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Article

Social Selling - A Study of the Status Quo in Germany

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3 | 2017 **SCHWERPUNKT** Interview mit Jochen Werne, Bankhaus August Lenz & Co. AG • Crowdfunding Data as a Source of Innovation • Sketching the Future of Mobility with Visualizations • Customer Insights in Social enterprises • Business Transformation: Customer Insights und unternehmensinterne Denkmuster • Customer Insights in Fintech-Unternehmen • Agiles Marketing digitaler Produkte • Studying Shelf Framing With Multiple Consumer Insights **SPEKTRUM** Social Selling: Status Quo

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Social Selling

A Study of the Status Quo in Germany

In the lights of an increasing digitalization of companies, the sales process might experience changes in the usage and the influence of digital tools. In order to examine the status quo of German companies in this regard, a study was conducted between 235 participants. The results of this study will be outlined in the article at hand.

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Business and the way it is conducted is on the eve of an extensive digital revolution. The ongoing digitalization of the vast majority of areas of life, as is widely acknowledged, inherently bears the potential to change the priorities in global trade and to be accompanied by severe implications for all types of enterprises. According to McKinsey (2016), the used cross-border bandwidth has largely outpaced the flow of goods and finance, growing 45 times larger than its analog counterparts since 2005. Also, as further stated in the McKinsey report, in 2016, global flow consists to larger shares of data flow than of trade in goods. Noteworthy, the digital development, unlike some of the precedent business changing developments, does hitherto not systematically exclude certain businesses per se, but offers participation to every business capable of successfully adapting to the new digital environment. For instance, small and medium-sized enterprises (SME) can be characterized by a state McKinsey (2016) entitles as micro-multinationals, utilizing online platforms such as Facebook to globally interconnect. The European Commission (EC) (2016), however, finds that only 7 percent of European small- and medium-sized enterprises sell cross-border. As a result of which European enterprises fall behind their American counterparts. Thus, the EC is currently promoting the implementation of the European Digital Single Market inter alia aiming at ensuring free cross-border flow of goods, services and capital which would eventually lead to an estimated € 415 bn. economic boost (European Commission, 2016).

Taking into account that this boost is likely to primarily result from the digital economy, companies are required to adapt accordingly. As expected, this change, from a traditional company into an entity which is present in the digital world, has been a significant challenge to most market participants, and in particular to me-

dium sized businesses. In general, digitalization from a sales point of view might be structured into three periods of change. In the first phase a one-way flow of information from the company to the customer is established. In the second phase the flow of information becomes multilateral. As a consequence, companies exchange information with customers in a two-way relationship and additionally, customers start to exchange information between each other. In the third phase companies are trying to convert leads into sales by using social media explicitly. The study conducted aims at pointing out the challenges companies in Germany face by entering the third phase of the digitalization of sales. This means, companies might not be able to translate the online connection and interaction with potential customers into actual sales. Moreover, recommendations and strategies for the implementation and usage of social selling will be outlined to offer support for the troublesome transition.

I. DEFINITIONS

In the environment of ongoing digitalization of global trade, the process of selling goods and services to customers, whether being business-to-business (B-to-B) or business-to-customer (B-to-C) inevitably has to undergo an evaluation. Thus, the conventional sales funnel, consisting of the traditionally linear steps Awareness, Evaluation, Purchase, and Loyalty is designated to lose its linear persistence due to substantial changes in the way of conducting the selling process (Belew, 2014). In order to adapt to the dynamically changing and digitizing environment of modern day business, selling necessarily needs to be amplified with a digital component. In this context, Moore, Raymond, and Hopkins (2015, p. 1) already examined the influence of Social Media on customer relationship management (CRM) acknowledging the

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importance of merging traditional selling approaches with digital tools. Thus, existing standards in sales might have to be revalued and adjusted as well. The process of selling itself needs to become more social. In a very broad sense, the integration of the social component into sales may be achieved by making use of the benefits provided by digital tools, hereby particularly referring to Social Media. The “socializing” of the selling process is what this paper shall generally refer to as Social Selling.

CORE ARGUMENT 1

German companies need to adapt their sales process to the new digital environment.

