

# THE ECONOMIC IMPACTS OF SOCIAL MEDIA'S IMPLEMENTATION

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## **Abstract**

The social media refers to set of online tools that are designed for and centered around social interaction. While the term social media is relatively new, the idea of using online tools to facilitate social interaction across time is very interesting and the social media marketing is becoming more and more popular. Reaching leads in social networks is totally different in print media and websites. The community wants to discuss the product and also have fun. Therefore, caution should be exercised in the choice of product presentation, and in many cases selection from the perspective of women and men is important. Our paper examines the consumers' attitude to company marketing activities on one of these social media platforms, on Instagram. The main objective of this study is to gain useful knowledge about that area, which can help companies to make their marketing strategy the best. During that we segregate the women's and men's attitude and learn the differences between them.

**Key words:** instagram, marketing, social media, economy, economic impacts

**JEL Code:** J11, M31, M37

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## **Introduction**

This paper examines the consumers' attitude to the marketing activity of companies made on the Instagram. We have chosen this social media platform, because it was the fastest growing platform among all social media sites in the last decade. We use Instagram on a daily basis and follow many companies. That was another reason for making this research.

## **1 Theoretical background**

Organization of costumer relationship management is one of the most complex business challenges business leaders face. The process of establishing, managing and maintaining a relationship is a complex activity that can dinamically change over time, as new issues arise continuously. (Seres Huszárík et al. 289) In the 21st century, the social media marketing is one of these new issues.

Social media encompasses many online word of mouth forums including blogs, discussion boards, forums or social networks to name a few. Using all mobile and web-based

technologies, social media creates highly interactive platforms by bringing together individuals and creating communities. (Mangold & Faulds 358)

Kaplan and Haenlein identifies social media as a group of Internet-based applications that build on the ideological and technological foundations of Web 2.0 and that allow the creation and exchange of User Generated Content. (60-61)

The Honeycomb model of Smith describes seven functional blocks of social media websites, which are the following ones:

- presence – the extent to which the user knows the others are present
- sharing – the extent to which the user exchange, distribute and receive content
- conversations – the extent to which the users communicate with each other
- groups – the extent to which the users are ordered or form communities
- reputation – the extent to which the users know the social standing of others
- relationships – the extent to which the users relate to each other
- identity – the extent to which the users reveals themselves (this extent stands in the middle of the honeycomb)

Firms interested in getting serious about social media find a useful tool in the honeycomb framework. By analyzing the seven building blocks companies can monitor and understand how social media activities vary in terms of their function and impact, so as to develop a congruent social media strategy based on the appropriate balance of building blocks (Kietzmann et al. 250). Customers can be segmented on the advertising market just like on every other market. (Seres Huszárík et al. 23)

The potential impact of social media in the economy is huge. Social media seem to have penetrated almost every culture, forming a new online layer through which people organise their lives. The need for connectedness drove many users to these sites. Connectivity quickly evolved into a valuable resource as engineers found ways to code information into algorithms that helped brand a particular form of online society and make it profitable in online markets. People collaborate on social media, and as a return, the action of the individuals produces even unexpected results. The emergence may be profitable business and provide income for firms, but it also has an impact on the social relations and the well-being of individuals. (Papachristou 5-6)

According to Hanna et al. the modern-day consumers are becoming highly dependent on social media, increasingly utilizing the various platforms on the ecosystem (265).

## **1.1 Instagram**

Instagram is a photo and video sharing mobile application. It offers a unique way to post pictures and videos using smartphones, apply different manipulation tools in order to transform the appearance of an image, and share them instantly on multiple platforms in addition to the user's Instagram page. It also allows users to add captions, hashtags using the „#“ symbol to describe the posts, and tag other users by using the „@“ symbol before posting them. (Hu et al.)

Instagram was launched in October 2010. It was created by Kevin Systrom and Mike Krieger. After its launch, Instagram rapidly gained popularity, with 1 million registered users in two months, 10 million in a year and 1 billion as of May 2019. ("Our Story")

Instagram has had the fastest growth rate among all social media sites. It is regarded as an important marketing tool in social networks because of its advantages and features. Most globally known companies use Instagram in their marketing strategy. Due to the apps visual nature and high user engagement rate, Instagram is also valuable social media marketing tool. (Clement)

Wang et al. describe that with the growing popularity of social media, interests have been provoked for costumer socialization through the websites of social media in recent years (198-199).

