

# Social network Facebook and its impact on the global market environment

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**Abstract:** The aim of the article is to describe specific aspects of how social networks work, focusing on the most popular social networking site Facebook and its impact on the current market environment. The article also summarizes the theoretical basis of the issue of Internet marketing as well as social networking sites as parts of social media. Based on the analysis the article describes the current state of the use of social networks such as Facebook from the point of view of its users and generated sales. Moreover, the article describes the impact the social network Facebook has on the global market. Another objective of the article is to evaluate the opportunities this platform brings for marketers and point out its pitfalls.

**Keywords:** Market, Current state, Social networks, Social media, Facebook

**JEL Classification:** M30; M31

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## 1. Introduction

Social network Facebook is a tool that is able to support marketing efforts of companies by offering them a comprehensive marketing communication platform. Facebook allows for creating deeper bonds with customers and offers new possibilities for strengthening relationships with loyal customers (Porterfield et al. 2013). In relation to the above-described features of Facebook and its ever-growing popularity across all ages, we can identify its impact on a global scale. Economic, technological and communication impact of this social network is now undeniable, as suggested by a number of published analyzes. It is not necessary to emphasize that the social network Facebook now represents a unique marketing opportunity for small companies as well as established corporate organizations. More fans mean more and better information about products, services and opinions of customers (Janouch 2010). In terms of marketing it is very important to have information on views, wishes and requests and Facebook is a good place to have a conversation about products and brands. Through this interaction companies can build better relationships with customers and customers can provide valuable feedback to companies in return.

## 2. Theoretical basis

As for the introduction it is important to define the online environment of Internet as a marketing channel used for communication. In this regard the scientific literature offers different views on the issue of Internet marketing. Nondek and Řenčová (2000, p. 23) define e-marketing as a process: "Marketing on the Internet is a qualitatively new form of marketing that can be characterized as the management of the process of satisfying human needs with information, services or goods via the Internet."

Internet marketing is a distinctive part of e-business (Internet business) which represents a strategic process of creation, distribution, promotion and pricing of products offered to target markets through the Internet, electronic devices or smart mobile devices - smartphones (Kurtz 2011).

Přikrylová – Jahodová (2010) offer a wider view of the concept of online marketing. They state that this form of communication is based on the estimation of behavior and perception of the target groups, and on the basis of these estimates it tries to find the most efficient methods and ways to bring Internet users to the target website and persuade them to buy a product/ service or perform any other desired action. The authors add that in the online world communication becomes much more direct since it allows immediate feedback.

According to McPhaet, (2011) social networks allow marketers to find out how customers perceive a product. This information is important for the users who are looking for the right product or service as well as companies that offer their products and services on the market. Marketing on social media requires understanding and entails learning, observation, experimentation, work with the audience, assessment and evaluation.

According to Janouch (2011) social media should be primarily perceived as online media which content is created and shared by the users. Social media is continually changing thanks to its content and technical developments used therein.

We agree with Bednář (2011), who states that the efficient and long-term relationships on social networks form the basis for easier communication on these networks, mainly because marketers can offer their target groups additional products and services, inform them about innovations in products sold and services provided and promote their products. With regard to social networks the author states that it is social software applications that give us the ability to create and maintain a system composed of interconnected contacts. Its basic aim is therefore to develop relationships between users.

Blanchard (2011) has yet another interesting view of the topic, stating that social networks are a communication tool, much like a phone or e-mail, which are used in stem corporate functions, including public relations, marketing, networking management, customer service and market research.

According to Van Dijk (2012), social networks, unlike social media are based on interconnected social ties. These ties can have multiple levels, from the individual (friends, family) ties to organization ties or global ties. It follows that social networks are essentially a specific category of social media.

### **3. The current state of the issue**

Since its inception in 2004 Facebook has been recording a growth in the total number of users and the number of active users. Its economic results are also noteworthy, the value of its shares between years 2012 - 2016 has reached the level of 214% (NASDAQ: FB - 12.16.2016 - \$ 119.87). A user base of any social network is an essential indicator of its current popularity i.e. its relevance as well as the interest of advertisers who are keen to use it for their business purposes. Facebook currently (Q3 2016) dominates market with 1.79 billion monthly active users (MAUs). The number of daily active users (DAUs) of Facebook is around 1.18 billion users. With regard to the reporting period spanning from Q3 2010 to Q3 2016 Facebook has recorded a significant growth in its user base both in the case of daily active users (DAUs) and also in the case of monthly active users (MAUs). In the case of on-year comparison of Q3 2015 and Q3 2016 with regard to daily active users (DAUs) we have identified a growth by 17.08%. With regard to the period between Q3 2010 and Q3 2016 Facebook user base has grown by 302.39%. An interesting finding is that the social networking site Facebook has recorded the fastest growth over the period from Q3 2010 to Q3 2011. The growth of daily active users (DAUs) in this period represented the value of 55.97%. With regard to daily active users (DAUs) Facebook grew on average at the rate of 26.79%, with a minimum growth of 16.55% identified during the period from Q3 2014 to Q3 2015.

