



## Social media utilization in business-to-business relationships of technology industry firms



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### ABSTRACT

Even today, it is a fairly common argument in business-to-business companies, especially in traditional industrial companies, that social media is only useful in the business-to-consumer sector. The perceived challenges, opportunities and social media use cases in business-to-business sector have received little attention in the literature. Therefore, this paper focuses on bridging this gap with a survey of social media use cases, opportunities and challenges in industrial business-to-business companies. The study also examines the essential differences between business-to-consumer and business-to-business in these respects. The paper starts by defining social media and Web 2.0, and then characterizes social media in business, and social media in business-to-business. Finally, we present and analyze the results of our empirical survey of 125 business-to-business companies in the Finnish technology industry sector. This paper suggests that there is a significant gap between the perceived potential of social media and social media use with customers and partners in business-to-business companies, and identifies potentially effective ways to reduce the gap.

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### 1. Introduction

Social media utilization in enterprises is a current and popular research topic. Despite the popularity of the topic, social media research is limited, and focuses largely on the consumer in a business-to-consumer (B2C) domain (Michaelidou, Siamagka, & Christodoulides, 2011). Even though anecdotal evidence about the importance of social media for B2B companies exist (e.g., Shih, 2009; Safko, 2010; Wollan & Smith, 2010; Barlow & Thomas, 2011; Hinchcliffe & Kim, 2012), the interest in and adoption of social media by B2B organizations has been slow compared to B2C organizations (Michaelidou et al., 2011). Both the theoretical and empirical research is quite fragmented and the empirical research is mainly based on individual, often not too systematically and analytically reported cases. Furthermore, the use of social media in companies that operate wholly in business-to-business sector and develop products for other companies is not well understood. The aim of this research is to illustrate both the current state and potential of social media use and challenges as perceived by Finnish industrial companies that operate wholly in business-to-business markets.

Despite the relative novelty of social media in business and lack of academic research, social media has already been demonstrated

to open many new opportunities for the B2B sector due to its features that can enhance communication, interaction, learning and collaboration (see e.g., Jahn & Nielsen, 2011; García-Peñalvo, Colombo-Palacios, & Lytras, 2012), which can bring significant benefits to organizations. For instance, according to a study by McKinsey consultants (Bughin, Manyika, & Miller, 2009) “69 percent of respondents report that their companies have gained measurable business benefits, including more innovative products and services, more effective marketing, better access to knowledge, lower cost of doing business, and higher revenues.” According to a recent McKinsey study (McKinsey, 2013) the social media benefits from customer use include for example average improvement of 20% in increasing number of successful innovations, 20% in reducing time to market, and 15% increase in revenue, and average improvement in partner use include e.g., 30% in increasing speed to access external knowledge and experts, 20% in increasing number of successful innovations, reducing time to market, reducing product development costs and in increasing revenue.

Further, social media can be utilized to identify new business opportunities and new product ideas, to deepen relationships with customers and to enhance collaboration not only inside but also between companies and other parties (Barker, 2008; Lehtimäki, Salo, Hiltula, & Lankinen, 2009; Hoffman & Fodor, 2010; Gillin & Schwartzman, 2011).

On the basis of available literature, it can be presumed that the challenges and useful approaches of social media in B2B sector are

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at least somewhat different from those of business-to-consumer (B2C) companies (Lehtimäki et al., 2009; Gillin & Schwartzman, 2011; Geehan, 2011). Even though social media challenges and approaches may be rather similar in internal use between B2B and B2C companies, especially the external use with customers and partners has supposedly important differences due to many special characteristics of B2B markets and products, and should be studied separately. It has been a relatively common assumption (e.g., Eskelinen, 2009; Lehtimäki et al., 2009) that it is much more difficult to utilize social media in business-to-business relationships for instance because of the many significant differences in the business-to-business products, markets and product development. Concerning the above reasoning, thus, we find a clear need for empirical research of social media in the specific context of companies that operate wholly in B2B markets, even if some practices might be transferrable from B2C markets to B2B markets. Although B2B companies have been studied in previous survey studies (Helfenstein & Penttilä, 2008; Bughin et al., 2009; Coleman, 2009; Kärkkäinen, Jussila, & Väisänen, 2013; McKinsey, 2013) of social media in enterprises, the previous studies do not either specify or address business-to-business relationships in companies that operate wholly in B2B markets.

