Social Media and the Logistics and Supply Chain Industries:

Why Not Participating is a Risk You Can’t Afford to Take

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Executive Summary

More than 1.5 billion people use social networks globally. Seventy percent of companies use social technologies. Seventy-seven percent of Fortune 500 companies have an active Twitter account, 70 percent have an active Facebook page, and 69 percent utilize YouTube. Similarly, 81 percent of Inc. 500 companies have an active LinkedIn page, 67 percent have an active Facebook page, and 67 percent have an active Twitter account. Companies are not using social media and social technologies to socialize; rather they are using them to grow their business and to bring value to both their company and their customers. Ninety percent of companies using social technologies report realizing business benefit from their use. It is estimated that the potential value that could be realized across the value chain through the use of social technologies is more than $1 trillion annually.

While other industries participate and utilize social media and social technologies, the supply chain and logistics industries largely have not. The primary reason the supply chain and logistics industries lag behind others is a lack of understanding and knowledge; in short, the role social technologies can play for business is not recognized.

This paper defines social media and social technologies and describes some of the benefits which can be realized by the supply chain and logistics industries through participating. Specifically: enhanced communication with customers, demand generation, increased exposure to the company, reduced marketing costs, risk mitigation, increased productivity, and enhanced marketplace intelligence.

In today’s world the stark reality is that not utilizing social technologies places your company at a disadvantage and opens your company to risk.
What is social media?

In a 2013 article in *MIT Sloan Management Review*, Gerald C. Kane, Associate Professor at the Carroll School of Management at Boston College, wrote: “When asked to define social media, most people probably rely on something similar to Supreme Court Justice Potter Stewart’s definition of obscenity: ‘I know it when I see it.’” Unfortunately this approach to defining social media tends to perpetuate stereotypes and does not accurately reflect what social media is and how it can be utilized by business. What, then, is social media? Social media is defined by the *Oxford English Dictionary* as: “websites and applications that enable users to create and share content or to participate in social networking.” These websites and applications are inclusive of Twitter, Facebook, LinkedIn, and Google+. Social media is part of a larger framework called social technologies. The McKinsey Global Institute defines social technologies as: “IT products and services that enable the formation and operation of online communities, where participants have distributed access to content and distributed rights to create, add, and/or modify content.” Social technologies are inclusive of Yammer, Jive, Moxie, and Supply Chain Operating Networks such as Descartes, GT Nexus, Elemica, E2open, LeanLogistics, and One Network. Also included in social technologies are network-based business intelligence and analytics.

Clara Shih, CEO and Founder of Hearsay Social, and Lisa Shalett, Managing Director and Head of Brand Marketing and Digital Strategy at Goldman Sachs, call attention to the fact that when you get right down to it, social media encompasses “a set of new and innovative ways for businesses and customers to do what they have always done: build relationships, exchange information, read and write reviews, and leverage trusted networks of friends and experts.” Furthermore, engaging in social media and utilizing social technologies provides business with the tools to manage status, social networks, and established relationships—all drivers of firm performance. Social media and social networking also enable companies to be able to better manage risk, create demand, define their reputation, innovate, and enhance business intelligence.

“There is no such thing as social business—there is only business”

Companies who are not participating in social media and using social technologies are at a disadvantage. One of the primary reasons is that customers (current and future), employees, and competitors are participating. Kane points out that “competitors are innovating and experimenting with social media to conduct their own business faster, at a greater scope, and with broader reach than is possible without these tools. If competitors can figure out how to use social media for their advantage (and they will), then the manager and his or her business will lose out—unless he or she can keep up. After all, there is no such
thing as social business—there is only business.” Similarly, Shih and Shalett note that “[s]ocial media offers a variety of opportunities for brands to understand and participate in those conversations. While participating in social media is not without risk, not participating might prove to be the greater risk—especially to reputations.” By the same token, Freek Vermeulen an Associate Professor of Strategy and Entrepreneurship at the London Business School puts forth: “Status, social networks, and prior relationships are the forgotten drivers of firm performance. Underestimate them at your peril. How you manage them should be as much part of your strategizing as analyses of differentiation, value propositions, and customer segments.”

Kane also points out that social media enables customers to share information about their experiences globally, and allows employees to collaborate so as to improve customer service.

In 2012 The McKinsey Global Institute reported that 72 percent of companies surveyed use social technologies in their business and that 90 percent of those companies reported seeing benefits. The benefits of social technologies will likely outweigh the risks for most companies. Organizations that fail to invest in understanding social technologies will be at greater risk of having their business models disrupted by social technologies.

Furthermore, research by The McKinsey Global Institute found the annual value that could be unlocked by social technologies (in just four sectors) is between $900 billion and $1.3 trillion. The research also found that social technologies have the potential of raising the productivity of high-skill knowledge workers by 20 to 25 percent.

