



## Use social media to connect to your... suppliers!

**Last year, an INSEAD professor Quy Huy (who also has a separate INSEAD blog), and I collected data on how companies used social media to achieve competitive advantage. We are currently working on a major thought piece using the most useful insights, but given that the journal review process takes a very long time, I thought that I could share some results in their general form.**

We asked close to 1000 executives worldwide. About 50% said that their companies did not use social media at all, which was an interesting finding in itself.

The graph below shows which social media tools (video sharing, blogs, social networking, wikis, podcasts, microblogs) the companies that did use social media relied on and for what purposes. What is interesting is that companies use social networking as a principal social media tool, while they use microblogging and podcasts to a substantially lesser extent.

One of the more surprising findings was that social media tools are mostly used to interact with customers, as one would have expected, but they are used very infrequently for communicating with suppliers.

But this strikes us as a missing opportunity! Why do companies use social media to communicate with customers? Because they want to know more about customers, to build informal communication channels and build their brands with customers.

Why don't companies want to use social media with their suppliers to build collaborative communities with them? Using social media to build communities with suppliers could help customers exchange information with them, enabling suppliers to serve these customers better and make suppliers feel more attached to their customers.

One executive we interviewed told us an interesting story. A research and development department in his company used social media to build a collaborative community with a research and development department in a supplier's company. The engineers from both companies really enjoyed being members of this community. One day, the supplier's senior management decided to stop working with this company and start serving the company's competitors. Once the supplier's R&D

engineers learned about this, they went to these executives and pushed really hard to continue working with their current customer, so that they could continue being members of the inter-firm collaborative community. Faced with this surprising revolt, the executives had no other choice than to stay with this customer.

So, our learning from this is the following: just like we want to connect to our customers with social media because we have a fundamental human need to be connected, we should do the same with our suppliers. In the networked world, connections to both customers and suppliers are important for the companies' competitive advantage.

Another interesting learning for us was that companies also used social media to improve horizontal communication across different functional units inside their organization (e.g. helping R&D departments to talk to Marketing) as well as to improve vertical communication across the levels of hierarchy (e.g. senior executives talking to lower level executives and the other way around). More on that usage of social media for competitive advantage in the next post...

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