

# Canadian Tech Companies Get an 'A' for Effort in Social Media

(But a 'D' for Results)



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## Canadian Tech and Social Media

“Given the degree of activity that Canadian companies put in social media channels, they are certainly not falling behind the US in their efforts at marketing communications.”

Several of our past studies took a closer look at Canada’s challenges in growing companies. The reluctance of Canadian tech businesses to spend on sales and marketing, especially when compared to US-based firms, contributes to the slow commercial uptake of Canadian products and services.

In this study, we began to examine these sales and marketing activities in greater depth by looking at social media practices of Canadian tech firms relative to companies in other regions around the world. Social media is a critical piece a comprehensive digital marketing strategy and is a relatively affordable and powerful way to engage new and existing customers and build brand recognition and loyalty.

Our sample population consisted of 113 randomly selected internet software businesses in five jurisdictions: Canada, California, New York, Massachusetts, and the United Kingdom. All firms had obtained last funding in 2016, with cumulative financing ranging between \$5 million and \$20 million. (Unless indicated otherwise, all amounts are in US dollars.) In order to gauge Canada’s efforts and success in social media, we ranked Canadian tech companies relative to other regions using activities on LinkedIn, Facebook, Twitter, YouTube, Instagram and blogging. Overall, we rank first in effort (as gauged by activity) but unfortunately, only fourth in results, or ability to generate engagement with followers and other observers.

### Comparative Social Media Statistics

Table 1

Effort and Results	Canada	California	New York	Massachusetts	UK
Effort Score	8	10	18	14	10
Result Score	16	12	14	21	12
Effort Rank	1	2	4	5	2
Results Rank	4	1	3	5	1

This analysis generates more questions than it answers. Given the degree of activity that Canadian companies put in social media channels, they are certainly not falling behind the US in their efforts at marketing communications. Since social media can generate engagement quickly and cheaply, both locally and globally, we need to find out how to generate better results from our time investment in digital marketing.

## Study Framework

Our past studies highlighted the importance of marketing and sales (M&S) in innovation and pointed out several conclusions of direct relevance to the growth of tech companies:

- Although M&S have been largely neglected in conversations on technology and commercialization in Canada, our success will depend not only on our ability to come up with novel ideas or inventions but also on our ability to market and sell those ideas.
- There is a striking difference in the spending behaviour of Canadian and American firms and their treatment of M&S: while mid-sized US software companies spend, on average, 34% of their revenue on M&S, comparable Canadian firms only allocate 20% of their budgets to those expenditures.
- It is also partly an issue of experience and expertise: Canadian marketing leaders are less qualified and less experienced than their American counterparts.

(Please refer to our past Impact Briefs entitled *A Nation of Soft Sellers*, January 2017 and *The CMO Search*, June 2017.)

Given Canada's M&S gap, we felt it would be interesting to take a closer look at select M&S activities, and particularly at the social media practices of Canadian tech firms relative to firms in other jurisdictions. Expenditures on people and tools for social media are a key part of any tech company budget for marketing communications. Social media channels have become a very effective and inexpensive way for firms to connect with existing and prospective customers and are considered a must for fledgling businesses. For most cloud-based software companies, social media is the primary method for lead generation, and thus the first part of the sales funnel. Success with social media then drives customer awareness, adoption, and the development and growth of revenue.

To gauge how Canadian tech companies perform, we took a sample population of randomly selected internet software businesses from five jurisdiction: Canada, California, New York, Massachusetts, and the United Kingdom. To make this a fair comparison, we decided to limit the study to firms of similar size, type, and stage of development:

- All firms operate in "internet software".
- Each firm last obtained funding in 2016.
- Each firm had accumulated between \$5 million and \$20 million in total funding by the end of 2016.

The data breakdown by jurisdiction is shown in Table 2. To reduce the study to a manageable size, we randomly selected up to 25 companies from each jurisdiction, resulting in a sample of 113 firms. We then obtained social media data on the companies and removed a small number of outliers that were orders above the norm for any one category.

## Development of the Social Media Tech Sample

Table 2

	Number of Companies	Number in Sample	Average Year Founded	Average Last Funding (\$ Millions)	Average Total Funding (\$ Millions)
Canada	25	24	2008	7.9	9.8
California	156	25	2011	8.8	11.6
New York	52	22	2013	8.0	12.2
Massachusetts	21	19	2012	7.6	10.7
UK	33	23	2008	8.5	10.4

Source: CB Insights

### Nature of the Firms Studied

After our random selection, each jurisdiction ended up with a similar number of companies. The average cumulative funding has some variability, but the total funding for the smallest region is only 19% smaller than for the largest region. Similarly, the difference in the average last financing round is only 14% between the smallest and the largest region.

