

THE ROLE OF SOCIAL MEDIA IN B2B SELLING PROCESSES: AN EXPLORATORY CASE-STUDY IN THE MECHANICAL SECTOR

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Abstract

The main aim of this paper is to explore more in depth the role of social media in selling processes by business-to-business (B2B) companies.

To achieve this goal the paper undertakes an exploratory case-study of a mechanical company actively using social media and web technologies to start and develop customer relationships and pursue sales opportunities.

The case-study is analyzed through the IMP approach, which emphasizes the role of interaction and the interdependencies of resources and activities within dyadic and network relationships. Specifically, this paper attempts to rely on recent developments on the themes of interaction and business networking.

Keywords: B2B, social media, relationships, interaction, sales, IMP

INTRODUCTION

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To achieve this goal the paper undertakes an exploratory case-study of a mechanical company actively using social media and web technologies to start and develop customer relationships and pursue sales opportunities. The case-study is analyzed through the IMP approach, which emphasizes the role of interaction and the interdependencies of resources and activities within dyadic and network relationships. Specifically, this paper attempts to rely on recent developments on the themes of interaction and business networking.

The motivation to pursue this topic is twofold. Firstly, research on the role of social media in B2B market relationships is still limited, notwithstanding the growing adoption by companies of social media tools for communication purposes. Secondly, it is deemed relevant to assess whether and how the use of social media web technologies and support affects interaction processes between firms when exchanges of knowledge and resources are at stake.

The paper is structured as follows. The next section provides the background literature on the role of social media in marketing activities and specifically in B2B interaction. Then the paper outlines the research objectives and methodology. The following section develops the empirical analysis based on Gamma case-study, while the last section discusses more in detail the main empirical results, discusses limitation and future research steps and draws some relevant managerial implications.

BACKGROUND LITERATURE

In the last few years, there is growing interest on the impact of social media and web technologies on small firms companies' marketing activities and on interaction with final customers (Kim et al., 2013; Durkin et al., 2013). These new tools allow for remote contact, transfer of knowledge and development of interactive relationships between counterparts. However, thus far, the main focus has been placed on B2C exchanges, while research on the role of social media in B2B interaction has been limited and fragmented, notwithstanding the growing adoption of web tools by B2B companies (Naude & Holland, 2004; Jarvinen et al., 2012; Jussila et al., 2012; Töllinen et al., 2012).

In particular, if compared to the B2C, B2B presents some significant and different features that have to be considered in the analysis of social media in this context, such as the characteristics of the buying process, higher costs, interactive nature of the exchange process due to the complexity of the products involved, the higher information content, the processes of adaptation between counterparts. In this respect, it is apparent the strategic role which can be covered by social networks, that are substantive interactive tools with significant potentialities for B2B companies (Michaelidou et al., 2011). The use of a variety of social media applications facilitates three business processes: the international selling processes, co-operation processes with key actors of the selling activity (Ylimaula, 2013), innovations processes in terms of new ideas for products and services (Jussila et al., 2012).

Recently some authors addressed the issue of Social Media Strategy as the way to "create a realistic vision for social media capabilities aligned with short term to long term business objectives" (Kaplan & Haenlein, 2010). In particular, the social networks strategy is based on the combination of different and complementary functions (Identity, Conversations, Sharing, Presence, Relationships, Reputation and Groups) which might affect the interaction processes with all network actors (Kietzmann et al., 2011).

“Identity” represents the extent to which key actors decide to reveal their identity in a social media network. “Conversations” are linked to the possibility for users to communicate with others in the social setting. “Sharing” function represents the opportunity of exchanging, distributing and receiving contents (Panahi, 2012). “Presence” represents the extent to which users can have information over access to other users (i.e. status lines like “available” or “hidden”). The last three elements are linked to the way online relationships can be build (formal/informal relationships with/without a formal arrangement of what and how much information users should share), to the online reputation (measured by the number of followers for example) and to the opportunity to establish, in the online world, communities and sub-communities.

