants to focus. The recommendation is to promote a post on Instagram. It is possible to define by which users will the ad be seen. Users can be segmented by if they “like” a specific page, topic or *hashtag*. The goal is to define a segment of users which is more likely to *engage* with the page. The author recommends promoting during a week some low-cost ads and collect information about the *engagement* created by each of them. It is important to collect the number of likes given by the ad, how many users saw the post promoted and how many messages were received from the post promoted. This practice will allow to analyse which is the better audience for the page, the one in which the average *engagement* is the bigger.

After knowing what the target audience is, it is important to know what pages they like related to the niche that the entrepreneur is focusing. A possible suggestion is to collect data about the Instagram pages of competitors, related pages, industry leaders and *hashtags* of interest. This knowledge about the market is important, since this will be the main source of acquisition of new clients. This step is to allow to infer with a level of certainty where to find potential new clients

Practice 2: To increase the Popularity

The second step is for the corporate page to start follow accounts that liked the last picture of an account of the Research list. The practice is to follow all accounts until the corporate page

has a ratio of following to followers of 1. It is important to avoid following more accounts that account following your page, also due to the *credibility factor*. In (WorkMacro, 2018), it is possible to see a description about this issue, where they target users with a ratio of followers/following below 1 as “spammer” and “suspicious”, corroborating with the opinion that customers don’t feel comfortable to do a purchase from an Instagram account that is following more people than have followers.

The proposed practice is to follow those accounts that liked the last pictures of related accounts and to keep following until achieving the ratio. After waiting, the objective should be to unfollow the accounts that didn’t follow the page back. As seen in (Ayres, 2018), this method of following/ unfollowing as benefits for the long run growth of the page.

It is important to understand who is more likely to purchase the goods the company is selling. For example, if a company sells flowers in Lisbon, Portugal, they shouldn’t be interested in users outside the geographical scope the company is aiming to target. In this example, the corporative page should follow people that liked the last post of your competition. The people that engaged with their last picture will be more likable to purchase from the store than a randomly followed Instagram user. One key point for the model is to have highly interested followers, since these are the most likely to become clients.

By following the steps provided, the followers of the startup page are likely to be people who have interest in the product / industry and that are more probable to purchase from the store than the average user.

The adoption of the method seems to be the easiest way to grow the corporative page with engaged followers.

Practice 3: To reach the customers

The first two practices allow for potential customers to already know about the existence of the adopting startup, meaning that the basis for the sales to happen are already created. The practice 3 opens a new channel to generate sales by actively convincing customers that the product and that the startup selling it fits their demand.

This will be achieved by providing an unique customer service to each client. The process may seem to take a significant amount of time, but the learning curve of the process allows to diminish the time taken by sale.

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The aim is to directly message the users who engaged with the corporate page. This engagement can be by simply putting a “like” on the page’s last picture, by following the page or replying to a story. The objective is to send a short, simple message to those users introducing the brand and telling them what it sells. Important to keep the message short and not very persuasive. This is an introduction to the sale. The messages should be sent to every user who recently engaged for the first time with the corporate page. Most users will not answer, but even those will at least get to know that the company is aiming to provide a service that can be useful on other time. A possible message considering the example of the flower store in Lisbon would be “Hey! Do you already know our flowers? Enjoy a 20% discount on a purchase of any bouquet”. A simple message to leave users intrigued to get to know more about the businesses.

For the users that answer, the steps for the sale to happen are taken. Now it is time to actively work on the sale. To make questions about what the customer wants, the price of the item, to show feedback from other users and to finalize the sale. Important to always register the sales to be able to create statistics about the business and understand what and where to improve.

By bringing the customer services from offline stores to the online world, the framework provides a way to increase the sales while avoiding the costs related to having a store.