## **1.2 Business profile**

While personal profiles are all about the basics, when companies switch to an Instagram business profile they get access to advanced features, like Instagram Insights, promoted posts, and a Contact button. According to the e-book, named Instagram for Business in 2018 by Later and Hubspot when creating a business profile the most important things to keep in mind are:

- name – companies should make their Instagram name their company name or as close a variation as possible to be search-friendly
- background – a good Instagram bio accurately explains what the company does
- keywords – using keywords will give the business account more focus and help the companies connect with followers
- website link – Instagram only gives users one clickable link on their profile, and it's the link in the bio
- e-mail – with the contact button companies have the option to include directions, a phone number, and/or and email address

- branded hashtag – whether the companies are promoting an Instagram contest or user-generated content campaign, including their branded hashtag in their Instagram bio is a fantastic way to drive engagement on their posts

- call-to-action – the simple act of including a call-to-action in the companies' Instagram bio and inviting their audience to comment or engage can go a very long way when it comes to driving more engagement on the posts ("Instagram for Business in 2018").

Instagram has many advantages for companies. One of them – maybe the most important one – is the fact, that the costumers can be informed about the company immediately. They can hear about important innovations, too. Seres Huszárík et al. describe that innovation can be understood as a launch of new product or service as well as improvement of service and production process (837).

## 2 Methodology

The aim of this paper is to examine the consumers' attitude to company marketing activities on Instagram. The sub-objective of this paper is to examine the differences between men and women, who use Instagram and follow companies.

In order to carry out our research, a quantitative method, the questionnaire survey was chosen. Our online questionnaire contained 13 questions and was filled in by 368 Instagram users. We sent it to 40-40 people, who were asked to send it to another 5 people. The research was realized between February and April 2019.

The questions were formulated before the research and the hypothesis was formulated after the research questions. In the research the hypothesis formulated was called the alternative hypotheses ( $H_1$ ) and its opposite, the null hypothesis ( $H_0$ ). These two cannot be true at the same time. Our aim was to prove or reject the null hypothesis. During the statistical analysis the significance level was  $\alpha=0,05$ , which is the generally accepted value.

The  $H_0$  hypothesis was the following:

***H<sub>1</sub>:*** *There is significant difference between men and women, when they have to identify what an unknown picture advertises on Instagram.*

***H<sub>0</sub>:*** *There is no significant difference between men and women, when they have to identify what an unknown picture advertises on Instagram.*