Given this distribution, we assumed that the “average” company in each region should be able to spend a similar amount of money as the “average” business in another region. However, there is one dimension with some clear differences between jurisdictions, and that was the average year of company formation. As you can see in Table 2, the Canadian and UK firms in the sample were established, on average, in 2008, but the firms in the US states are somewhat younger (established 2011 to 2013).

This difference in startup dates (given similar funding levels) is not surprising. In fact, it points to a trend that we have encountered in previous studies. Generally, Canadian firms tend to wait longer before they begin raising funds; they raise funds less often; and they raise less money over time (refer to our report *A Failure to Scale*, February 2017). When put together, these funding trends limit the growth of Canadian companies.

What it means in the context of the current study is that Canadian and UK firms with earlier founding dates may have had a longer history with social media, which should arguably lead to more activity and better results. While the average Canadian firm joined Twitter in 2011 (or an estimated three years after founding), the average US-based business joined within one year of its startup.

This gap between the startup date and an online presence has two alternative explanations. The first possibility is that when Canadian firms were young, social media had not penetrated the world to the extent it now has. So, in taking three years to join, these firms may have been reacting to wider social media patterns, rather than being slow off the mark. The second explanation is that Canadian firms are slow to secure financing and thus delay spending money on social media.

Regardless of explanation, it means that Canadian and UK firms did not get an unnaturally large head start in accumulating experience on social media. So, as a comparison, we have five jurisdictions that despite their differences give us a relatively contained sample of similar tech companies.

## Comparative Analysis of Social Media Practices

In order to examine and compare Canada's relative efforts and success in one important aspect of digital marketing, we tabulated data for these 113 companies across key social media channels, including LinkedIn, Facebook, Twitter, YouTube, Instagram and blogging, and ranked them according to effort (as gauged by activity) and results (as gauged by engagement with followers and other observers).

### LinkedIn

Table 3 highlights the number of LinkedIn "followers" for the average company in each region. All companies in the sample have a LinkedIn presence, and Canada leads the pack in terms of the average number of followers. This should not be surprising as our calculations show a strong degree of correlation between the number of employees a company has and the number of followers it has on LinkedIn. Thus, Canada with an average of 74 employees should have (and does have) a larger number of followers.

What is interesting to note as well is the number of employees per average company in each jurisdiction. Companies in Canada and the UK are, on average, four years older than businesses in other jurisdictions, and have significantly more employees. All firms have similar levels of funding (Table 2), but Canada has received that funding over a longer period of time (as has the UK). This may have translated into more employees. (Please stay tuned for more on this line of thinking. Our next study will examine employment and firms in different locales that have been created in the same year.)

#### LinkedIn Statistics

Table 3

LinkedIn	Canada	California	New York	Massachusetts	UK
Average Followers	1841	979	1478	780	1634
Average Employees	74	55	54	38	68
Results Rank	1	4	3	5	2

### Facebook

We can also have a similar look at the use of Facebook. While all companies in the study recorded LinkedIn followers, a smaller number (approximately 80% of all firms in the study) had a Facebook presence. Unlike LinkedIn, where Canada is a leader, Canadian companies come in second-last in terms of the number of followers (Table 4).

#### Facebook Statistics

Table 4

Facebook	Canada	California	New York	Massachusetts	UK
Companies with FB Presence	20	22	17	15	16
Average Likes	2163	2992	2091	2129	2532
Average Followers	2127	2875	2100	2128	2776
Results Rank	4	1	5	3	2

## Twitter

In examining Twitter usage, we were able to ascertain when companies joined. While Twitter was around for the earlier development of Canadian and UK-based companies, businesses from these countries were slower to join, perhaps waiting until it became more popular. This channel appears to be the second most popular platform for the dissemination of social media as 95% of the companies in the study have a Twitter account.

In terms of followers, Canadian companies ranked fourth, generating relatively few followers per tweet. In terms of effort, Canada was in second place. So, we are active on Twitter but are not generating the results that companies from other locales are able to generate.

### Twitter Statistics

Table 5

Twitter	Canada	California	New York	Massachusetts	UK
Companies with Twitter Presence	22	25	20	18	22
Average Date Joined	2011.7	2012.9	2012.5	2013.8	2011.5
Average Tweets	3745	1645	1839	2444	5158
Average Followers	3223	2408	2863	1972	6659
Per Tweet	0.9	1.5	1.6	0.8	1.3
Average Likes	3519	1370	6172	681	1823
Per Tweet	0.9	0.8	3.4	0.3	0.4
<b>Effort Rank</b>	<b>2</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>1</b>
<b>Results Rank</b>	<b>4</b>	<b>2</b>	<b>1</b>	<b>5</b>	<b>3</b>

## YouTube

YouTube is a less popular platform for social media than Twitter and Facebook: it is used by 54% of the companies in the study (Table 6). In terms of activity, Canadian companies ranked third but in terms of number of subscribers, they ranked fifth.