Corroborated by data to be presented in chapter 5, the recommendations are for companies to offer an excellent customer service. Even in complicated situations like refunds if a customer is not happy with the item, it is important to understand that something may be wrong with the product and give him the refund. An upset customer can put bad reviews online that could easily be avoidable with a refund. In (Janakiraman and Syrdal, 2015), the authors reach the conclusion that softer return policies can lead to an increase in purchases. By offering soft return policies, clients are more likely to pass the word to other about how good was he treated by the brand and maybe captivate other interested potential clients. It is a small cost that can lead to future fruits. It even happens for the customer that gets the refund to buy from the store again.

This method is also a key learning tool for entrepreneurs to better understand everything about their businesses. Users are usually curious about what they are purchasing. They ask various questions regarding the company and product and sometimes even give feedback to adopt. The team will have to defend its product with originality to be able to persuade the users to buy the product. By using this method, the owners will be listening their customers, allowing to better understand their needs and concerns about their companies. Also, by convincing people to buy

the product, entrepreneurs are learning to sell, providing also the knowledge to create better pitches for future presentations to investors to raise capital for their companies. .

Practice 4: Defining goals to stay motivated

The objective of the framework is to lead companies to grow with sales. The biggest concern regarding the model is that the initial part of the process can be tedious to apply. It is important to define short, medium and long-term goals regarding sales and dates to achieve them. This will challenge the entrepreneurs to focus on sales to achieve these objectives.

Practice 5: To compensate old buyers

An entrepreneur can see that their startup has a solid product, when clients buy the product again. To improve this type of sales, an effective way is to directly contact old buyers, offering them “Regular Buyers” discounts to captivate them to buy again. These sales do not require the same level of work, since the initial questions were answered on the previous sale. Clients just needs to say what product they want this time.

Practice 6: Medium term recommendations

These are the practices aimed for when the entrepreneurs already implemented some of the other practices proposed. It is when the brand starts to be promoted with less effort than by following the practices of directly reaching the customers. It is when simple tactics lead to significant organic exposure. For example, by hosting a giveaway, hiring industry influencers, using the Sharing-based profitability approach or by getting media exposure.

A Giveaway is a common tactic to get engagement from new users. In summary, the corporative page starts a “lottery” where users can apply to win a product if they do certain tasks to join the gamble. Example of tasks are to share the giveaway post on the user’s Instagram stories or to tag friends on the comment section of the giveaway.

Usually, brands create a giveaway to allow people to become interested. This procedure is not new, but a proposed novelty is to use the giveaways to directly boost the sales. The goal of the giveaway that is being proposed is not just to get more engagement, but to create new sales with

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it. The idea is after the lottery is done, to send a simple message to all the users that applied to the giveaway with a discount code to be used. An example message could be “Hey, thank you for applying for the free item! Unfortunately, you didn’t win, but as a reward for the attempt, we offer you a 20% discount!”. Basically, a simple message to convince the users to buy the product. This approach can lead to a lot of sales, since if the users already committed some time to share the giveaway, they are probably interested in the product and the promotion can be the motivation to convince them to purchase from the brand.

To hire an industry influencer can also bring some exposure to the brand. By Industry Influencer, the author means an account with a significant engagement on Instagram with users like the ones of the brand’s target audience. This is a good way to promote on the long run, but the author doesn’t recommend applying it too soon due to the high opportunity costs of this tactic, as can be the example of putting ads on the social media platforms or to use the proposed framework.

A better and cheaper way to get exposure can be to start a Sharing-based profitability program, a method to make clients to start to work for the company. It is to give a monetary compensation to users who refer the brand to another user that buys from the firm. By offering this type of rewards, there may be a lot of persons that will be interested in sharing the page with their friends to earn some extra money. It is important to create key-milestones to achieve and bonus for reaching them. For example, to give a bonus for every 10 sales a person refers. To motivate them with future bonus for them to always wanting to make more sales. A way to speed up the process is to convince users to refer the page is to automate the process by using *referral* websites, sites that contain the brands that have *referral programs*. Sites such as Talon.one, Affise or InviteBox. The biggest *referral* websites should know that the brand exist and that it gives top-legit bonus per people referred.