**Social media and social technologies are used by business**

In 2013 the Charlton College of Business Center for Marketing Research at the University of Massachusetts Dartmouth released the results of its fifth annual study on social media use within the Fortune 500. The study found the use of social media is not only prevalent within the Fortune 500, but it is also increasing. As shown in **Figure 1**, Twitter, Facebook, and YouTube are the three most commonly used social media tools by the Fortune 500. Blogging is being used increasingly by corporations—the number of Fortune 500 corporations with blogs increased by 21 percent since 2012. Other tools which corporations have begun to utilize are Google+, Pinterest, Foursquare and Instagram.
Utilization of social media tools varies by industry. Again looking at corporations on the Fortune 500, Figure 2 shows the adoption of blogging, Facebook, and Twitter by industry.

Figure 2 Utilization of Facebook, Twitter, and Blogging by Industry (Fortune 500)

- Motor vehicles and parts
- Insurance: property and casualty (stock)
- Aerospace and defense
- Utilities: gas and electric
- Telecommunications
- Chemicals
- Specialty retailers
- Food consumer products
- Commercial banks

Facebook  Twitter  Blog
The study also found that rank on the Fortune 500 list influences the use of blogging, Twitter, and Facebook. **Figure 3** shows the utilization of blogging, Twitter, and Facebook by corporation within the top 200 of the Fortune 500 as compared to companies within the bottom 200 of the Fortune 500.

**Figure 3 Use of Blogging, Twitter, and Facebook by Rank**

The utilization of social media is widespread amongst the Inc. 500 as well. Over 90 percent of the Inc. 500 use at least one social media tool. As shown in **Figure 4**, LinkedIn (81 percent), Facebook (67 percent), and Twitter (67 percent) are the most popular tools used by these companies.

**Figure 4 Use of Social Media by Inc. 500 Companies**
Similarly, the use of social media is pervasive in small business. The National Small Business Association’s 2013 Small Business Technology Survey found that 73 percent of small businesses use social media—up from 47 percent in 2010.\textsuperscript{xiii} As shown in Figure 5, LinkedIn (57 percent), Facebook (50 percent), and Twitter (26 percent) are the social media tools most commonly used by small businesses.\textsuperscript{xxiv}  

![Figure 5 Use of Social Media by Small Business\textsuperscript{xxx}](image)

**The use of social media within the supply chain and logistics industries**

Social media is not widely used within the supply chain and logistics industries. Research conducted by Adrian Gonzalez, founder and president of Adelante SCM, found that close to 62 percent of supply chain professionals surveyed reported that their companies have not yet implemented a supply chain networking solution.\textsuperscript{xxvi} Gonzalez’ research also found that 30 percent of supply chain executives surveyed reported that their companies block access to social media sites.\textsuperscript{xxvii} Similarly, research conducted by Kemp Goldberg Partners and IDG Research Services found that 60 percent of supply chain decision-makers surveyed reported that their supply chain partners and vendors were either not participating in social media or they were unaware of their participation.\textsuperscript{xxviii}  

Looking specifically at the logistics industry, research conducted by the Netherlands Chamber of Commerce (Kamer van Koophandel) and a number of organizations from the Research Logistics & Alliances (Kennis Distributiecentra Logistiek) found that only 46 percent of companies surveyed reported using social media.\textsuperscript{xxix}
**Why is participation so low?**

Gonzalez found that 45 percent of respondents reported that “social networks will make the supply chain process more efficient, responsive and effective” over the next five years. Close to 30 percent reported that “social networks will transform the supply chain (for the better) in ways we can’t even imagine today.” IDG Research and Kemp Goldberg Partners found that 57 percent of respondents not using social media in supply chain transactions/relationships reported that they would use these channels if they were available to them.

Given the interest in social media, why is it not being utilized by the supply chain and logistics industries? A major factor is misconception. Gonzalez found that “many supply chain executives and companies are stuck on the starting line because they can’t get past the word ‘social’ and the perception it creates.” **Figure 6** outlines additional obstacles including change management, the inability to quantify the business value of using social media and networking technologies, and a lack of upper management support.

**Figure 6 Obstacles to greater adoption of social media and networking tools within the supply chain industry**

Similarly, within the logistics industry a lack of understanding and knowledge of social media are among the top three barriers to adoption. Specifically, 40 percent of decision-makers surveyed reported that they don’t see an advantage to using social media in the logistics industry, 36 percent reported a lack of
knowledge about its application, and 10 percent reported they did not have the necessary budget to implement a social media strategy (Figure 7).

Figure 7 Top three barriers to adoptions within the logistics industry

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**Six reasons why companies should use social media**

As has been previously discussed, companies who are not participating in social media and using social technologies are at a disadvantage. Here are six reasons why companies should use social media:

1. **Define your reputation**
   
   People are utilizing social media to learn about your company and to talk about your company. If you are not a part of the conversation, others will define your reputation. If you monitor or participate in the conversation, you have the opportunity to define your company’s reputation.

