

The Use and Evaluation of Social Media by New Enterprises in Germany – An Empirical Analysis

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Abstract

Telecommunication developments in the last years have made it possible for digital media and technologies to enable multilateral interactions through the Internet. A major share of the related transfer of information takes place in social media, which serve as an exchange platform. Due to lower entry barriers, social media offer an attractive option to new enterprises, which need to steer their activities in consideration of their limited resources. Although the importance and the use of social media with regard to new enterprises is generally recognized, there can only be found individual studies on this subject based on quantitative data collection. It is therefore the aim of this study to empirically assess the general awareness of social media, the rational for and against using social media, and the experiences by new enterprises. 451 companies have been invited to participate. 68 out of 120 responses could be used for this study.

Introduction

Technological advancements in the last years have created and enhanced the possibility of information transfer enabling companies to make greater use of the Internet besides traditional marketing channels. As newly developed media is often considered a cost-effective alternative to conventional options, it is frequently associated with new enterprises reliant on low-priced media due to their limited resources. Despite the high significance for new enterprises, there are only isolated surveys on this subject based on quantitative data collection. The objective of this paper, therefore, is to assess empirically how new enterprises assess social media. The work is divided into five sections. In the first section, new enterprises and social media will be defined. Subsequently, the methodological terms of this paper will be described before the results of the study are shown. In the fourth section, the limitations of the study and the resulting need for further research will be demonstrated. Lastly, the results of the study will be discussed and implications will be derived.

Theoretical Foundation

The term “new enterprises” does not, however, describe a uniform category of companies (Bassen & Zöllner 2008). There are in the literature numerous definitions in use such as growth companies, founding companies, or startups, which can be used synonymously (Welpé 2004). The characteristics of new enterprises are clearly evident when compared to established companies. Thus, new enterprises demonstrate a strong, internally generated growth often based on an innovative product or a completely new business model (Schwenker & Bötzel 2006). New enterprises can also be defined by their position in the dynamic lifecycle model. As long as an undertaking has not completed the period of growth and has not entered into a phase of maturity, it can be classified in the group of new enterprises (Voigt 2006).

If the duration of the company’s existence together with quantitative characteristics such as the number of employees or the volume of turnover is taken into consideration, new enterprises can be attributed almost entirely to the small and medium companies (Faaß 2007; Schefczyk & Pankotsch 2002). Thus, the annual turnover of a new enterprise shall amount to a maximum of 50 million euro and the number of employees shall not exceed 250 people. Within the scope of this study those entities will be defined as new enterprises, which have not been in business for more than five years and which meet all formal criteria of a small or medium company.

According to Geißler (2010) are social Media are all media (platforms), which Internet users employ in order to communicate. A key feature of social media is interactivity. This very general definition describes a large number of digital media as social media. However, it cannot be concluded which types of platforms or which degree of interactivity are concerned.

On the basis of the English-language explanations of (Kaplan & Haenlein 2010), the characteristics of social media will be explained in more detail: social media are a group of Internet-based applications building upon the ideological and technological fundamentals of “Web 2.0” and enabling the creation and transfer of User Generated Content. There are different types of social media, which remain to be further investigated. According to Kaplan and Haenlein (2010), the problem herewith is that there is no required systematic way to categorize them. Therefore, they make use of multiple theories from the fields of media research and sociology representing two “key elements” of social media. The following two classifications have then

resulted: with regard to the media aspects, social media can be differentiated according to the richness and the degree of social presence enabled by a medium. Regarding the social criteria, social media can be distinguished according to the degree of required self-manifestation and the type of possible self-presentation.

Another method of classification distinguishes between the activity-related characteristics of social media. (Kietzmann et al. 2011) uses his „Social Media Honeycomb“ to divide social media into seven functional building blocks: identity, conversations, exchange, presence, relationships, reputation and groups. This classification considers how consumers use different social media platforms and which one of the seven elements is placed at the forefront. Recently, the (Bundesverband Digitale Wirtschaft e.V. 2013) assisted by developing new „Guidelines for Media Type Classification“ to help easily characterize and categorize social media types for monitoring and analyzing purposes. The guidelines indicated that the essence of social media can be contextually defined depending on the respective subject area. In principle, it can be said that social media enable a multilateral exchange of digital information through the Internet.