Due to the genuine scarcity of existing definitions of the phenomenon Social Selling, first a precise definition of Social Media as the pivot medium of Social Selling is required. Genuinely, Social Media has been defined as digital content and network based interactions that are developed and maintained by and between people (Cohen, cited in Agnihotri, 2012, p. 334). Andzulis et al. (2012, p. 308) expands this definition by stating that “the technological component of the communication, transaction and relationship building functions of a business which leverages the network of customers and prospects to promote value co-creation”. Thereby, the usage of Social Media may “create opportunities for companies to tell their own stories”.

(Ploof, cited in Andzulis et al. 2012, p. 308). In the broad field of Social Media, multiple tools are available when applied for Social Selling. Broadly speaking, Social Media can be categorized

into two groups from a company perspective. Relationship-oriented and instrumental Social Media modes differ in the extent of control the company holds in terms of communication (Ellonen/Kosonen, 2010, p. 221). Relationship-oriented tools provide a two-way relationship between company and customer with the possibility to start a dialogue initiated by either party (Ellonen/Kosonen, 2010, p. 221). Instrumental tools are under the control of the business unit and communication is usually initiated by the company and not by the customer (Ellonen/Kosonen, 2010, p. 221). Bearing the general aspects as well as the potential of Social Media and digital marketplaces in mind, the question of how this potential can be capitalized on by companies in selling specific goods and services arises. Belew (2014, p. 6) suggests a definition of Social Selling as “the identification, targeting, and reaching out to prospective and existing customers through Social Media channels and social communities in an effort to engage them in conversations that result in a potentially mutually beneficial relationship”. Therefore, to Belew, “both the value of the information you provide to the prospect and the quality of the relationship you build are critical to getting and keeping customers” (2014, pp. 5–6). According to Belew, Social Selling means a change of selling in so far, as that whereas the amount of pure outright selling may decrease, listening to customers may gain importance. She refers to this as “Unselling” (2014, p. 6). In line with this rather passive perception of the digital sales process, a loss of control in respect of the information flow from the salesperson to the purchaser is indicated by Belew, stressing that as a result of the great amount of available information, buyers can act more independently from the steering of the seller (2014, p. 71).

Nevertheless, the outcomes inherent to the research at hand suggest that the

sales process can still be actively and proactively influenced. Hence, for the course of this paper, social selling will be defined as an integrative and reciprocal process, which intends the establishment of sustainable relationships and trust with existing or potentially new customers via the comprehensive usage of social media in order to identify and meet their preferences and core needs which are relevant to the company.

CORE ARGUMENT 2

Social Selling establishes trust between buyer and seller via Social Media.

II. METHODOLOGY

The research convenient to this paper was conducted at ESB Business School, Chair of Marketing and Sales Management. The study upon which this article is built in the main has been designed in order to examine the research question of analyzing the status quo of Social Selling in German companies. Since this initially represented a rather ambiguous problem, it has been required to develop measurement scales and to generate hypotheses which would serve as proxy for the actual research question in respect of the just mentioned status quo. Therefore, in a first step, qualitative research was conducted. Then, the authors formulated concrete questions for a survey. This survey in turn provided quantitative data which could be analyzed to eventually develop insight and to define the status quo of Social Selling in Germany. Consequentially, the study at hand represents a mixed method design, to be precise, a sequential exploratory approach which consists of qualitative

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ting an effective and efficient social network lies in the adaptation rate of the employees as well as in the appropriate guidance of employees regarding the usage of such kinds of networks. Thus, Siemens explicitly allows and promotes the usage of Social Media during working hours and further offers workshops aimed at teaching employees the correct and corresponding policies.

CORE ARGUMENT 3

Social Selling can be employed internally and externally by using a push or pull approach.

Having outlined the internal aspect of the area of usage dimension, it is integral to highlight that the opposite pole of this dimension, the external aspect, is also inherent to the concept of Social Selling. External Social Selling describes the explicit acquiring of new customers or leads supported by Social Media. The phenomenon of external Social Selling offers the opportunity to transfer the traditional idea of sales into the digitalized world. Thus, an adjustment of the “sales engagement cycle” as opposed to the traditional sales funnel by using Social Media as an explicit selling tool has been developed by C.M. Sashi (2012, p. 260). Instead of adhering to the traditional framework of “awareness, consideration, inquiry, purchase, and retention”, it is recommended to follow a cycle of “connection, interaction, satisfaction, retention, commitment, advocacy, and engagement” (Sashi, 2012, p. 260). The declared goal is to use social media as leverage to form trust and commitment between buyer and seller over a long-term period (Sashi, 2012, p. 260). Ne-

vertheless, uncertainty is still an issue especially in respect of precise strategic approaches and the consequential operative implementation. Bearing this in mind, it is of utmost importance to differentiate between the size and culture of companies and to develop concepts for specific enterprises and sectors.