Other advantage of the *referral* programs is that blogs with a lot of audience in the niche may share the *referral* program with it, giving the brand significant exposure and also by allowing the brand’s website to *SEO rank* on Google. If a famous blog shares a link to the brand’s website, Google will consider the website to be interesting, allowing it to appear first on the Google Search when searching for a specific related keyword. Appearing first on Google Search may be linked with an increase in sales (New Initiatives Marketing, 2019). So, it is important to implement a *referral* program to increase the exposure and sales.

The media exposure is also a factor to consider. It is possible to get this exposure by directly contacting newspapers, magazines or bloggers to make collaborations. To have an article online can lead to significant exposure and reach to different users.

Practice 7: To sell through different channels

Although the key tool for these procedures is the use of Instagram, it is recommended to spend some time working on other social media websites. It is important to find where there may be interested parties and reach them in other social media.

The author recommends dividing the time working on social media in two: 70% of it working on the social media that provides most results and the other 30% to work on learning how to grow with sales on other different social media. The ideal would be to be present on every social media platform but taking into account that the size of the startup team, it may be worth to first to focus on one and then expand to other platforms. This way more users will be approached resulting in more sales. It can be complicated to start again a page on a different social media, but it is important reach different users that may not be present for example on Instagram. The future results and exposure will increase with this method.

Practice 8: When to start to receive and to hire

It is possible for a team of entrepreneurs to have different levels of motivation. Some believe more than others on their project. This practice was created with the aim to solve this issue. By taking from the company a share of the profits, the levels of motivation of the team of entrepreneurs can be more balanced.

It can be intimidating to take money of your company. The entrepreneurs feel that they are taking money way that could be reinvested in future profits. This practice proposes to set a date or a goal to achieve in order to start to receive from the company.

The recommendation present in this dissertation is to define a specific level of revenues to start to receive after that. By receiving from the company, the team is likely to be more committed to the firm and want to work more on it.

Another proposal is to take from each sale a symbolic royalty starting from the beginning. By symbolic, the author means to take a small percentage of the profits per sale. Although this may

slow the growth on revenues, since it is not possible to reinvest every time the profits, this may lead to more commitment of the team of entrepreneurs working on their brands.

In an early stage startup, as it can be observed in (Griffin and Hauser, 1996), that is better to split the work by tasks than by areas. For example, an entrepreneur should know its company by heart: know how to do it, how to explain it, how to marketeer it and how to sell it, so every entrepreneur should know sufficiently of these areas. Afterwards, it will be easier to guide future new employee in its new task, when you already knew what was required.

When hiring more employees, it is critical to define a wage with bonus to incentivize the employees to want to sell more and to feel that their wages vary with the success of the company (Joseph and U. Kalwani, 1998). To hire with bonus rewards is ensuring that the workers will be motivated to work for the company to be successful, since they will directly benefit with it.

5. Analysis of Results

On this chapter, first the data will be analyzed and then OkBasket case will be presented. One In OkBasket, the model will be directly implemented step by step on the brand's Marketing Strategy. The goal is to analyze the potential real-world application of it. The objective is to analyze the results and how the model allowed for the sales to increase and understand how it can impact companies' growth in revenues.

5.1 Data analysis and regression model

By directly applying the group of practices proposed on the social media strategy of OkBasket, it was possible to test the model on real case study. The users' responses to the OkBasket's Instagram account were collected and analyzed in order to develop tables to better comprehend the potential of the model with a certain degree of certain. This cross-sectional set of observations can be seen as a random sample, due to having been collected by randomly selecting messages sent or received on the social media platform or by randomly selecting users that liked similar pages to the one of the basketball startup. From these data, we were able to develop the database present on the appendix 8.2 and analyze the framework, as before mentioned.

299 observations were collected. the sample was split in two groups: random users that were followed by the corporative page with the intuit of applying the model (“userfollowedbythemodel” = Yes) and random users that previously followed the page, but were, purposely, not followed by the page,, nor contacted by message in order to infer about the differences observable between the two groups.