A recent study reveals that almost 80 percent of America’s largest companies (“Fortune 500”) use social media in one way or another (Barnes et al. 2013). However, the study further demonstrates that there is not only a huge difference across industries regarding Social Media activity, but it also reveals a gap across the usage of different social media tools. While 77 percent of the Fortune 500 companies use Twitter as a form of social media, only 34 percent host an own company blog. In addition, Andzulis et al. (2012) come to the conclusion that companies have by far not realized the whole potential of social media. These facts are surprising because studies point out that if executed effectively, social media can be a valuable marketing communication instrument to enhance brand awareness, brand engagement and word of mouth, which in turn, lead to a significant positive impact on long term customer relationships (Hofmann & Fodor 2010).

Especially small businesses often do not adopt social media practices but rely instead on traditional marketing instruments (Bakeman & Bernardino 2012). Yet, particularly small business owners can benefit from social media, since they can e.g. present their products and services to an extremely large audience and still maintain a close relationship with them (Lacho & Marinello 2010). Moreover, social media tools are often relatively inexpensive (Kahle & Valette-Florence 2012), which can be a huge advantage for small companies with a tight marketing budget. Despite the importance of social media for the whole economy, there is clearly a lack of studies, which analyze social media in the context of small companies (Bulearca & Bulearca 2010) and to the knowledge of the authors of this study, no literature or studies exist, which focus mainly on the social media usage of new enterprises.

In the following, it will therefore be elaborated to which extent new enterprises use social media and which experiences they have made. At the same time, the underlying causes will be analyzed, which have contributed to not using social media for business-related purposes.

Methodological Approach

For the purpose of the research objective, a quantitative study has been conducted. An online questionnaire has been developed and split into four segments. In the first part, common questions have been posed pertaining to the company, the sector but also to the use and importance of social media as well as to the general awareness of social media conversion

channels. The social prism of ethority.de (2012) has served as the basis for the classification of the communication channels.

In accordance to the answers to the question whether or not participants use social media, they have been clustered into users and non-users, and have been further interviewed in the third and fourth segment of the study. While social media users have been prompted to answer questions regarding the area of application, the organization of resources, the expectations and the results, non-users have been asked to take a stand on questions related to the reasons why they do not use social media in their companies and which requirements need to be met in order for their companies to employ social media. In the third section all participants have been asked about the general importance of social media for the future as well as its relevance for their companies. Furthermore, they have been asked whether social media monitoring takes place.

The survey has been conducted between 7 February 2012 and 30 March 2013. The contact details of the participating companies have been collected through an Internet research as well as through associations, incubators, start-up centers and networks. Altogether, 451 companies have been invited online to fill out the questionnaire, 126 companies of which have responded and opened the Internet site with the questionnaire.

Following the completion of the survey, the data has been cleaned up to ensure quality. It has been proved whether the questionnaires have been answered within reasonable amount of time and level of quality. Thus, data sets have been deleted in those cases where the completion has ended in only a couple of seconds or most of the questions have remained unanswered. Data sets have also been deleted when the entities have been in business for more than five years and, thus, do not fulfill the requirements of the survey. Following the data clearing, the responses of 68 entities have been taken into consideration.

The average time of all users to fill out the online questionnaire has been eight minutes and 36 seconds, the median - seven minutes and seven seconds. Due to the explorative nature of the survey, the findings have been demonstrated in a descriptive manner to provide an overview of the social media importance for new enterprises. Given the innovative nature of this field, an in-depth statistical analysis has not been undertaken.