B. Aim Dimension: Push vs. Pull

In addition to the above outlined dimension of external and internal strategic usage of Social Selling, the aim of using Social Media along the Sales process is to be described. Hereby, a differentiation between, on the one hand, a “Push”, and, on the other hand, a “Pull” dimension may be conducted. This paper refers to the “Push” dimension as the situation in which enterprises actively aim at selling products to leads or its existing customers via Social Media in a more traditional sense. The Push

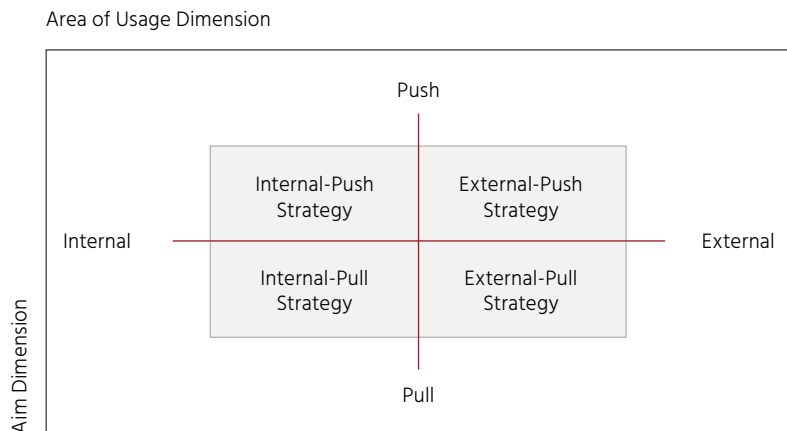
dimension, independently of the understanding in an external or internal way, involves the (pro-)active contacting of subjects with an underlying intention of selling products or services that are in line with the specified needs of the contacted individuals. Social Media is hereby treated as a digital marketplace where the – potential or existent – demand is met by the supply arising from the company and its salesperson. LinkedIn, for instance, offers the sales department as a whole as well as the individual salesperson the external opportunity of providing leads or customers with product or service information, potentially leading to a sale. Internally, specific company-based platforms such as Salesforce ought to be expanded to internal databases to which information can be inserted. In modern day digital environments, the significance of this Push dimension in sales can be expected to increase in importance.

In order to ensure the capability of meeting the above outlined demand in the digital social marketplaces, the “Pull” approach, in accordance, describes the generation of customer relevant information that is inherent to the various Social Media tools. Necessarily, the generation of customer related data can be understood as the prevenient step for further systematic analysis and the usage of the information in the sales process. However, the efficient “Pulling” of data requires differentiation in the data collected. According to Leopold, consistent Social Media monitoring of qualified leads and existing customers bears the potential to persistently gain knowledge of the partially dynamic demand preferences. Explicitly or implicitly communicated needs in the Social Media sphere can thereby be transformed into concrete sales chances. Moreover, through generation and analysis of the relevant information, it might be possible to identify customer segments with similar needs and preferences which have not yet been targeted by the company. As a consequence, this might ideally lead to an expansion of the core client base. the needs of the monitored

Management Summary

1. German companies are confronted with the necessity to invest more in digitization
2. Social Selling is a way to virtually establish successful long-term relationships with customers
3. The strategic role of Social Selling in German companies needs to be extended
4. Companies need to measure their Social Selling activities thoroughly

Fig. 1: Social Selling Strategy Matrix



Source: Schmäh/Meyer-Gossner/Schilling/Gruhn, 2017.

target groups can, in theory, be expanded to in reference to their preferences similar customer segments, ideally resulting in an expansion of the client base of the company. The aspect of profiting from the networks of customers can hereby be highly valued.

C. Four Core Strategies: The Matrix of Social Selling

The two dimensions explained eventually lead to four Strategies, illustrated in a four-cell matrix with each cell representing a different strategic approach (Figure 1).

One of these strategies focuses on the external area of usage and a push component. Thus, employees ought to contact potential customers outside the company via digital tools such as Facebook. Another external approach primarily builds upon a pull aspect collecting information from sources outside the company. This information might then be useful for the sales team in order to generate leads and to eventually transform them into sales. Moving on to the internal perspective of Social

Selling, it can be again differentiated between an internal approach with a push and a pull focus. The push concept describes inserting information and data into a network within the company which thereby inter alia serves as database providing helpful tools for the selling process. The Internal-Pull-Strategy is also based on the idea of an internal network, but stresses the importance of collecting data from different sources within the company instead of inserting data generally.