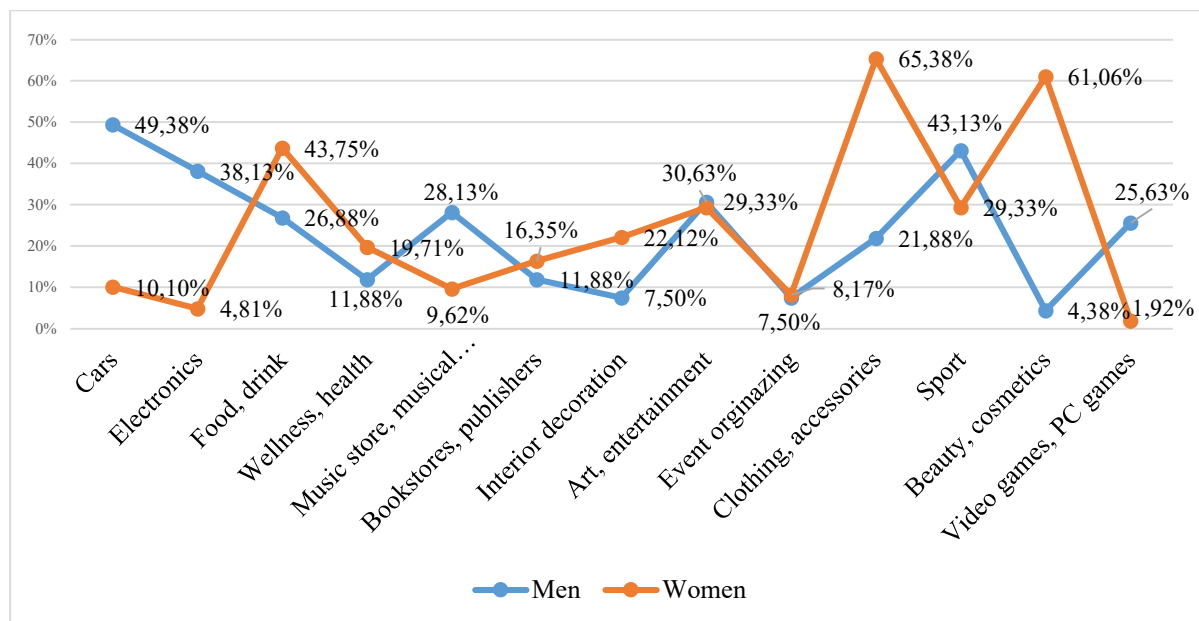
### 3 Results

The online questionnaire was filled in by 368 Instagram users, the logically incompatible and neglected questionnaires were excluded from the sample. A total of 208 women (56,5%) and 160 men (43,5%) participated in our research.

Nearly 56% of the respondents use Instagram for 0-12 hours on a daily basis, moreover, almost 20% of them are active for 12-24 hours. Our results also show that respondents use Instagram mostly in the evening (25,67%) and in the afternoon (22,44%). 28,55% of the respondents are active on this social media platform all day.

The next questions related to Instagram was a very important one. The respondents were asked, if they follow brands or companies on Instagram or not. Nearly 80% of them said, they do. There are no big differences between men's and women's responds for these three questions, the percentages are close to each other. That is not true for our next question.

**Fig. 1: Companies or brands followed by the respondents on Instagram**



Source: Authors' editing based on the research

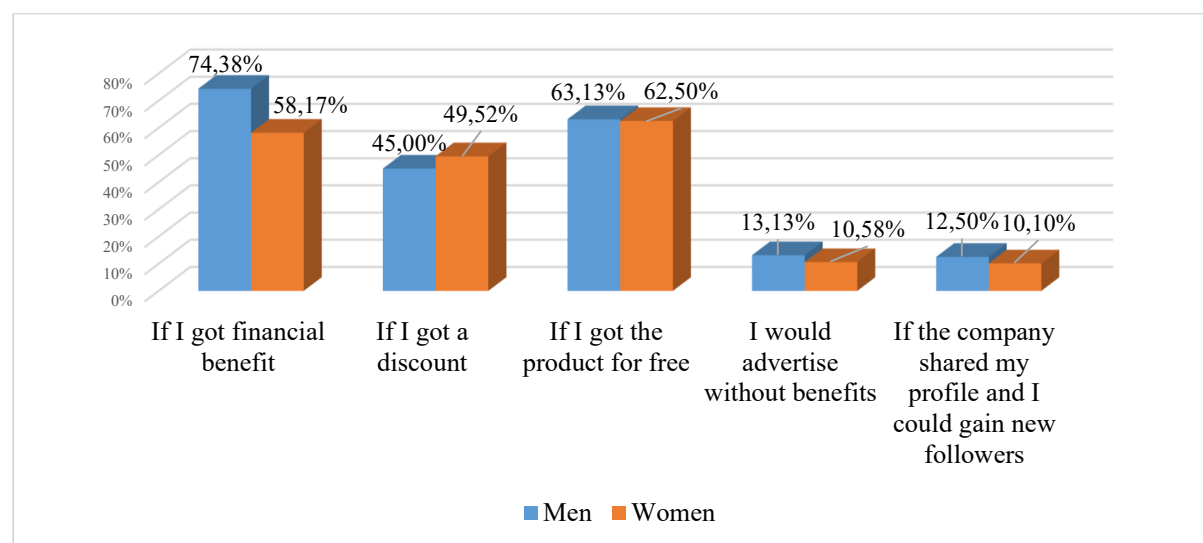
Figure 1 shows big differences between men and women in company or brand following habits. The most followed companies or brands by men are linked to cars, sports and electronics. On the other hand, women agreed, that the most interesting companies to them on Instagram sell clothes or accessories, cosmetics and food or drink. The categories Art, entertainment and Event organizing got almost equal percentages by men and women.