In order to exploit the opportunities stemming from primary social networks is fundamental to adopt a strategic approach which envisages three overriding phases: cognize, curate, chase (Kietzmann et al., 2011).

“Cognize” refers to the firm’s choice of social networks compatible with the elements outlined above. For example, Kaplan and Haenlein (2010) suggest that the actors identity represents the self-disclosure of objective and subjective information. In order to reach this aim of actors’ knowledge, it is important to adopt social applications that focus their identity strategy on self-promotion (Facebook) or self-branding (Linkedin); on the contrary a social network as Twitter, being centered on the exchange of real-time short messages, is more about conversation than identity. In order to share contents, a firm should adopt social applications based on sharing actions (such as Youtube for homemade videos). When the company’s aim is to pay attention to the user availability and location (presence), it should select those social media platforms that offer a presence or status online indicator, “along with a suitable mechanism through which users can contact each other and interact” (Facebook or Foursquare). With regard to relationships, reputation and groups dimensions, a firm should choose social media applications that allow for easier relationships buildings (Linkedin has a referral system which introduces users, through a chain of friends-of-friends, to the contact they intended to meet), more rapid evaluation methods of online reputation (Youtube bases users’ reputation on “view counts” or “ratings”, while Facebook on “likes”) and support to the creation of online groups (Facebook allows for the establishment of group pages with administrators who manage the community, approve applicants and invite new members to join).

“Curate” phase concerns the effective care of its personal accounts, through the identification of who will represent the firm online. In this case, the key action is the choice of employees who present effective competences in this field necessary to manage in a conscious way all firm’s social media interactions.

“Chase” is linked to the constant evaluation of the changes in social media system (Hanna et al., 2011). Every firm should always remember that the choice and the care of their social network tools are not sufficient to conduct an effective strategy but it is also fundamental to observe constantly how other social media platforms are evolving and how its competitors are responding (Kietzmann et al., 2011).

It is apparent that such studies are based on a strategic management approach that focuses on unilateral/planned vision of company behavior, without taking into account the role of interaction processes that characterize B2B market relationships. This is particularly relevant in the IMP view of business that strongly relies on the idea of interaction as its substantive nature (Ford & Håkansson, 2006a; Ford & Håkansson, 2006b). All companies are embedded in a significant number of relationships each of them with particular and unique activities and resources involved, that are constantly shaped by the process of interaction going on between the two parties. Moreover, the interaction process going on in a dyadic

relationships is connected with a wider network of relationships the two actors are engaged in.

Thus far very few studies specifically address the issue of social media adoption in this research stream, coping with IMP approach (Toppi et al., 2012; Sood & Pattinson, 2012). In particular Sood & Pattinson (2012) starting from the original IMP interaction model (Håkansson, 1982) try to develop a “Social IMP Model” that for each variable of the interaction model associates a social activity which greatly amplifies the opportunity of creating and developing long term relationships. For example, product/service exchange is shaped by online conversations; information exchange is influenced by social media-based conversations and their contacts patterns; financial exchange can be associated to social media applications linked directly to online payment mechanisms and social exchange to the use of social media interactions able to reduce cultural differences.

We argue that, in this direction, further research development should take into account the recent evolution of IMP concepts -interaction, business networking, management in business networks (Ford & Håkansson, 2006a; Ford & Håkansson, 2006b; Håkansson et al., 2009; Ford & Mouzas, 2010, 2013) in order to effectively study the role of social media adoption in B2B contexts.

RESEARCH OBJECTIVES AND METHODOLOGY

This paper aims to point out how social media adoption influences interaction processes and relationships between a B2B company and other relevant actors operating in the business network.