A summary of the data on the total sample follows:

Statistic	N	Mean	St. Dev.	Min	Pctl(25)	Pctl(75)	Max
userid	299	150.000	86.458	1	75.5	224.5	299
followerdummy	299	0.672	0.470	0	0	1	1
age	299	23.615	11.965	12	16	27	64
boughtdummy	289	0.090	0.287	0.000	0.000	0.000	1.000
nitems	289	0.152	0.575	0.000	0.000	0.000	5.000
revenues	289	4.709	17.017	0.000	0.000	0.000	135.000
profits	289	1.519	5.614	0.000	0.000	0.000	46.000

It is possible to see that the average revenue the startup received per user in the sample is 4.709€ and that the average profit per user is 1.519€.

On the following table, it is a summary of the sample of the users that were followed by the corporative page with the intuit of applying the model (“userfollowedbythemodel” = Yes).

Statistic	N	Mean	St. Dev.	Min	Pctl(25)	Pctl(75)	Max
userid	227	135.621	82.141	1	66.5	202.5	296
followerdummy	227	0.877	0.330	0	1	1	1
age	227	21.621	10.208	12	15	23	60
boughtdummy	217	0.115	0.320	0.000	0.000	0.000	1.000
nitems	217	0.198	0.654	0.000	0.000	0.000	5.000
revenues	217	6.134	19.334	0.000	0.000	0.000	135.000
profits	217	1.991	6.396	0.000	0.000	0.000	46.000

Here we can see that the average revenues per user are higher than before, at 6.134€ per user.

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The next table presents the summary of the sample, which random users that previously followed the page, but were, purposely, not followed by the page, nor contacted by message.

Statistic	N	Mean	St. Dev.	Min	Pctl(25)	Pctl(75)	Max
userid	72	195.333	84.570	17	153.8	263.2	299
followerdummy	72	0.028	0.165	0	0	0	1
age	72	29.903	14.710	13	19	40	64
boughtdummy	72	0.014	0.118	0	0	0	1
nitems	72	0.014	0.118	0	0	0	1
revenues	72	0.417	3.536	0	0	0	30
profits	72	0.097	0.825	0	0	0	7

It is possible to see that the average revenue per user drops significantly compared with the group of users followed with the adoption of the framework. This happens, since users by being directly persuaded, will take a deeper look at what the store is selling and on average more will make a sale.

The following regression model was estimated to find a correlation between the application of the model and the revenues received by the adopting company:

$$\log(\text{revenues}+1) = \beta_0 + \beta_1 \text{firstmessage} * \text{agerange} + \beta_2 \text{userapproached} + \beta_3 \text{follower} + \beta_4 \text{interest} + \beta_5 \text{gender} * \text{agerange}$$

The model tries to find a correlation between initial interest by the user approached by the adoption of the framework and a growth in revenues, controlling for factors that could be responsible for the user buying it with or without the model, such as the age of the user receiving it, the gender and if the user followed or not the account before being approached. The results of the regression can be found on the following page.

```

## -----
##                               Dependent variable:
##                               -----
##                               log(revenues + 1)
## -----
## firstmessageYes                -0.107
##                               (0.270)
## agerange18-22                  -0.317
##                               (0.397)
## agerange23-27                  -0.040
##                               (0.514)
## agerange28-40                  -1.108
##                               (0.729)
## agerangeOver 41                 0.395
##                               (0.551)
## userapproachedUser sent        0.409
##                               (0.387)
## followerNot Following          -0.124
##                               (0.230)
## interestYes                    1.385***
##                               (0.249)
## genderMale                     -0.037
##                               (0.260)
## firstmessageYes:agerange18-22  0.080
##                               (0.375)
## firstmessageYes:agerange23-27 -0.597
##                               (0.546)
## firstmessageYes:agerange28-40  0.380
##                               (0.523)
## firstmessageYes:agerangeOver 41 0.460
##                               (0.581)
## agerange18-22:genderMale       0.491
##                               (0.459)
## agerange23-27:genderMale       0.050
##                               (0.561)
## agerange28-40:genderMale       1.296*
##                               (0.709)
## agerangeOver 41:genderMale     -0.506
##                               (0.592)
## Constant                       0.044
##                               (0.234)
## -----
## Observations                   224
## R2                             0.338
## Adjusted R2                    0.284
## Residual Std. Error            1.047 (df = 206)
## F Statistic                    6.192*** (df = 17; 206)
## -----
## Note:                          *p<0.1; **p<0.05; ***p<0.01