## 2. Definitions of Web 2.0 and social media

Although the concepts Web 2.0 and social media are often used synonymously, it is useful to differentiate them from each other (Kaplan & Haenlein, 2010). Web 2.0 can be defined as technologies that enable users to communicate, create content and share it with each other via communities, social networks and virtual worlds more easily than before. Such tools and technologies emphasize the power of users to select, filter, publish and edit information (Tredinnick, 2006) as well as to participate in the creation of content in social media. Social media can be defined as “a group of Internet-based applications that build on the ideological and technological foundations of Web 2.0, and that allow the creation and exchange of user-generated content” (Kaplan & Haenlein, 2010). Taking this one step further, social media are often referred to as applications that are either fully based on user-created content, or in which user-created content or user activity have a significant role in increasing the value of the application or the service (Kangas, Toivonen, & Bäck, 2007).

Social media are certainly not a unified and well-defined set of approaches, and thus, this should be taken into consideration when studying the use and potential of social media in selected contexts, such as in our study. From a technology perspective, the platforms vary and, correspondingly, so do the rules of utilization and functionality (e.g., Twitter tweets/posts can be no more than 140 characters). In turn, there is variation in how people use these platforms and/or associated applications (e.g., bloggers tend to post at most once per day, and their posts tend to be up to one page in length). A large number of generic different types of social media related applications can be identified (Cooke & Buckley, 2008; Warr, 2008) such as wikis (e.g., Wikipedia), blogs (e.g., company newsrooms), microblogs (e.g., Twitter, and Yammer), social networking sites (e.g., LinkedIn, and Facebook), social content communities (e.g., YouTube, SlideShare, and Flickr), intermediaries (e.g., InnoCentive), and virtual social worlds (e.g., Second Life).

Lietsala and Sirkkunen (2008) suggest using social media as an umbrella term, under which various and very different types of cultural practices take place related to the online content and the people who are involved with that content. Some of the practices are relatively stable, such as participating in wikis, blogging, and social networking, and some are still developing, such as microblogging, or using add-ons to build new types of hybrid sites.

## 2.1. Social media in business

Social media is a relatively novel concept, and its fast wider adoption and public interest has its roots at least partly in the originally non-commercial public social media applications such as Facebook and blogs. In the white paper study by Coleman (2009), only 15% of the general population said they used social networks (technologies) at work, while others used them merely outside the work. The adoption and attitudes towards social media in the business context seem to be affected by the above phenomena: in practice, managers often seem to associate social media strongly with especially Facebook and Twitter, which are only a very minor part of the social media genre in business.

Even if some individual Web 2.0 tools, such as wikis, have been used to some extent in the business context for almost a decade, the general adoption and understanding of social media in the business context is still quite low. In a Finland-based survey (Helfenstein & Penttilä, 2008) targeted mainly at CEOs, CIOs and strategic management, 25.4% stated that Web 2.0 applications and services were in active use in their organizations, and 16.4% said they would adopt them somewhere in the near future, while the remainder had no plans or no resources to adopt them, or thought it was better to wait before making adoption decisions. Adoption of social media may be very fast in certain business areas, and there are significant differences in adoption depending on the business or function surveyed: contrary to the previous research, e.g., in the white paper by Stelzner (2009), as many as 88% of surveyed marketers were using social media in their marketing, but 72% had been doing so only for a few months or less. These rapid changes emphasize the need for monitoring and studying the social media possibilities and adoption rates in various business contexts.

Very few recent academic studies were found that studied the adoption of social media in organizations in general, or in different business functions. The found recent studies discussed for example social media adoption in customer relationship management (García-Crespo, Colomo-Palacios, Gómez-Berbís, & Ruiz-Mezcua, 2010), and knowledge management (Pirkkalainen & Pawlowski, 2012). The academic survey-type studies that were found reported practically no recent studied adoption rates especially in the industrial business-to-business context.

## 2.2. Social media in the business-to-business sector

### 2.2.1. Characteristics of the business-to-business sector

The markets, products and product development exhibit significant differences between the business-to-business and consumer product sectors (Holt, Geschka, & Peterlongo, 1984; Kotler, 1996; Urban & Hauser, 1993; Webster, 1995). For instance, generally speaking, products produced by business-to-business organizations are more complex, the development of new products takes significantly more time, and the customers are large organizations instead of single persons, which is the case in the consumer (business-to-consumer) product sector. In industrial business-to-business markets, there are normally fewer customers compared to consumer markets, and the co-operation with customers is generally more direct and more intense than in the consumer sector. Industrial products are usually purchased by professional purchasing personnel who consider a large number of different criteria when making buying decisions. They tend to acquire plenty of information about the industrial products to be purchased, and they normally evaluate the different alternatives objectively. The demand for industrial products is derived from the demand for the company's industrial customers' products and finally end-user demand (Kotler, 1996; Webster, 1995). In industrial products, there is more emphasis on physical performance and personal sell-

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