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IMPACT OF SOCIAL MEDIA ON SALES FUNNELS IN B2C AND B2B SEGMENTS IN THE REPUBLIC OF NORTH MACEDONIA

UTICAJ DRUŠTVENIH MREŽA NA LIJEVAK PRODAJE U B2C I B2B SEGMENTIMA U REPUBLICI SJEVERNOJ MAKEDONIJI

Summary: *The research focuses on introducing social media platforms as either a complementary or main channel in the company sales funnel. Internet technologies and Web 2.0 continue to provide innovations in digital marketing, with the latest iteration being lead generation services through social media. Data shows that almost half of the world population is active on social media, with the new Generation Alpha being projected to be entirely online dependent and proficient in the use of new technologies. The paper provides an overview of the digitalization of sales funnels, as well as the benefits that social media platforms can offer if implemented correctly. Secondary data provides the basis for transforming sales funnels with social media, where previous research provides limited data on the effectiveness of these types of efforts. Primary data demonstrates that introducing social media platforms can provide improvements of up to 3 to 4 times in analyzed case studies, as well as the shorter time when deciding about purchase in use case scenarios. Social media advertising can also be utilized to shorten the sales funnel process and serve as a unified point of entrance and exit in the first few stages.*

Keywords: *Social media, sales funnel, lead generation, conversion rate*

JEL classification: *L82, M3*

Резиме: *Istraživanje se fokusira na uvođenje društvenih platformi kao komplementarnog ili glavnog kanala u prodajnom lijevku neke kompanije. Internet tehnologije i Web 2.0 nastavljaju da stvaraju inovacije u digitalnom marketingu. Podaci pokazuju da je gotovo polovina svjetske populacije aktivna na društvenim mrežama, s tim što se predviđa da će nova Alfa generacija biti potpuno zavisna od Interneta ali i jako vješta u upotrebi novih tehnologija. Rad daje pregled digitalizacije prodajnih tokova, uključujući i koristi koje društvene platforme mogu ponuditi ako se primjene na ispravan način. Sekundarni podaci pružaju osnovu za transformisanje prodajnih lijevaka putem društvenih mreža, a prethodna istraživanja pružaju šturu podatke o efikasnosti ovih napora. Primarni podaci iz analiziranih studija slučaja pokazuju da uvođenje društvenih mreža može dovesti do poboljšanja od 3 do 4 puta, kao i kraće vreme odlučivanja o kupovini. Oglašavanje na društvenim mrežama takođe se može koristiti za skraćivanje procesa prodajnog toka i može služiti kao objedinjena tačka ulaza i izlaza u prvih nekoliko faza.*

Кључне ријечи: *Društvene mreže, prodajni lijevak, generacija potencijalnih klijenata, stopa konverzije*

ЈЕЛ класификација: *L82, M3*

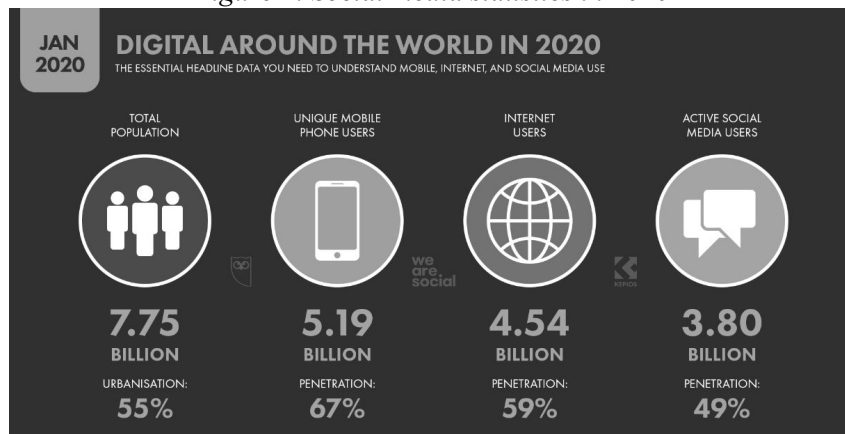
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1. INTRODUCTION

Technology development and innovations introduced in the marketing area are more prominent in the past decade, which evolved many traditional marketing channels into digital ones. Focus shifts in the past several years to social media as the platforms to introduce new content for companies of all sizes, bringing new methods of communication with the target audience. The popularity of the Internet, mobile applications, and social media increase every year, with new users being introduced daily to these types of communication technology. The latest generation is called

Alpha, which entails everyone born in the 2010-2024 period (McCrindle 2018). This generation is considered wired in Internet technologies since wide Internet usage and smartphones have been available to them their whole lives. Even the previous Generation Z (1995-2009) has been more or less exposed to Internet technologies for most of their adult lives, making them the perfect candidates for companies to engage through social media advertising and interactions.