Empirical Survey Findings

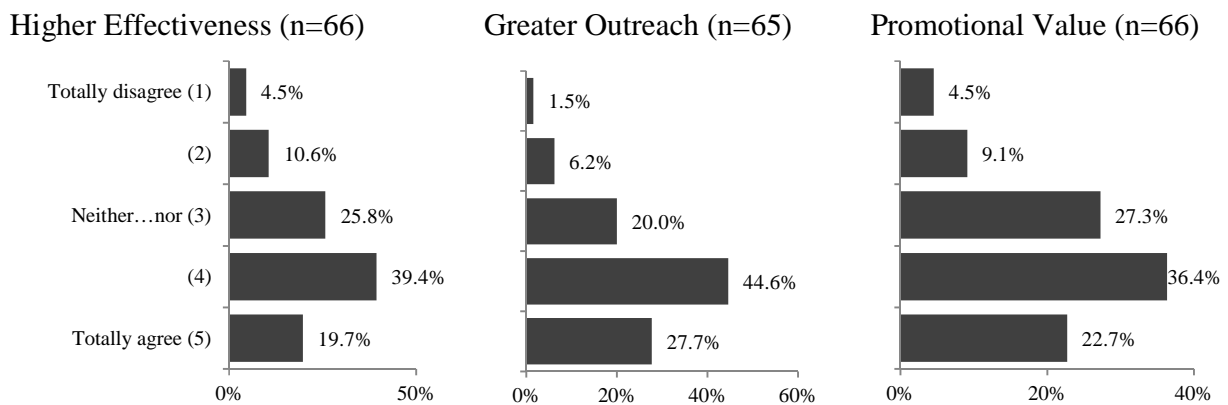
The participating enterprises have been founded between 2008 and 2013. The majority (20 companies) have been launched in 2010. 59 enterprises have employed between one and nine people. Approximately 90% of the companies have had an annual turnover of less than two million EUR. 62 entities have been defined as fully independent undertakings, Four as partner companies with 25% to 50% of the capital owned by another firm and two as associated enterprises with 50% of the capital held by a different entity. The industry focus lies equally on the information and communication sector as well as on the service industry (excluding retail trade) representing 16% of the respondent companies' sector affiliation. The food, electronics and construction industries have been represented by a total of 5 companies.

In principle, the respondent enterprises ascribe to social media high relevance. More than 71% of them agree that social media play a significant role for their company, while 12.1% neither agree nor disagree with this statement. 10.6% tend to disagree with while 6.1% have an entirely contrary opinion and do not see any relevance of social media to their activities. The results of

the survey are also reflected by the user behavior. More than 82% of the companies utilize social media for their interests.

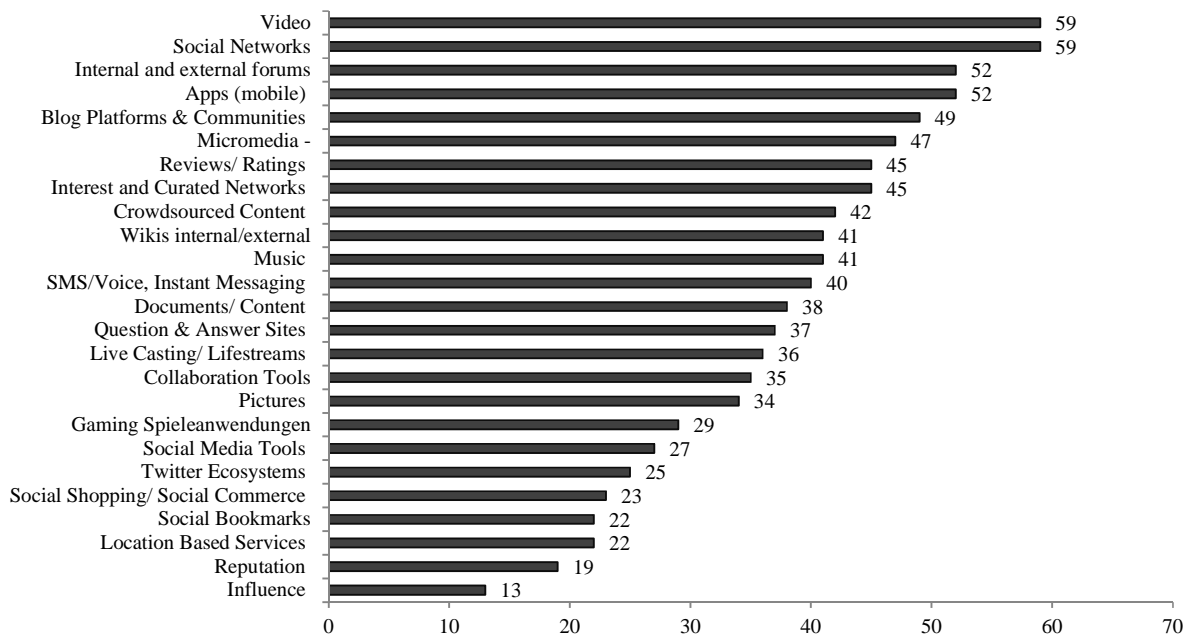
The rationale for using social media could be the higher effectiveness, greater outreach and better promotional value compared to the classical advertising media. The greater outreach of social media has been rated highest compared to the classical media. For more than 70% of all respondents it offers a clear advantage. 59.1% each confirm the superiority of the higher effectiveness and better promotional value (see figure1).