In order to answer to the research question this paper provides an in-depth case study of Gamma. Gamma is a small mechanical company active since 1959 in the production of machineries for construction and road yards, based in an industrial cluster in the Centre of Italy. Gamma is a family firm currently managed by the third generation-entrepreneur and has 10 employees. Gamma produces machineries used in three significantly different sectors: wood-working, construction, tennis court clays maintenance. In fact, over the last years the firm evolved by adding to his historical construction machineries production line a new line of machines for wood, deck and parquet staining, oiling and brushing treatments. Recently Gamma entered a third sector by producing a special line of machineries used in the maintenance of red clay court.

This company has been chosen because it has been able to face a sharp reduction in market demand introducing a new product and actively promoting and selling it by extensively using the main social media platforms in an innovative way. Moreover Gamma exploited the opportunities stemming from the combination of the use of this new channel and of the old channels (mainly intermediaries) trying to constantly balance between them. In this respect, Gamma revised its way to interact with relevant actors in the business landscape.

In this respect, the Gamma case-study is examined through the IMP approach. In our perspective, IMP view of business networks, relying on activities, resources, and actors layers, proposes a better understanding of the issue under investigation (Håkansson & Snehota, 1995; Håkansson et al., 2009). Notably, this paper relies on the recent development in IMP research on the related concepts of interaction and business networking. IMP view of business strongly relies on the idea of interaction as its substantive nature (Ford & Håkansson, 2006a; Ford & Håkansson, 2006b). In these complex processes of interaction as the continuous process of action, reaction and re-reaction involving multiple individuals by which actors, activities and resources are constantly shaped in time and space, the idea of business networking emerges as the way by which an individual, i.e. a manager or an

entrepreneur, consciously attempts to modify (develop, change,...) these processes of interaction (Ford & Mouzas, 2010, 2013). In this respect, business networking is considered as the core of management in business networks (Håkansson et al., 2009).

The research is thus based on a single case study methodology (Yin, 2003; Dubois & Gadde, 2002) that allows to grasp the complexity of the issue under investigation: changes in interaction processes with relevant actors in the business landscape, due to the introduction and use of a new tool for the company, i.e. social media platforms.

Thus far two interviews have been held. A first in-depth semi-structured interview has been conducted with the entrepreneur and with the sales manager together, dealing with the evolution of the company strategy, organization and business network development. The interview has mainly addressed the rapidly changing and challenging scenario for the company under examination. A second interview has been conducted with the Sales Manager on interaction processes with key actors. For this interview and in connection to the specific aim of this study, we used the tool of network pictures that allows researchers to capture in a systematic way how actors perceive their surroundings (Ramos & Ford, 2011). Network pictures in IMP studies are defined as the mental representations of the network characteristics which individual managers perceive as important for their own sense and subsequently decision-making (Ford & Håkansson, 2006b; Henneberg et al., 2006).

GAMMA CASE STUDY

Until 2007 Gamma has been specialized in building machineries and focused in the domestic market. Since 2008 the market has sharply reduced and competition has increased due to the expansion of Chinese producers, able to supply the market with low cost products, often chosen by local distributors. Thus Gamma has faced decreasing demand and has been forced to reduce employees engaged in production activities.

Gamma has tried to overcome such strong market difficulties introducing an innovative and less expensive product - a wood-working machinery - in a new sector for the company. This product line is the result of interaction with wooden product distributors which needed specific machineries not available at a reasonable price in the market. Gamma developed the new product internally in two years before launching it in the market. Gamma product strategy – when compared to existing competitors - was based on three principles: a simpler to use product, less expensive and faster delivered. Existing machineries were more complex in terms of use and maintenance, more costly and required longer delivery time. Thus the new machinery had almost no competition when it has been presented to prospective customers. Moreover, Gamma introduced a new machinery for the maintenance of tennis clays courts. The prototype has been developed many years before and only recently the new machinery has been launched in the market. An independent intermediary firm has been put in charge of sales in the Italian market, while sales in foreign markets are directly managed by Gamma through the web platform.