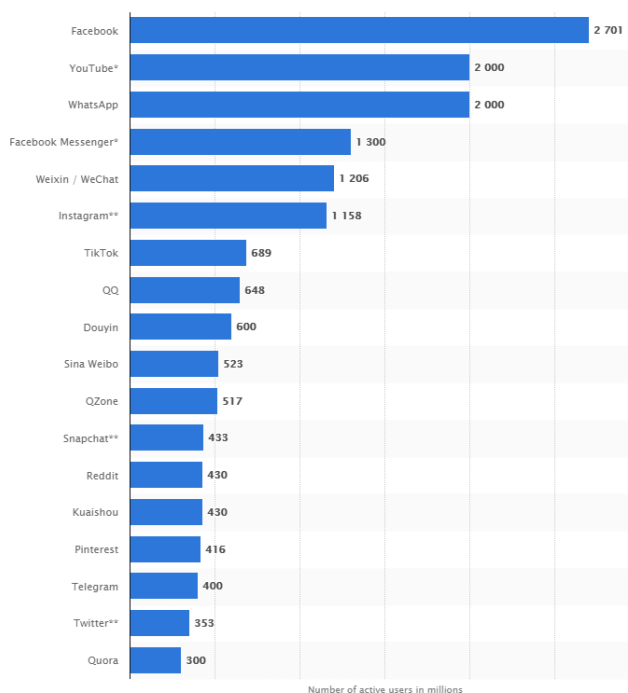
Figure 1. Social media statistics in 2020



Source: WeAreSocial 2020

As shown in Figure 1, Internet penetration sits at 59% (4.54/7.75 billion people), higher than 57% in 2019¹. Social media penetration is 49% (3.8 billion people), which is an increase of 4% from the previous year (45% or 3.48 billion people). Preliminary data for January 2021 show that the current number of active social media users is 4.2 billion, putting it at 53.6%. It demonstrates a steady increase of more than 400 million active social media users per year, with this trend expected to continue in the next several years².

Figure 2. Number of active users per SNP



Source: Tankovska 2021

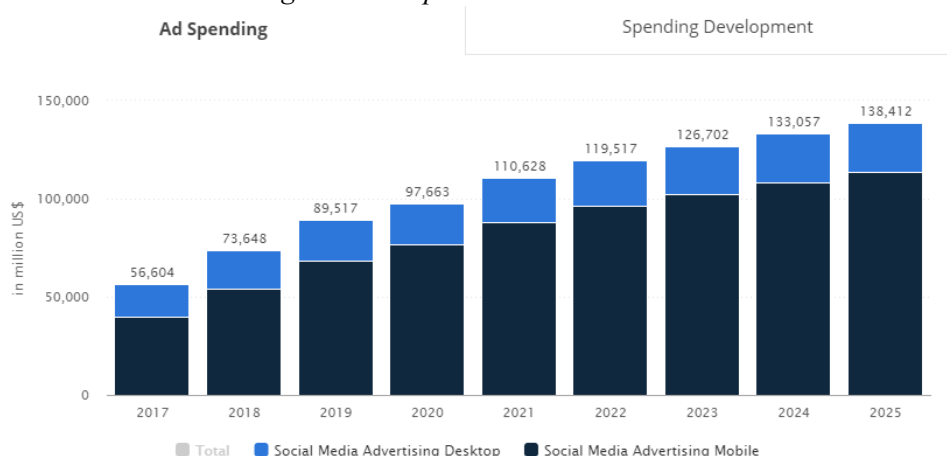
¹ <https://datareportal.com/reports/digital-2020-july-global-statshot>

² <https://datareportal.com/reports/digital-2021-global-overview-report>

Figure 2 on the next page shows that Facebook is the most popular social network platform (SNP) with 2,7 billion users in 2020, followed by YouTube with 2 billion users, Instagram with 1,15 billion users and TikTok with 689 million users. There is a clear indication of the popularity of different SNP for all demographic groups, with average daily usage of social media ranging from 45 minutes (Japan) to 3:53 hours (Philippines). These statistics make clear why companies are focusing their efforts on SNP, where they can find most of their users and engage with them in an interactive, direct and personalized manner.