IV. INITIAL ANALYSIS OF THE STATUS QUO IN GERMANY

A. A Practical Approach to Social Selling

The theoretical analysis of Social Selling offers enough entry points for its usage in German companies. This raises the question to which degree Social Selling is already in use. In order to analyze the current situation, a survey was conducted as part of this study. Noticeably on a first look is the relatively low response rate. This could be

interpreted as first hint that the awareness for Social Selling is extendable. Nevertheless, with a response of 235 new conclusions with practical relevance can be drawn. For 55 percent of all surveyed, social selling plays no role in their day-to-day operations. Whereas, 14 percent value Social Selling greatly. Out of 131 participants, which answered the question: Does Social Selling have an impact on your company's financial statement, only 13 percent value Social Selling greatly. Approximately a quarter states that Social Selling has zero effect in their company's financial situation. According to the database, it could be said that Germany lacks expertise in particular field of sales tools. Even if used, Social Selling seems not to be evolved enough to be acknowledged as a driver of the company's financials. This raises the question if the reason for the current situation lies within the insufficient level of recognition or is caused by in failures during the process of implementing Social Selling into the company's day-to-day business. Based on interviews conducted with representatives of German companies, the main reason is an insufficient level of information about Social Selling. This conclusion is backed by the analysis of conducted expert interviews and literature research.

B. The Discrepancy Between External and Internal Social Selling

Out of the 117 companies which are applying Social Selling, 64,96 percent state that Social Selling is solely used as an external strategy. Merely 12,82 percent of the surveyed use Social Selling predominantly in internal processes. About 22,22 percent apply a combination of external and internal Social Selling.

The implying potentials of the merger of internal and external Social Sel-

project which is based on four pillars with a value from 1–25 each: Professional Brand, Right People, Insights and Relationships. Many C-Level executives and sales directors ask us these days: “Shall we use the SSI as the KPI benchmark? We think about a sales competition or award among sales people that participate in the social selling program”. In order to understand the value or pitfall of the SSI, we need to be clear that the LinkedIn SSI follows a methodology that is limited on an exclusive focus on LinkedIn platform itself (no other social networks). Furthermore, it is focusing on platform activity. It is not reflecting any business impact: sales effectiveness, achieved calls, generated leads or grown sales numbers. And even, when LinkedIn claims that higher SSI professionals generate nearly 50 percent more opportunities per quarter, it does not mean that your sales people in your industry will achieve the same success – even if their score might be higher!

Included is the challenge of the four pillars. The first pillar (Professional Brand) is not a major journey. LinkedIn is guiding us almost on our way to achieve a respectable and clean reputation profile. However, achieving a bigger SSI number is only possible if the user publishes own posts inside LinkedIn (LinkedIn Pulse). The score of one of the authors dropped immediately when he stopped blogging here. And he never came over 80 points then. The second and third pillar (Right People and Insights) become even more problematic as these are based upon essential ingredients of the LinkedIn Sales Navigator product. Not using “Saved accounts” or “Saved leads” lowers your option to score over 85, and not using LinkedIn InMails and Messages plus not engaging in Groups will keep you under 90 probably. And would it now be better to see the acquisition progress of the sales person in

your own database, rather than in LinkedIn? Sure, if you have got Salesforce or Microsoft Dynamics you can connect the two worlds. Unfortunately, some compliance, legal and IT security people might not want to build that connection as of data complexity reasons.

The fourth pillar (Relationships) cannot be high if you are selling to second level managers as the VIP factor and the seniority of contacts is essential plus your networking capabilities (internal and external) as well as the acceptance of people wanting to connect with a sales person. Now, if you read *Tipping Point* by Malcolm Gladwell (2006), you will understand clearly what the difference between a sales person and a networker is – the one cannot sell without the other but they are usually different archetypes.