```

Looking at the table generated, it is possible to take analyze some results. “Interest” is an indicator variable that is 1 if the user was interested initially in the conversation or 0 if the user was not interested in the chat. It is possible to find a positive correlation between a user being interested (interest = Yes) and a growth in revenues. With the coefficient of interest, B4 being equal to 1.385, it means that a user being interested initially will provide the page on average

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24% more revenues than a not interested user. In the conversation with the corporate page on a 95% confidence interval. As possible to see the fact that a message was sent to a user, increased revenues, leading to the confirmation regarding the benefits of the framework. At least a possible relation between the two variables shows the benefits of approaching directly users.

Curious to find a statically significant correlation between a male user between 28-40 buying more than the other age segments.

This model is capable of explaining 28% of the sample variation of the revenues.

5.2 The OkBasket Case

OkBasket is a Portuguese company that sells basketball clothes online at low costs. Their biggest problem is not having the capital available to make bigger orders, which would decrease the unitary costs of the products. The idea with the application of the framework is to provide a path to increase the capital available in a period of three months.

In terms of inventory management, this company has a diverse range of products. It offers more than forty different products and each in five different sizes. It can be complex to accumulate this quantity of stock at a beginning phase, especially with the low funds the company currently has. It was proposed for them to focus on a smaller number of products, but the idea was rejected, due to the entrepreneurs believing that the amount of options is what distinguishes them from the competition.

On this section, the framework and procedures proposed on chapter 4 will be directly applied on the marketing strategy of OkBasket. For each of the practices, a real application will be tested and the explained.

5.2.1 Direct Application of Practice 1: To find the Target Audience

While working with OkBasket, the first procedure was to find the Target Audience. The first step was to post an ad. It was chosen to promote the profile of the brand. For the audience to focus, it was considered to target persons that like to watch basketball (the NBA for example, the most famous league of basketball in the world) and with other characteristics that are

believed to be related with the audience that we want to target. So, the target audience chosen was:

- Men
- Age up to 40 years
- From Portugal
- With interest in the NBA finals
- With interest on the Basketball Portuguese Federation

With this profile, they are possibly targeting nine hundred thousand users with similar interests. 4 euros were invested to post an ad for a day. With this promotion, 6613 users were reached, 95% of which were not following the brand on Instagram. The promotion resulted in 714 likes on the publication. The target audience was the correct one to be targeted as this post led to an engagement ratio of 113%, considering that the page at that moment had 630 followers before developing the ad.

An analysis to some profiles of users that liked the post followed. It was understood that the users which liked the post, were in the majority also basketball players at an amateur or junior level. It was added to the Research registration the Instagram accounts of 10 pages of basketball teams in Portugal and from 3 different competitors' pages.

5.2.2 Direct Application of Practice 2: To increase the Popularity

Following the Practice 2, OkBasket account started to follow accounts that liked the last picture of the first account on the research sheet: @cbleiria, a basketball team from Leiria, Portugal. 30 accounts liked their last picture, accounts which the brand followed. The process continued, being possible to track some stats about the use of the model.

Of the 225 different conversations analyzed, 25 users bought a product from the firm. Representing so a sale by every 9 users approached on average. This is an average estimate, since some users buy more than one product. To do so, we analyzed messages from users that were directly approached ("user1" = 1) and revenues that came from them. On the appendix 8.4, these results can be observed.

5.2.3 Direct Application of Practice 3: To reach the customers

In accordance to the proposed model, messages were sent to the users that followed the page. The following generic message, here translated to English, was sent:

“Good afternoon, are you a basketball fan? Would you be interested in taking a look at our jerseys available for 29.99€? Worldwide free shipping!”