Figure 3 shows that social media advertising budgets have increased by almost double between 2017 and 2020, with an expected increase of 8-10% every year from 2020 through 2025. This makes it evident that companies are focusing their efforts more on social media, which transforms modern digital marketing strategies to put SNP as the principal communication channel, instead of a complementary channel as more common at the beginning of the 2010s.

Figure 3. Ad spend in social media



Source: Statista 2020

The paper focuses on a specific subset of social media advertising, concerned with lead generation as part of the digital sales funnel and social CRM³. Lead generation strategies through social media can provide impressive initial results. However, there is limited data about their usefulness in different B2C⁴ and B2B⁵ scenarios. The main goal of the paper is to examine different case studies which involve B2C and B2B lead generation methods, compare relevant statistics, and to measure the potential of introducing social media as either an add-on or the main channel for these types of activities.

2. LITERATURE REVIEW

The term digital marketing can be seen as a concept that embraces all digital channels available to promote a product or a service or to build the brand of the company (Kotler et al. 2017). Introduced in the 1990s, the concept rose in popularity at the beginning of the new millennia with the widespread usage of Internet technologies. In terms of combining digital marketing with e-business, it can be construed as designing and developing a business via the Internet, to identify, attract and win potential clients (Banerjee 2016). Digital marketing can incorporate different channels, such as promotions through the company website, e-mail newsletter, search engine marketing (both search engine optimization and search engine advertising) banner advertisements, blogging, affiliate marketing, mobile marketing, content marketing, video marketing, viral promotions and much more, including social media marketing. This type of marketing can be defined as using social media channels to promote the company, its products and services, by using Internet technologies (Nadaraja and Yazdanifard 2013). As a subset of digital marketing strategies, social media marketing can be

³ Customer relationship management

⁴ Business to consumer

⁵ Business to business

applied to increase dissemination, trust and user engagement levels, and to introduce personalization while still maintaining mass communication with the target audience (Hafele 2011). SNP gives companies direct access to consumers and enables feedback to evaluate their campaigns on a real-time basis.

Some of the relevant advantages of social media marketing include reduced costs compared to traditional advertising, increased social interactions, detailed targeting options with relevant demographic groups, improved statistics, introducing real-time feedback and improved customer service (Elawadi 2016). This list of benefits compels SMEs and corporations to introduce social media marketing on a large scale in their marketing efforts. Both digital marketing and social media marketing offer direct interactions with the customer. For most products and services, people can simply click on an advertisement, proceed to the relevant web page and make a purchase if they are interested. It encompasses most of the B2C offerings and some of the B2B offerings. However, there is a subset of products and services requiring a bit longer decision-making process, which involves either an expensive purchase or a long-term commitment with monthly payments. These types of scenarios require digital marketing strategies that begin with mass social media communication (whether personalized or not) and following with direct personalized contact after completing a certain number of steps to make the final conversion. Typical industries include automotive, real estate, insurance, educational, IT maintenance and other various B2B services.

A relevant decision is at which stage of the current sales funnel to implement social media marketing channels, as an essential part of CRM, defined as the fundamental business strategy that links the internal processes and functions with external networks, creating value for the targeted customers and making a profit (Grubjesic and Campa 2016). A sales funnel is a process through which a potential customer goes, starting from the customer's first contact with the company to the final purchase of the product or service (Daniels 2014; same link with CRM). For high value or long commitment goods and services, digital marketing strategies usually place either lead generation or targeted call calling at the beginning of the sales funnel.