### YouTube Statistics

Table 6

Youtube	Canada	California	New York	Massachusetts	UK
Companies with YouTube Presence	14	14	7	16	11
Average Subscribers	99	213	335	274	434
Average Posted in January	0.8	1.3	0.6	0.3	2.1
Average Views in January	28	69	24	4	283
<b>Effort Rank</b>	<b>3</b>	<b>2</b>	<b>4</b>	<b>5</b>	<b>1</b>
<b>Results Rank</b>	<b>5</b>	<b>4</b>	<b>2</b>	<b>3</b>	<b>1</b>



## Instagram

Just under one-half (or 47%) of companies use Instagram as a platform for engagement (Table 7). Canada is a clear leader in its usage, ranking first in effort and second in the number of followers.

### Instagram Statistics

Table 7

Instagram	Canada	California	New York	Massachusetts	UK
Companies with Instagram Presence	14	7	20	6	6
Average Posts	242	130	71	128	80
Average Followers	517	842	199	186	186
<b>Effort Rank</b>	<b>1</b>	<b>2</b>	<b>5</b>	<b>3</b>	<b>4</b>
<b>Results Rank</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>5</b>	<b>4</b>

## Blogging

In addition to all social media channels, the average firm across regions produces one blog per week. Canada is close to this average, ranking second in effort.

### Blogging Statistics

Table 8

Blogging	Canada	California	New York	Massachusetts	UK
Companies	18	18	12	15	19
Number in January	3.6	6.3	1.4	3.5	3.5
<b>Effort Rank</b>	<b>2</b>	<b>1</b>	<b>5</b>	<b>3</b>	<b>4</b>

## Summary of Social Media Activity

Table 1 situates Canada in terms of effort and results across all the social media platforms we looked at. Overall, we rank first in effort but unfortunately, only fourth in results.

### Comparative Social Media Statistics

Table 1

Effort and Results	Canada	California	New York	Massachusetts	UK
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This review generates more questions than it answers. In past research, we have determined that Canada underspends the US in sales and marketing (*A Nation of Soft Sellers*, January 2017). Given the degree of effort that Canadian companies have put in social media outlets, Canada may not be falling behind the US in their efforts at marketing communications.

But there may be mismatches between effort and effectiveness, particularly if the salaries and wages of employees at Canadian companies responsible for marketing and sales (M&S) are lower or if the M&S function is generally underfunded or under-resourced.

If Canadian companies are, in fact, on par with other regions in terms of funding digital marketing efforts, then we must determine what needs to be done to generate better results from social media. Generating better results may be one step to improve the ability of Canadian firms to grow revenue faster and thus have a greater chance of becoming world-class. A more comprehensive review of expenditure patterns by firms will be necessary to develop further insight into this area.

## Methodology

This study looked at the social media patterns of technology companies in Canada, the UK, and the US. Firms in the study were identified in CB Insights as operating in internet software with the last funding obtained in 2016, and with \$5 million–\$20 million of total funding. Data were collected in January to March 2018. All amounts are in US dollars.

This study was not intended to be academically rigorous, nor was it intended to be all-encompassing about the topic. It was designed only to add to the conversation on innovation and highlight areas worthy of future research by looking at data available from publicly available sources. We plan to complete further research on this subject in the future.

## About the Impact Centre

### Science to Society

We generate impact through industry projects and partnerships, entrepreneurial companies, training and research.

We bridge the gap between the university and industry to accelerate the development of new or improved products and services based on physical technologies. We work with graduate students and researchers to help them commercialize their discoveries. We provide undergraduate education and training for students at all levels to ease their transition into future careers.

The Impact Centre conducts research on all aspects of innovation, from ideation and commercialization to government policy and broader themes such as the connection between science and international development. We study how companies of all sizes navigate the complex path between a discovery and its market and how their collective innovations add up to create a larger socioeconomic impact.

Our objective is to understand how we can improve our ability to create world-class technology companies, how governments, companies, and academia can identify and adopt best practices in technology commercialization.

### Impact Briefs

Read our collection of Impact Briefs: [www.impactbriefs.ca](http://www.impactbriefs.ca)

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