Figure 1: Evaluation of the Effectiveness, Outreach and Promotional Value Compared to Classical Advertising Media



The most well-known conversation channels in social media among respondents are video and social networks. Internal and external forums as well as applications for mobile devices represent the second most famous channels. Influence and reputation are the least well-known mentioned only by 19 and 13 respondents, respectively (see Figure 2).

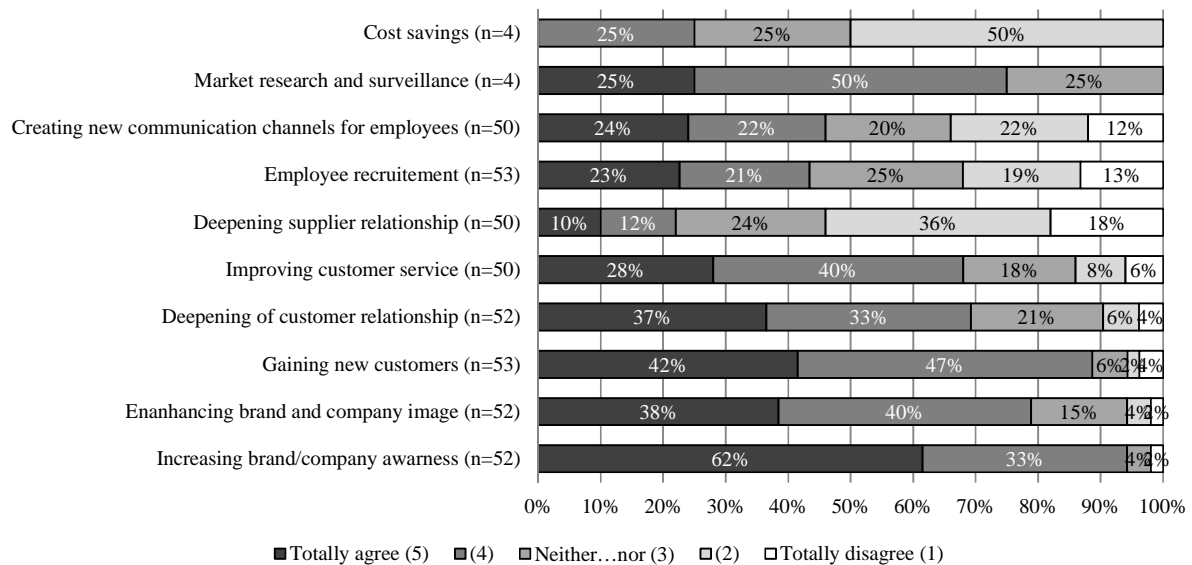
Figure 2: Awareness of the Social Media (n=67)



Those respondent companies, who utilize social media, focus their activities by a small majority on end consumers. 22 enterprises report they exclusively or predominantly address end consumers. 21 entities use social media to address equally business and end consumers while 12 companies have their emphasis fully or partially on B2B. In most respondent companies (58.9%), the operational execution has been performed by the management. In 37.5% of them the task has been carried out by company's own employees and only 3.6% use the services of external providers. In those cases when company's own employees are entrusted the task, an average of 2.8 persons are in charge with 1.7 posts assigned. In terms of turnover, an average of 7.88% is invested. The mode lies at 5%. The qualification of the employees responsible for social media is most frequently carried out by basic induction programs (10 mentions) or further education measures (11 mentions). Eight companies provide specialized literature for the purpose of autonomous knowledge acquisition, while 4 enterprises offer in-house training. Experts with specific skills have only been employed by three companies. Five entities have not adopted any measures to ensure knowledge acquisition so far.