The next question was about the most important factors on an Instagram business profile. As it was mentioned in the first chapter, companies should focus on seven factors, when

creating a business profile. But what do the respondents think? According to the results, the appropriate description of the company, the regular posting, the accessible link to the company website and the visible product price are the keys of success. Woman and men agreed, that these factors are the most important ones on a company's business profile. They think the high number of followers and regular Instagram Story are not so important.

We considered it important to examine the respondents' willingness to advertise a product on their own Instagram profile. Nowadays, many companies search for ambassadors via Instagram message. These ambassadors have a lower amount of followers, and because of this, they are not as expensive for the company, as the celebrities, bloggers and professional influencers. If they had a chance, 68,21% of our respondents would advertise a product, that they like or use and 12,77% of them would advertise any kind of product. 7,07% would not share a photo or a video of a product on their profile and the others could not decide it. Figure 2 shows under what conditions would they (the 80,98% of the respondents) advertise a product on their own Instagram profile.

**Fig. 2: Accepted conditions for advertising on the respondents' own Instagram profile**



Source: Authors' editing based on the research

The next step was to test the hypothesis. In our hypothesis we were looking for the answer to the research question, is there a significant difference between men and women, when they need to identify what an unknown picture advertises on Instagram. These photos were downloaded from real Instagram business profiles, but the respondents did not know the name of these companies.

**Fig. 3: Pictures shown to respondents to identify the advertised product or type of company**



Source: Instagram (@jackdaniels\_us, @samsungmobile, @kaffeineexpressobar, @cluse, @teva)

To test the hypothesis, we chose the cross-table analysis. We examined whether the non-metric variables (gender and correct answers) are related to each other. The Table 1 shows the result of  $\chi^2$ -test. It helps to determine whether there is a relationship between the variables.

**Tab. 1: Chi-square Test**

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	51,078a	1	8,88E-13
Continuity Correction	50,39392	1	1,26E-12
Likelihood Ratio	51,05978	1	8,96E-13
Linear-by-Linear Association	51,05006	1	9E-13

a. 0 cells (0,0%) have expected count less than 5. The minimum expected count is 319,57.

b. Computed only for a 2x2 table

Source: results from SPSS Statistics based on the research

With the df (degree of freedom) = 1 and p (significance level) = 0,05, the critical value of  $\chi^2$ -test is 3,841. This value is greater than the value of the test ( $p=8,88E-13$ ), so the null hypothesis is rejected. Based on our results, it can be stated that there is a significant difference between the gender and the correct answers, when Instagram users have to decide, what an unknown picture advertises. After we designed bar charts, it was clear that women gave the higher number of correct answers.

## Conclusion

As a conclusion of our survey we created a short guide, which can be helpful for companies that would like to understand the economic aspects of Instagram marketing. 75% of men and 83,65% of women follow a brand or a company on Instagram. The most followed industries by men are cars, sports and electronics. Women mostly follow companies, which sell clothes and accessories, beauty and cosmetics or food and drink. Men and women agreed, that the most

important factors on an Instagram business profile are the appropriate description of the company, accessible link to the company website, visible product price and regular posting. The rate of women who are willing to advertise on their own profile was a little bit higher (83,17%) than men's (78,13%). Men would like to get financial benefit or free product for that. And the same goes for women too, but they also like getting discounts. The men's ability to identify an advertised product is not so good, the women's is much better. This fact was proved by our hypothesis. The suggested type of photos for companies, that want to advertise for men, is a simple picture, which focuses on the product and does not contain many details. On the other hand, when the company advertises for women, we advise detail-rich photos, where products do not have to be in the focus. In the future we would like to expand our research further. The research presented in this paper was only the first step in deeper understanding the Instagram marketing, which is becoming more and more popular among companies. It is never too late to create an Instagram business profile and when it happens, this paper should be a great guide for learning how to target women and/or men on Instagram.

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