Figure 4. Sales funnel model



Source: D'Haen & Van den Poel 2013

Figure 4 demonstrates the basic functioning of a sales funnel. The four stages of transformation begin with contacting the customer, which can be based either on the pull (e.g. client leaves data wishing to be contacted) or the push method (e.g. calling directly). Pull ones are more effective, as they skip the first step and turn the contact right into a potential customer or lead. The next stage is to determine which lead can be considered a prospect, i.e. who has sufficient interest and funds to purchase stated goods or services. The final step is the conversion process, where the prospective customer makes the purchase decision. At each stage, there is a certain drop-off of expected percentage, while the ratio of leads vs. conversions is different in each use case scenario and each respective industry. Grubeljic and Campa (2016) demonstrate that traditional sales funnels without CRM function very poorly, as the final conversion rate from available contacts is 0.007%. The case study shows that from 13,986 connections, the company extracted 700 potential customers, leading to 77 prospective customers and finalizing with only one purchase/customer. Implementing information technology systems to manage CRM improved the situation, increasing the final conversion rate from available contacts to 0.119%.

Introducing SNPs such as Facebook, Instagram and LinkedIn can serve as a starting point for the lead generation strategy. By placing targeted ads on social media, companies can inform the audience of their products/service right away (avoiding the need to direct them to their web page) and

give them the option to leave their contact info directly on the platforms (again skipping the need for visiting the web-page). This type of sales funnel eliminates the first step of sorting through contacts and helps the company directly start on the second step, where every contact is a potential customer or lead. However, there is limited research available on this type of social media sales funnels for lead generation. Caton & Haas (2019) research on the subject has focused on a potential customer/employee point of view, introducing a methodology of seed profiles to better filter lead data. On the other hand, the research of Wilcox and Sussman (2014) has proven that SNPs have a significant impact on final conversion rates, even though their data is based on website conversions as the typical final stage. It is one of the principal motivations for the research, as it will bring new data and statistics not previously available to the public.

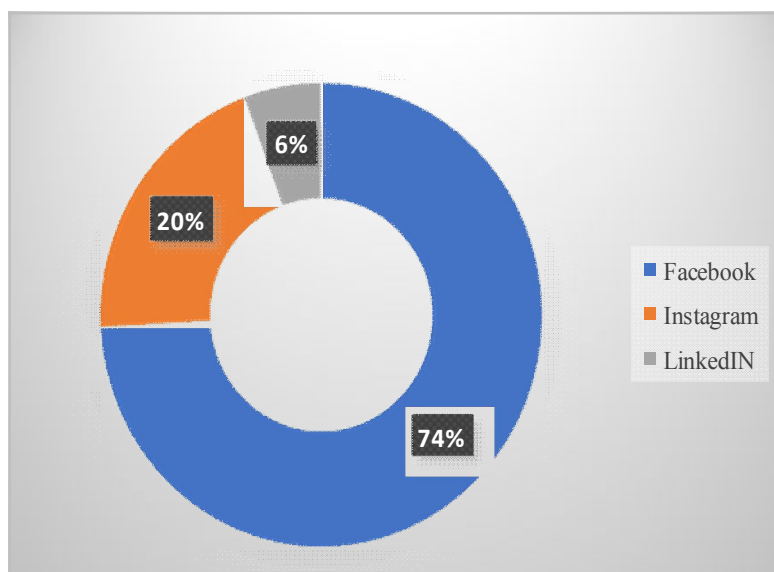
3. METHODOLOGY

For the research, secondary and primary data was used as part of the analysis. The literature review was used as the primary method for obtaining secondary data, including theoretical and background data through books, scientific papers and articles. Primary data is collected through the case study method, including the monitoring of four companies from different industries in North Macedonia, in the period from October 1st to December 31st, 2020. To protect relevant business practices, all the companies preferred to stay anonymous, including only basic relevant details such as their respective industries – banking and insurance, IT and education. Companies included in the research were of all sizes, including small, medium and large enterprises.

4. RESEARCH & DISCUSSION

As shown in Figure 5 on the next page, there were a total of 2.394 leads generated from all analyzed companies in the observation period. Most of the leads are from Facebook (1.775), followed by Instagram (485) and LinkedIn (136). Compared to the data available for the same period for other methods for generating leads (contact base, cold calling), a total of 1.570 leads were contacted in the same period by the analyzed companies. It puts SNPs as the more efficient channel for generating lead content as the first step of the sales funnel, with 52% more leads generated in the same time. The easy and accessible nature and the penetration of SNPs lead to more extensive reach and open access to target audiences.