The question is what do sales leaders want? People with a high SSI, or people that sell your products and services? The danger of using the SSI score is that people are active on LinkedIn, build huge networks and use the assets of the LinkedIn Sales Navigator but their

LinkedIn engagement might not reflect the business impact – as there is less time to look after the real sales business. The LinkedIn Social Selling Index is a great sales index (not a foe!) that makes people use all features of the LinkedIn Sales Navigator, and is a proof on the investment for the LinkedIn Sales Navigator licenses. However, sales leaders should balance their measurement criteria not on LinkedIn only. Using a formula like the following will prevent you from building a database of social selling relevance but business impact irrelevance:

Social Selling Index (SSI)

+ *Company Strategy & Business Targets* =
= *Company Social Selling KPI*

It means to include KPI figures like e.g.

- Thought Leadership: Posting and curating market insights plus branded content,
- Loyalty: Business connection relevance between own customers and LinkedIn connection and
- Business efficiency: Real data achievements (leads, calls, meetings, sales).

VI. THE SALES FUNNEL AND APPROPRIATE SOCIAL MEDIA TOOLS

In its opening remarks, this paper has outlined the power of Social Media – and consequentially Social Selling – as a driver of change in the business world. Traditional methods are subject to alteration and might experience some adaptations to find their place in a new playing field. The sales funnel with its original stages of Awareness, Consideration, Satisfaction, and Loyalty might be one of those elements in need of adjustment. The expression “sales funnel” as such already implies the existence of an explicit beginning and ending of the sales process. As mentioned-above, Sashi (2012, p. 260) already touched on the

Lessons Learned

1. Become active & engage in the digital realm. You cannot stop digitization, so you might as well shape it.
2. Approach Social Selling and strategically. This paper provides the framework to do so.
3. Apply Social Selling externally and internally. Do not limit yourself to one dimension.
4. Constantly measure your progress and keep track of your actions.

idea of changing this fundamental perception by outlining the concept of an engagement cycle. The altered terminology immediately suggests an on-going process which focuses on engagement as a whole rather than solely on the sales itself. Moreover, Sashi recommends the stages of the sales funnel to be “connection, interaction, satisfaction, retention, commitment, advocacy, and engagement” (2012, p. 260). Noteworthy, this shifts the center of attention towards the idea of a long-term relationship between buyer and seller. Additionally, the renewal of leads experiences a boost in importance. Indeed, Social Selling provides the capabilities to contact with a large pool of potential and existing customers. Potential goals of such long-term relationships might include the generation of information from them, and to generally remain in close contact with a growing network.

In the lights of the increased importance of customer engagement, it might also be relevant to investigate the role of CRM as a co-creator of va-

lue. Today, CRM is mainly used and understood as a tool complementary to the sales process which establishes a relationship between customer and salesperson (Moore/Raymond/Hopkins, 2015, p. 2). Social Media is now important, tool which accompanies the sales process.

In this context, the selection of the appropriate Social Media tools is another challenge for the respective company, since numerous alternatives with varying functionalities are theoretically available for usage. However, Ellonen and Kosonen (2010, p. 221) found that relationship-oriented social media tools are more beneficial to a company in establishing customer collaboration. Thus, Moore, Raymond, and Hopkins (2015, p. 5) provide a list of relationship-oriented Social Media tools including inter alia Blogs, Micro-blogs, Photo Sharing, and Social and Professional Networking. In order to narrow down the selection even further, characteristics of the tools at hand can be evaluated. Determining how salesper-

son-centric and customer-resistant certain tools are, might be a first approach in this regard.

VII. Outlook

The findings of the study at hand imply the potential inherent to Social Selling and the strategic dimensions it is accompanied by. Through systematic implementation of the four dimensions, Internal and External as well as Push and Pull, that were outlined in depth in the course of this paper, enterprises could successfully expand their current sales tools by a digital and social sphere. However, it is also indicated that the German, and in a broader sense the European, digital economy still requires improvement. Particularly in a global context, and in comparison to the American counterparts, the degree to which German and European enterprises have implemented digital sales measures is still developable. The EC is obliged to adequately foster the digital economy in the course of its Digital Single Market strategy and to further sensitize the European companies for the benefits of digital tools. Companies, independent of industry and size, are required to deal with digital subjects such as Social Selling. Data needs to be systematically gathered, analyzed and transformed to an integral part of the selling process. Otherwise, Europe can be adapted in the sales process. Nonetheless, further setting a new environment. Companies are no longer the only engaging party in the relationship and customers act proactively by searching and spreading information (Heller Baird/Parasnis, 2011, 32). Consequentially, CRM is still, or has become an even more may further discredit itself as a pure digital follower market. This paper has intended to offer first strategies of how the digital sphere and, particularly, holistic sensitization is required. 

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