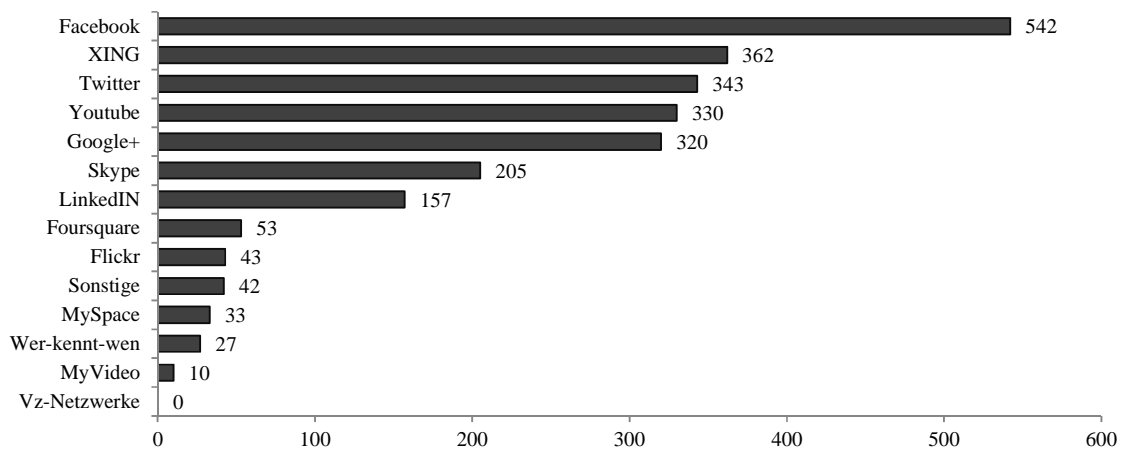
With the utilization of social media, commercial entities are mainly interested in increasing brand and company awareness, enhancing brand and company image, gaining new customers, as well as deepening the customer relationship. Market research and market observation, as well as cost savings play no or only a secondary role (see Figure 3).

Figure 3: Purpose of Social Media Use



By considering Figure 4, a clear hierarchy in the relevance of social media is revealed. Facebook is by far considered the most important social media. XING, Twitter, Youtube, Google+ comprise the second most important group. The significance of the subsequent media severely diminishes.

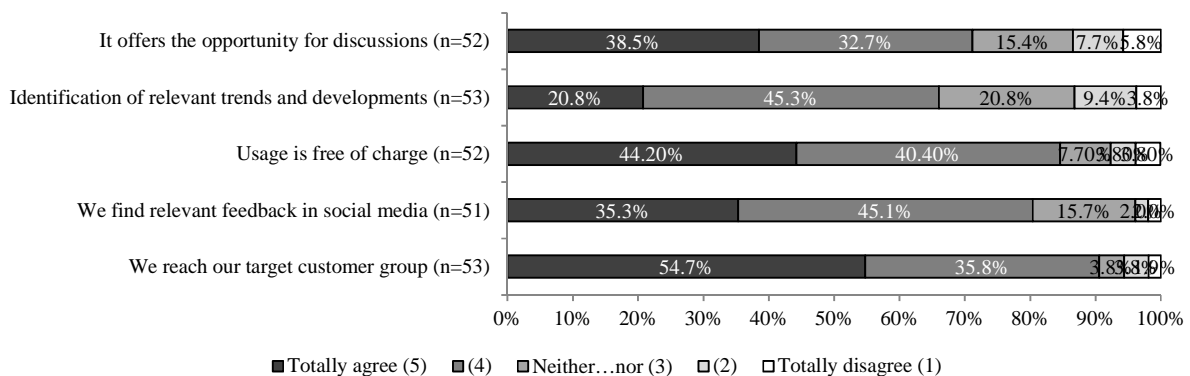
Figure 4: The Relevance of Social Media (n=54)



Most companies are generally satisfied with the use of social media. 68% claim their social media activities meet their expectations. 22% neither agree nor disagree with this statement. 10% tend to be dissatisfied with the results achieved.