In 2008 Gamma sold 95 new wood-working machineries and this performance partially offset the sharp decrease in sales of construction machineries. In the 2009-2010 period the entrepreneur started a massive promotional campaign showing its new wood-working product line in 12 main international trade fairs, developing contacts with existing distributors, inviting potential customers and business partners for a physical demonstration in its plant. However, in this promotional phase Gamma experienced a few difficulties. Firstly, existing and “old” distributors did not display strong interest because selling this type of machinery required deep knowledge of complementary products and resellers could not benefit of high profit margins. Moreover, distributors could control only a small share of the

potential market. Secondly, initial feedback from customers attending product demonstrations was mixed and in some cases Gamma suffered from negative word-of-mouth.

Therefore Gamma gradually shifted from a traditional distribution system - based on the combination of passive relationships with small distribution resellers and communication through trade fairs and specialized press – to a direct approach to sales contacts mainly through the web platform, aiming to selling directly to distributors and final customers in Italy and abroad. Moreover, Gamma opted to reduce its attendance of international specialized trade fairs.

For Gamma the main challenge was to increase public knowledge of its new product lines. The management was aware that in foreign markets – such as US – the product could gain wide acceptance by customers dealing with obsolete and expensive machineries. The limited available budget pushed the Entrepreneur and the Sales Manager to consider social media platforms as the main communication and sales tool. Most of the effort has been placed on setting up a presence in Youtube. Gamma posted about 200 videos over time on Youtube covering a wide variety of uses and applications of its machineries, often trying to meet specific user requests and settings. The main aim was to provide full knowledge of the product use in order to encourage purchasing decisions by prospective customers through the web. This “open” approach marked a difference between Gamma and other machine-building companies, more reluctant to transfer to disclose product knowledge and information without having some degree of control on such process.

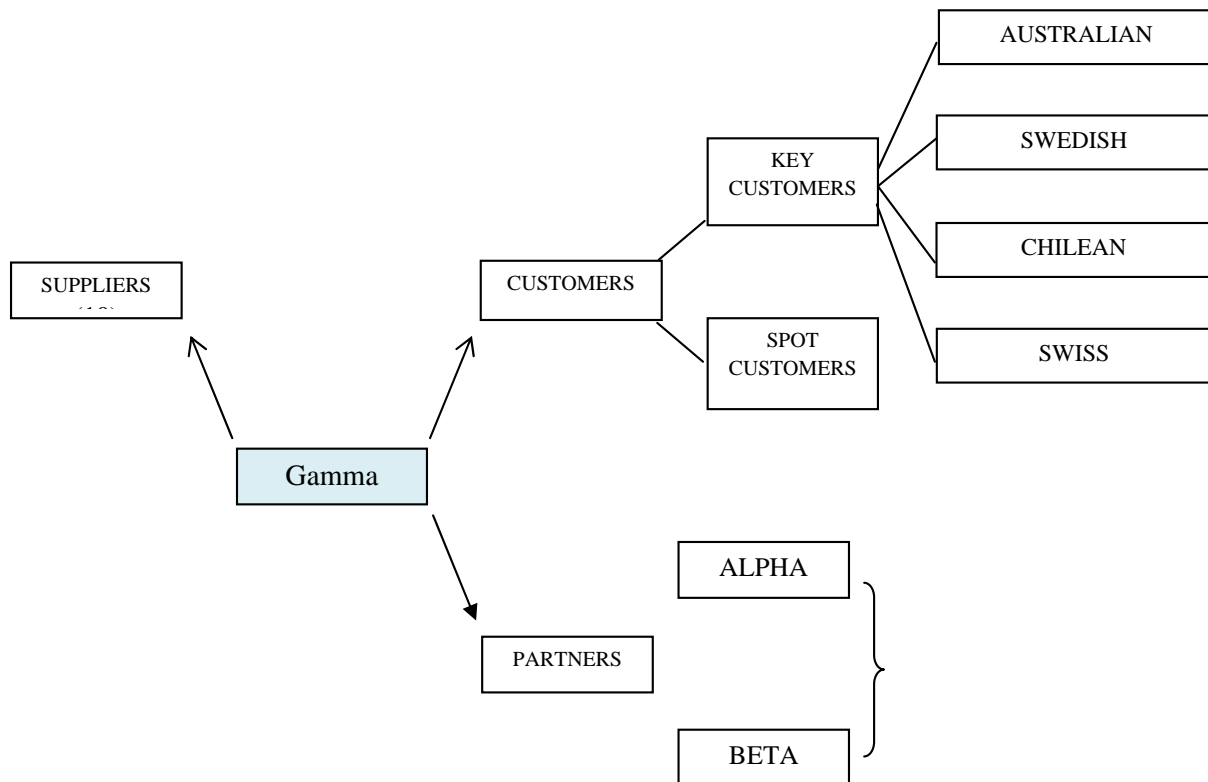
Therefore in the 2009-2011 period Gamma implemented a full revision of the company web-site and created mini-web sites for each product line. This effort by the Entrepreneur implied additional time and energy, also because Gamma started to interact with new prospective foreign customers. At the end of 2011 two new young employees have been hired in the Sales Department, detaining competences in foreign languages and in the areas of sales management and web marketing. The new Sales Manager has been placed in charge of managing contacts and interactions with new customers and of developing the web/social media platform to increase knowledge of Gamma products among prospective customers in Italy and abroad.

