

# Economics in Brief



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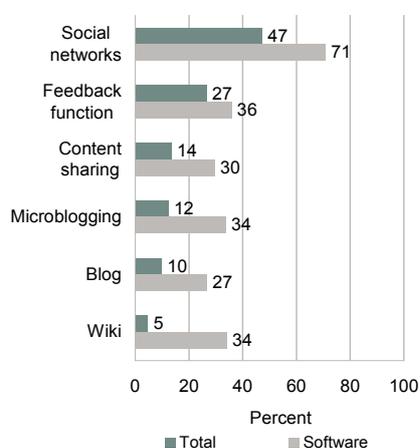
## Young companies lead the way in the use of social media

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Many people can no longer imagine their everyday communication activities without social media. But what about companies? The use of social media still seems to be in its infancy here. More than half of companies (56%) that were up to four years old at the end of 2012 use social media for business purposes. However, social media is used significantly more by young companies than various (unrepresentative) surveys of all companies would indicate. Young companies are thus leading the way in the use of social media for business purposes, so usage is set to increase. These are the findings of a KfW/ZEW Start-up Panel special report<sup>1</sup>.

The use of social media is not only of interest to companies with private consumers. While these firms can address their customers directly through social media, companies with corporate customers can also reach decision-makers on a personal level. An industry comparison nevertheless gives clear results: young companies in the service sectors (including retail) are the most likely to use social media (a good 60%). The proportion of social media users in manufacturing (over 40%) and construction (25%) is significantly smaller. As expected, the software industry (80%) and consumer-oriented service providers (71%) stand out in the service sectors.

**Chart: A profile in social networks is pillar of the social media strategy of young companies**



Source: KfW/ZEW Start-up Panel

### Company profile is the basis

Young companies tend to use social media by having a company profile in a social network (47%). Twenty-seven percent give their customers a platform-based feedback opportunity. Young companies are considerably less likely (about 14%) to post on content-sharing platforms or microblogging sites (12%). Around one in ten young companies has its own blog. Corporate wikis are even less common, with only 5% of young companies using them. Software companies are the leading user of all of the various applications (see chart).

### Young companies seek to improve market visibility and image

When young companies make use of social media, they do so mainly for advertising, marketing or public relations purposes (87%). The use of social media for sales or customer service comes second (70%). For many (63%), social media are a means of gathering information, such as for market research. Almost

one in two (49%) of the young companies in question use social media to find business partners, such as suppliers or cooperation partners. Social media are employed less often for internal communication (30%) and recruitment (27%).

### Social media fulfil expectations

For most young companies, the hopes they invested in social media usage have been fulfilled – at least partially (81%). However, only one in ten young companies regards its expectations as having been "fully met". This could be due to overly optimistic expectations, but also to the fact that it takes a certain amount of time for efforts to bear fruit. Young companies need to have a little patience.

Young companies in the software sector are particularly likely to be satisfied. Here, around half say that their expectations have been "largely" or "fully" met (49%), with only 13% saying that they have "not" or "hardly" been met. This gives a "satisfaction score" of around 35 percentage points. On a sector comparison, this score is lowest for technology-oriented service providers, at nine points. The contrast could hardly be greater, since both these types – technology-oriented service providers and the software sector – count as "high-tech service". This contrast may be attributable to differences in basic IT knowledge and the associated ability to devise and implement a social media strategy. This expertise may be more developed and easier to find within software companies.

A more in-depth analysis of young companies' social media use will be published in 2014 at [www.kfw.de/research](http://www.kfw.de/research). ■

<sup>1</sup> The KfW/ZEW Start-up Panel 2013 is representative of the roughly 560,000 economically active start-ups founded in 2009–2012 that were still active at the end of 2012.