Figure 5. Generated leads per SNP

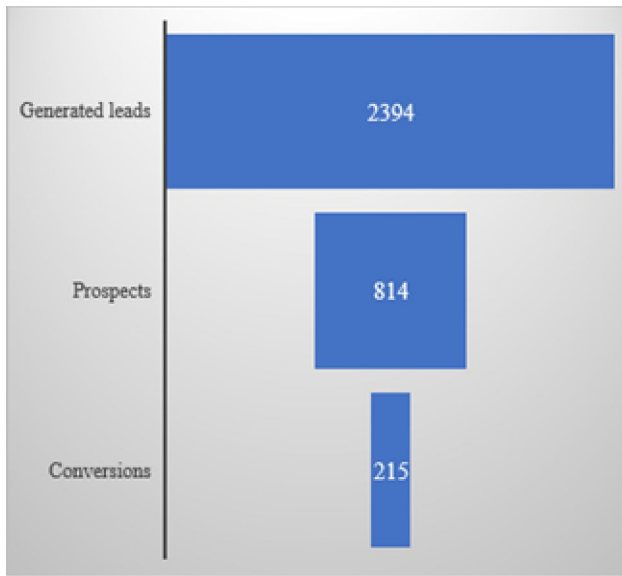


Source: Authors calculation

Regarding the type of end client, 9.85% were targeted towards B2B clients, while 90.15% were targeted towards B2C clients. Data on the cost per lead, cost per prospect and final conversion, is omitted from the research due to competitive due diligence, as well as considerably varying across industries.

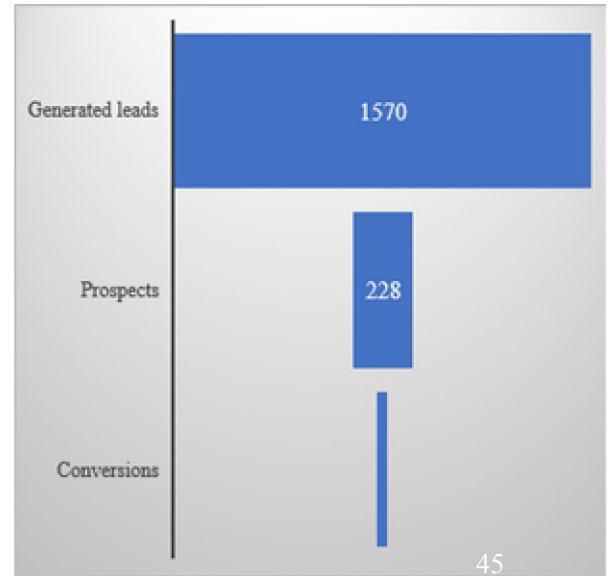
Figure 6 demonstrates the level of success that SNPs have when moving generated leads throughout the sales funnel. From the initially generated leads (2.394), 34% were moved to the next stage and marked as prospects, having interest and intention to convert, while 8.99% of the total leads turned and made a purchase in the analyzed period.