As supposed, the users which followed the page back received a short introductory message explaining what the brand sells. Of the users which received the message, 84 answered the first message. Of those 84, 58 demonstrated additional interest in the products. With 21 of the 58 interested, actually ending up purchasing at least one item. Meaning that 25% of the users which answered the first message, ended up buying at least one item, resulting in revenues of 1204€. This can be divided by the total number of users with which the corporative page interacted with (225) and see that the average revenue per user approached is 5.35€. Showing that the framework passed this application.

5.2.4 Direct Application of Practice 4: Defining goals to stay motivated

On this step, goals in terms of sales were defined.

Assuming that the firm had an initial capital of 500€ and the cost per good is 18€, it was established that they would order 25 orders per week.

Based on the results of the Practice 3 and the capital available, it was defined the goal to achieve 5 sales per day on the first week. But with the 150 € in revenues provided by the sales, it is possible to grow to reinvest 60€ of profits per day, meaning an extra 300€ per week to invest, considering a 5-days week. This results in having 800€ to order in stock on the second week, being the company in the second week able to increase their goals to 8 sales per day. By defining the goals soon, the company will see the growth provided by the model.

Important also to mention that these goals should be followed but are not required for the survival of the company. They are set to define metrics, but it is possible as it happened with OkBasket to have clients that want to return their items, and this might delay the objectives to be achieved.

5.2.5 Direct Application of Practice 5: To compensate old buyers

Of the users that actually bought the product, it was recommended for the entrepreneurs behind OkBasket to later contact them. By tracking the sales with contact information of the client, this is simple to achieve. The author recommended for the brand to after three months to send a message to previous buyers with a promotion just for them.

As the time scope of the implementation of the model was limited, it was not possible to send the message to previous clients acquired with the use of the framework, but even though, the messages were sent to previous buyers of the brand with the promotion to buy a new product. Of the 10 messages sent (small sample, but there were not more registered contacts of buyers), they got 9 answers and 2 new purchases. In fact, the results show that the users liked their first order, since 90% of them answered the message sent.

5.2.6 Direct Application of Practice 6: Medium term recommendations

These recommendations were just proposed and not directly applied on the brand, due to the financials constraints of the company and timeframe available. The author suggested for their implementation just in the medium run and not in the immediate, so the results are still not possible to be tested.

5.2.7 Direct Application of Practice 7: To sell through different channels

It was proposed for the entrepreneurs to start to develop their Facebook and Twitter page. On Twitter for example, the exposure was big when a famous basketball commentator answered a question asked by the brand, leading to 3 sales. It can be a slow process to start a new page again, but can be another source of potential clients to allow for the future growth of the brand.

5.2.8 Direct Application of Practice 8: When to start to receive and to hire

Similarly, to Practice 6, from here just some suggestions were able to be directly implemented.

The first suggestion to motivate the entrepreneurs was to define a level of revenues/sales to start to receive from the startup. The author proposed to start to receive when the number of sales were 200 per month. Assuming for simplicity that the costs are the same for any number of

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sales, by selling 200 products per month, the firm would be making 6000€ in revenues per month. Taking the unitary cost of 18€, the company would be profiting 2400€. The proposal would be for the two entrepreneurs behind the firm to take on this first month 500€ each, still making the company able to reinvest the extra profits of 1400€, being so able to sell 77 extra items per month, resulting in revenues of 8310€, a profit of 3324€ in the second month, a growth of 38.5% in profits. It was so proposed to grow the wages, in the first 6 months, in 50% of the growth in profits, meaning that if profits increase in 50%, the increase in wages would be 25%. This recommendation was specifically set for this company, given their urgency to grow. The wage margin should not be set this high to allow for an even bigger growth on profits for companies desiring to grow in the short run. Even though, the company will keep growing and entrepreneurs are expected to be more motivated by the linked growth between profits and wages.

Due to the low capital existing on the beginning, it was proposed to not take royalties from the company at the beginning and to wait to reach the 200 sales per months goal.

6. Conclusion and Limitations

This dissertation aimed to create and evaluate a new framework on the fields of sales and marketing with use of social medias as a channel of revenues for early-stage e-commerce startups that already have a product, or at least a functional minimum viable product to grow from a startup to a firm.