Youtube is the main social media channel used by Gamma. Currently almost 200 videos are posted, showing how machines operate in great detail and in combination with different complementary products. Videos are realized internally by Gamma staff using available basic software. Their content is based exclusively on visual knowledge of machines, without any spoken description or explanation by Gamma staff. In every posted video there is the basic information to contact the company. Customers interested in the product contact Gamma mainly through e-mail and often the first contact by the customer and the following negotiations are implemented through exchange of e-mail messages. Whenever possible Gamma staff uses standard content to address specific questions. Most of the times negotiations end with a final exchange of e-mail messages, while in some cases customers prefer a final phone-call for the final details of the purchase. Organization of virtual meetings using Skype or similar tools is very rare.

Gamma uses also the Linkedin channel, which is considered valuable for creating contacts with managers and professionals potentially interested in the product and its use. Gamma staff believes that Linkedin users have a higher propensity to evaluate serious commercial proposals through this social media.

Gamma has achieved satisfactory results in terms of turnover recovery after the 2009 sharp decrease in demand and has its market orientation has shifted from the domestic to the foreign market. The share of Italian customers is rapidly decreased, while foreign customers have grown significantly over the last few years. Most of the foreign customers are located outside the European Union, in countries as United States, China, Australia.

Figure 1: The network around Gamma in the Sales Manager perception



The new market relationships where Gamma is involved are established with “key” and “spot” customers, business partners – providers of complementary products – and key suppliers (see Figure 1).

Key customers are four distribution resellers, which currently represent 30% of total turnover. They are all based abroad (Switzerland, Sweden, Chile, Australia). They place orders of various machine units and guarantee a certain degree of stability in the sale process. Three over four key costumers have had the first contact with Gamma through Youtube. In two cases Gamma’s “Youtube” approach has been exploited or replicated by key customers with respect to communication with their own customers, thus enhancing the whole sales channel through Youtube. Gamma is aware of their relevance and pays attention in handling the relationships. In case of direct contacts from Australian customers Gamma staff forwarded requests to its Australian partner, which has an articulated local sales network. Interaction with key customers is implemented through e-mail – as in the case of the Australian and Swedish distributors - and telephone.

“Spot” customers are companies buying machines mainly for their own production needs and represent currently 70% of total turnover. About 60% of total turnover is generated through Youtube contacts. Final customers often play an active role while interacting with Gamma. In various cases they requested the setting up of new videos for gaining visual knowledge of specific applications or for solving unexpected difficulties while starting the use of the product. In many cases they made suggestions to improve the product, mainly through “private” direct contact with Gamma, without posting public messages on Youtube.

The few comments posted on the social media platform have stimulated specific requests by phone from potential customers.