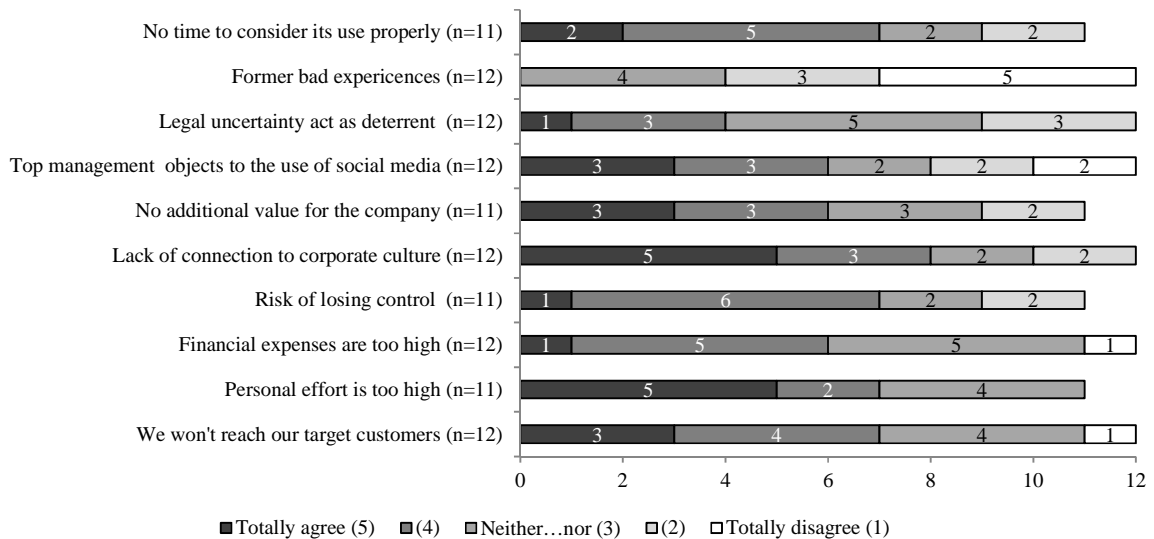
The answer as to what constitutes the most relevant social media for the respondents is the access to the target group. In addition, the free social media use plays a significant role. Through the social media the companies also receive feedback. An open exchange of opinions and the identification of relevant trends are considered no less important. In comparison to the aforementioned reasons, however, they account for a smaller share of mentions (see Figure 5).

Figure 5: Reasons for Using the Most Relevant Social Media



Companies, which have not utilized social media so far, cite personnel expenditure and lack of connection to their corporate culture as the reasons for their behavior. Seven entities claim they have not found the time to consider the use of social media. The risk of losing control and the associated financial burden also play a decisive role (see Figure 6). Given these circumstances, those companies indicate they do not want to use social media in the future.

Figure 6: Reasons for the Non-Usage of Social Media



Limitations and Future Need for Research

In the context of the study, only new enterprises in Germany have been taken in to consideration. Thus, it is not possible to transfer the findings from different countries. Future studies could focus on identifying and comparing the similarities and the differences at an international level, and demonstrate herewith the possible influence of culture

So far, it has not been differentiated according to company size or industry. Therefore, there may be differences among companies decisively defining the way social media is used or evaluated. By means of an in-depth analysis, possible usage clusters based on firms' characteristics may be built.

Despite the fact that 451 enterprises have been contacted to participate in the survey, the data sets of only 68 could be used. The findings, therefore, are only able to identify trends without being representative. Future research could ensure representativity in terms of the industry sector or of all new enterprises in order to strengthen the validity of the findings.

The aim of this paper was to provide an overview of social media use. The identification of interdependencies has been excluded from the scope of this research. This gap could be closed through further research work.

As this survey represents a cross-section analysis, it is not intended to provide insights concerning the temporal development. Thus, no conclusions are allowed be drawn with respect to the importance of developing social media. However, it can be assumed that the relevance of social media for new enterprises changes during the periods of growth as the availability of resources change. In this context, the operational responsibility could be transferred from management to trained experts.

The present study fully focuses on commercial entities and does not allowed to deduce information concerning the evaluation of addressees. Thus, the real impact of the activities

undertaken cannot be measured. If both parties were enrolled in a study, possible recommendations for the use of social media could be derived.

Discussion and Managerial Implications

Social media appear to be an important communication and marketing channel for new enterprises. Most of the respondent companies utilize social media for their activities and are largely satisfied with the results. Given the general restrictions, there is a significant amount of resources allocated. Both the expenditure as a proportion of the revenues as well as the allocation of personnel resources exhibit high values.

Yet, in spite of the survey findings, it appears that social media is handled by continuous experiments rather than skilled experts. The aforementioned qualification measures adopted by the companies, for instance, are an indication of this.

The adequate use and effectiveness of social media will, however, be critically affected by the level of professional management. New enterprises should, therefore, be aware that their activities will not only result in positive effects on pages but they can also cause negative consequences for the company. Recent examples of established firms provide anecdotal evidence hereto.

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