The framework is composed by eight practices aimed at providing a different sales system with low adoption costs to differentiate the sources of profit of the company implementing it.

On its empirical application, revenues and profits, of the adopting company grew with the use of the practices proposed. The framework provides a possible path to follow in order to grow the sales with use of social media. Its application in OkBasket startup where the results were tracked has shown to be successful.

A limitation of the analysis is to present a single practical case. It would be interesting to see the results with many different startups. Important also to statistically formulate with more data from different applications and answer hypothesis regarding the framework described. For example, to understand how the model can be proved to be a successful tool to apply on the marketing strategy of business-to-consumer companies, independently of the industry they are. This analysis was, deliberately, put out of the scope of this dissertation. The aim of the paper

was to provide a framework to increase sales to be applied on real-world startups. The theoretical analysis was reduced with preference to test the methods directly with a dynamic approach, in order to better demonstrate the initial results.

Other limitation of the study is that it is not controlling for future changes in what is one of its main tools, Instagram. There have been reports (Wagner, 2019), where Instagram is considering removing the number of likes, an account has per post. This move can influence negatively the model by reducing the *credibility factor* of the page. In (Holmes, 2019), we can see that experts in media marketing argue that Instagram is starting to shift for a click-through commerce, meaning that the social media is changing, but according to the opinion of marketing experts present on the article, brands will not be affected by this change, since they will adapt to start to account for other metrics such as the click-through ratio to their website, instead of the average number of likes per post. For the model, this can be controlled by boosting the credibility by other sources. One suggestion is to add to the Featured Instagram Stories, feedback from previous costumers. To ask previous clients, what they think of the product and ask them for permission to post the messages on the brand's profile. This will make consumers feel confident of the *credibility* of the company that they are purchasing a product or service, since other users already bought from the page.

Another possible limitation for the framework is to emphasize too much on the use of Instagram. Although better results have been achieved by using this social media, there are other social medias which can be used for the model with certain adaptations which were left out of this dissertation. It is important to keep following the marketing strategy previously defined and add the model as a complementary strategy Also essential is to diversify the channels, in order to keep growing with more sales, as mentioned on the Procedure 7.

Future research could aim on creating an econometrician model comparing present growths of e-commerce startups with other new companies adopting the model. Interesting would be to analyze in which industries the model fits with greater results. Also, important would be to implement and track the results of the implementation of the Procedure 6, that was suggested, but from which the results were not measured, to understand and quantify the potential of the recommended procedure.

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8. Appendix

8.1 Questions sent to the entrepreneurs

Nº	Questions
1	Where do you see your company in 3 months,
2	Are you willing to invest more money?
3	Do you want to be in charge of your company or
4	How much time a day do you wish to commit to spend
5	Define your target audience

8.2 Database

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Find the complete database by clicking on the following link:

<https://drive.google.com/file/d/1aiM7UYP6RDPxEoVI9ccURDtym2utH3PU/view?usp=sharing>

8.3 Description of the Data tape variables

Field	Description
userid	Unique ID of each user
follower	Dummy variable to see if user already followed or not the page. (Follower / Not Following)
userapproached	Dummy variable to see if the corporative page sent the initial message (Approached) or not (User sent)
firstmessagedummy	Dummy variable to see if the user answered the first message (Yes / No)
interest	Dummy variable to see if the user kept demonstrating interest after the first message (Yes / No)
gender	Dummy variable regarding the user's gender (Male / Female)
age	Variable with the age in years of the user
agerange	Variable with the age range in which the user is (<18 / 18-22 / 23-27 / 28-40 / Over 41)
futureinterest	Dummy variable to see if the user demonstrated possible future interest in acquiring the product
comeback	Dummy variable to see if the user already had been approached before and messaged afterwards (Yes / No)
bought	Dummy variable to see if the user bought the product (Yes / No)
nitems	Variable with the number of items the user bought, since the first message was sent
revenues	Variable with the revenues in euros from the purchase of the product by the user
profits	Variable with the profits in euros from the purchase of the product by the user