2. **Be visible**
   
   A recent study conducted by the Corporate Executive Board’s (CEB) Marketing Leadership Council found that the average customer progresses nearly 60 percent of the way through the purchase decision-making process before engaging with a sales rep (see Figure 8).
Where are customers looking for and finding information? Customers are turning to the internet and social media. If they are looking for your company – what are they finding? A key finding of the CEB study was: “companies that fail to ‘show up strong’ in this context are underserving potential customers and are at risk of losing mindshare and, ultimately, sales opportunities.” xxxviii xxxix This is largely due to when customers tend to buy. Specifically, 80 to 90 percent of prospects who first engage with your company are not ready to buy. Forty percent of these prospects will be ready to buy within a year and 80 to 90 percent will be ready to buy within two years.

3. **Build intelligence and manage risk**

   Being engaged in social media can provide your company timely (often real-time) insights about emerging risks, events, competition, and opportunities—enabling you to proactively take the appropriate action (corrective or opportunistic). xl

4. **Innovate and improve**

   Social media can help your company generate more— and better—ideas by tapping into the collective insights, knowledge, and experience of your employees, customers, and industry. xli

5. **Increase productivity**

   According to the McKinsey Global Institute (MGI) research report, “by fully implementing social technologies, companies have an opportunity to raise the productivity of interaction workers— high-skill knowledge workers, including managers and professionals—by 20 to 25 percent.” xlii
6. Engage and communicate

Social media enables you to engage with customers and employees. Ron Faris, co-founder and CEO of a new Virgin start-up company focused on social commerce, puts forth that “[s]ocial conversation is the only way small brands can get an edge on the big guys…Goliath will always have the luxury of being omni-present in the consumer’s field of vision. But Goliath is not nimble. And to truly win a crowd, you need to pivot to tell the right stories they want to hear at the right time.”

Return on investment

Return on investment (ROI) is not a metric which is well suited to measuring the value participating in social media can bring to a company. And, unfortunately, there is no distinct metric or formula that can completely capture the impact, value, and ramifications of participating. That being said, by looking at examples as well as research from recent studies, it is clear that there is great value in participating.

According to the 2013 Social Media Marketing Industry Report, 92 percent of respondents reported that spending as little as six hours a week on social media increased exposure to their business. Sixty-four percent of respondents reported that by spending as little as six hours a week on social media they were able to see lead generation benefits. In addition to increased business exposure and lead generation benefits, respondents also reported that participating in social media reduced marketing costs. Specifically, 38 percent of companies with 1,000 employees or more reported that social media decreased marketing expenses and 62 percent of businesses with 10 or fewer employees reported a decline in marketing expenses. Social media was also found to benefit companies with respect to gaining marketplace intelligence—71 percent of respondents who spent at least six hours per week on social media reported an increase in marketplace intelligence.

Turning to an example, SFJ Material Handling Equipment, a family-owned company established in 1979, is the largest stocking distributor of new and used material handling equipment in the United States. The company has more than 53,000 followers on Twitter (and is gaining 200 to 400 followers per week), more than 38,000 Facebook likes, and has more than 2,000 Google+ followers. The company reports that nearly 20 percent of their website traffic is driven by social media. Stafford Sterner, President, notes “If you’re trying to reach out to totally new markets, then you might want to do Facebook and Twitter. If you’re comfortable building that relationship with people or companies you’re close to, then it’s LinkedIn.”
Another example is that of Kinaxis, a supply chain management company. Kinaxis launched an online social media campaign with the objective of doubling leads and web traffic numbers. The campaign included two online comedy series (Suitemates and The Late Late Supply Chain Show) and the launch of the company’s 21st Supply Chain Blog. The campaign was successful—web traffic increased by 2.7 times and leads increased by 3.2 times.xix

**Conclusion**

There is no simple way to calculate the ROI of social media and social technology. However, both research and thought leaders agree—the risks of not participating in social media outweigh the risks of participating. So much so in fact that companies not using social media and social technologies will be at a disadvantage. Seventy percent of companies use social technologies. The majority of Fortune 500 and Inc. 500 companies use social media. The majority of small businesses use social media. Companies not participating are in the minority.

Perception needs to come face to face with reality: social media and social technologies are not about socializing; rather they are about communicating, managing risk, defining your reputation, being innovative, and building business intelligence.
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xii The McKinsey Global Institute. (July 2012). The social economy: Unlocking value and productivity through social technologies.


xvi Barnes, N. et. al. (2013) 2013 Fortune 500 are bullish on social media: Big companies get excited about Google+, Instagram, Foursquare and Pinterest. Charlton College of Business Center for Marketing Research, University of Massachusetts Dartmouth. http://www.umassd.edu.

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Fronetics Strategic Advisors

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Our functional expertise includes: demand generation, sales and marketing, corporate strategy, interim management, organization and talent management, talent and executive search, and M&A support.

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