Figure 6. Sales funnel via SNP



Source: Atuthors calculation

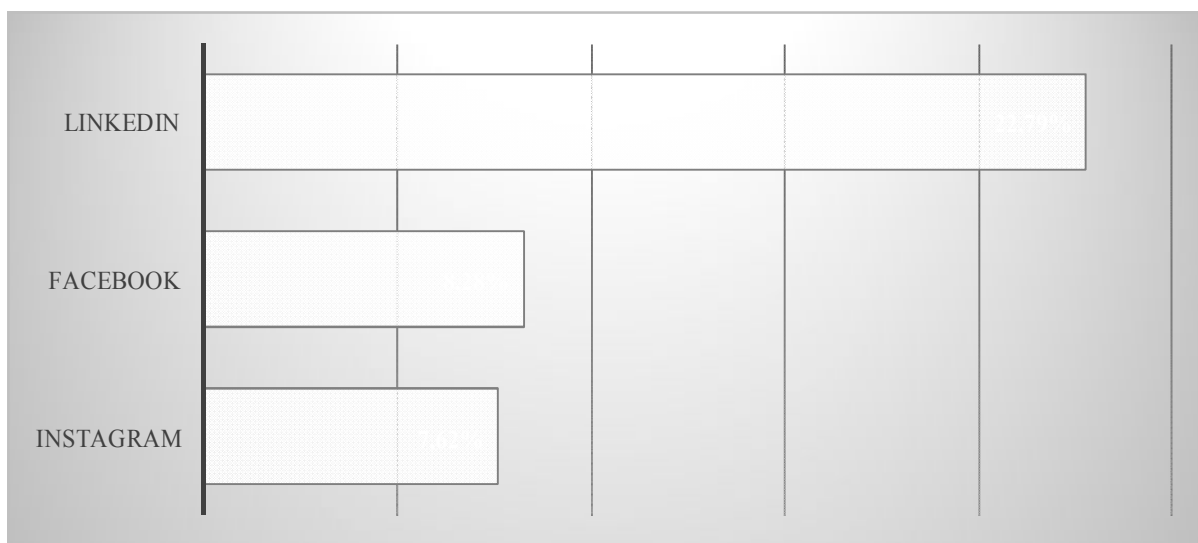
Figure 7. Sales funnel via traditional channels



Source: Atuthors calculation

Figure 7 on the previous page compares the same data in the same period over traditional sales funnels that the analyzed companies managed. From the lower generated base of leads (1.570), there is a significantly lower transformation into prospects with 14.5% and final conversions with 2.86%.

Figure 8. Conversion rate per SNP



Source: Atuthors calculation

Regarding SNP efficiency, Figure 8 outlines the conversion rates per platform, comparing generated leads vs. final conversions (purchases). Despite the lowest lead generation base (136),

LinkedIn had a much higher efficiency in completing the sales funnel, with 22.79% conversions, compared to Facebook leads with 8.28% and Instagram leads with 7.62%. The data demonstrate that LinkedIn can generate the highest quality in leads, where more than 1 of 5 converts and make a final purchase. Finally, the average TTP (time to purchase) in all scenarios was 22.4 days, which is shorter than the average TTP from other channels of 27.8 days. However, this number can be influenced by the current situation with COVID-19, which limits contact with leads mainly in digital fashion, so it is not taken as a relevant measure for comparison between the two sales funnels methodologies.

5. CONCLUSION

Based on the research data, it can be clearly seen that introducing social media into the sales funnel strategies and processes of companies can lead to improvements in various aspects:

- The number of generated leads is higher through SNPs (2.394) than other channels for the companies (1.570), compared in the same period. Furthermore, generated leads are active potential customers, who have clicked on an advertisement for the product/service and mostly show genuine interest in it.
- Through SNPs, there is potential to keep users on a single channel, where they can be given information on a particular product/service, take the next step and find out more information, as well as leave their data to be contacted in a single form. It greatly helps in having a unified approach to potential buyers, and a single point of digital entry and exit which can give complete analytics, instead of comparing data from e-mail, newsletters, website, etc.
- Compared to cold calling, the information presented in lead generation SNP channels can be both visual and audio, giving the company greater freedom at demonstrating what the product and services do.
- The research shows that the final conversion rate is significantly higher from SNP sales funnels (8.99%) when compared to traditional channels (2.86%). Improvements of over 3 to 4 times are registered at analyzed companies, with reduced TTP, across both B2C and B2B segments.
- Comparing SNPs, LinkedIn proves as the most efficient platform with 22.79% conversion rates from the initial base, followed by Facebook and Instagram, respectively. It is worth mentioning that LinkedIn generated the least amount of leads and conversions compared to the other two SNPs. However, the data is a relevant indicator of the potential it holds, especially when concerning the B2B sector.

The research represents a stepping stone into the SNPs implementation into the sales funnel process of companies from various industries. It can be expanded by providing case studies from the Balkans region, Europe in general, and comparisons between countries to better validate results. One limitation of the research is the lead generation base depends on the budget and effectiveness of the ad placement and targeting systems. However, by providing a similar baseline (number of generated leads), the results can be compared across countries and industries.

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