A relevant role in Gamma's market approach is played by "business partners", which produce and sell complementary products to be used with its wood-working machines. Gamma developed synergic partnerships with a Alpha and Beta – a German and an Italian company - producing paints and selling them globally. These companies benefit from Gamma social media communication effort when it shows the functioning of the machines using their own paints. Gamma benefits from word-of-mouth by its partners when they are contacted by their own customers and from the Youtube search by potential customers using Alpha and Beta names as key words. Alpha invited Gamma for demonstration of its machines during Open House events organized at its headquarter in Germany. Moreover, recently Gamma partnered with Alpha and Beta for attending the main international trade fairs. This allows for reducing marketing costs and for a more effective promotion towards potential customers. In the meanwhile Gamma is committed to develop relationships with other paint producers, inviting them for demonstrations in its plant and hoping in a positive word-of-mouth concerning its products.

Gamma's efficiency and effectiveness in marketing its products in foreign markets increasingly depends on its own suppliers effort and capabilities. About 10 key suppliers provide innovative inputs and play a relevant role in final delivery compliance, which is a key competitive factor in international markets.

DISCUSSION OF RESULTS AND FINAL REMARKS

The preliminary empirical analysis provides three main insights. Firstly, it seems apparent that the adoption of social media resources helped Gamma to gain increased visibility and thus tap into new markets, developing relationships with new customers (Kim et al., 2013; Durkin et al., 2013).

Secondly, available data seem to suggest that social media have been adopted both as a communication tool and as an innovative distribution channel, changing substantially Gamma market approach and its relationships with distributors.

Thirdly, social media seem to have contributed to gradually transform the way business relationships are perceived by Gamma and how interaction processes with existing and potential customers are implemented. Transfer of product-related knowledge through social media seems to satisfy needs of both the seller – Gamma – and buyer companies. Physical/personal interaction seems, somehow, "codified" within procedures – in some cases "routinized" – which are shared between Gamma and its partners, apparently fulfilling also trust-building needs. Future empirical research steps and additional collection of data should better clarify to what extent social media effectively changed Gamma approach to market relationships.

It should be highlighted that preliminary empirical analysis shows that Gamma thus far has not fully exploited opportunities that social media could offer within a structured "social media strategy", as outlined above (Kietzmann et al., 2011). There is some evidence of expected further incremental development in the use of specific social media applications, even though the direction and intensity of such changes is still not clear. Further insights will derive from a further interview with the entrepreneur, which will be based on the network picture approach. This allows for pointing out similarities and differences in the perceptions of the two individuals – the Entrepreneur and the Sales Manager - that are in charge of the decision making and of relevant interaction processes with key actors. It could be argued that the two network pictures can be effectively used to explain changes in interactions and

networking processes, with particular emphasis to the different roles and attitudes of the two individuals: the Sales Manager, who is responsible of the introduction and use of the social media; the Entrepreneur, who is mostly oriented towards more “traditional” business networking.

Preliminary empirical results highlight a number of relevant managerial implications. Firstly, social media could provide a communication vehicle when companies have limited marketing resources, as in the case of small firms, and aim to reach and establish contacts with new customers, both distributors and final customers. Thus companies might redefine their degree and patterns of investment in traditional B2B communication tools as trade fairs and specialized press. Secondly, social media could provide tools for transferring product knowledge to prospective business customers, if the product technology is simple and the company is not concerned with a wide and public disclosure of product use information. Thirdly, the overall sale process – even with new customers - could require a limited use of human resources and physical contact, if communication is handled in an appropriate and trust-building manner. Finally, the use of social media to handle market relationships with old and new customers might have an impact on the role of the entrepreneur in his/her way to perceive market opportunities and development. From one side the extensive use of social media in handling customer relationships might promote new market contact opportunities and to increase processes efficiency; from the other side it could reduce interaction processes in dyadic relationships, because of the increased “codification” of knowledge and information exchanges, thus limiting innovation opportunities.

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