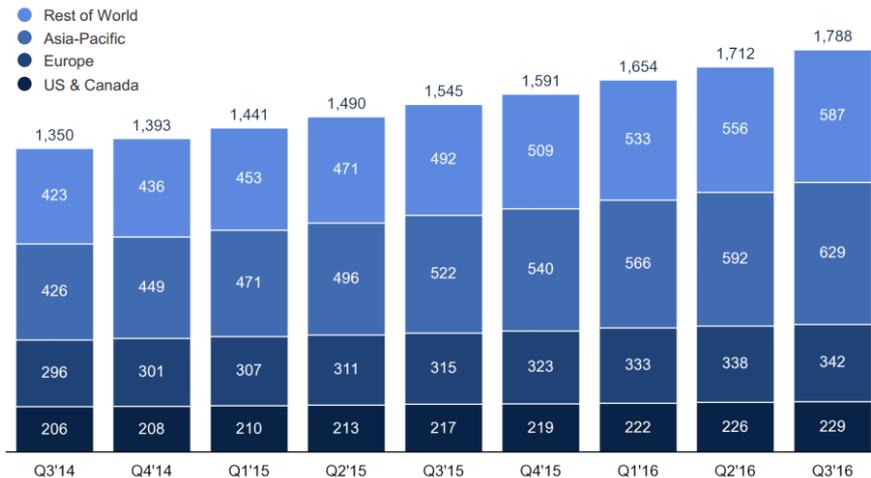


Figure 1. Monthly active users of Facebook social network in millions

A more detailed view of the geographic distribution of Facebook users (2016) shows that most of users come from Asia and Pacific (APAC). In Q3 2016 figures amounted to the value of 35.18%. European users (EMEA) represented a share of 19.12% and the users from North America (USA and Canada) only 12.81%. APAC region may also be described as the fastest growing, since between Q3 2014 and Q3 2016 the number of users grew by 32.27%. The slowest growing region with a growth of 10.04% over the same period was the region of North America.

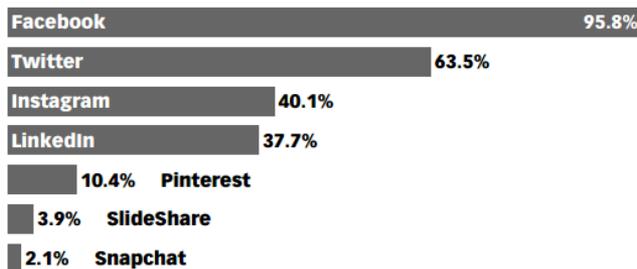
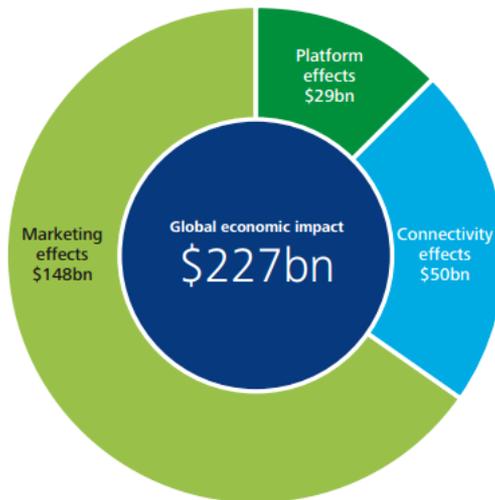


Figure 2. The perceived importance of social media in terms of return on investment (as perceived by respondents)

An interesting view (Figure 2) is offered by a joint analysis of companies Social Fresh, Firebrand Group and Simply Measured (eMarketer 2016). The analysis in question was published in April 2016. The analysis focuses on the perceived importance of the studied social networks in terms of return on investment - ROI. On the basis of the answers of 551 respondents - social media marketers from around the world - it can be stated that the social network Facebook is from the perspective of return on investment (ROI) the best social network (up to 95.80% of respondents have chosen this social network). From the point of view of Facebook, Instagram's position seems very favorable since Facebook is the owner of this social network. In the case of Instagram 40.10% of respondents expressed a positive attitude in terms of return on investment. It should be also noted that the social networking site Facebook, according to estimates of the company eMarketer for the year 2016, will account to 67.90% of the global advertising revenue in the environment of social networks (the total package is worth 32.97 billion USD). The same analysis predicts Twitter's revenues to be 7.90%. For other social networks the proportion is estimated at 24.20%.



**Figure 3. The economic impact of the social network Facebook**

The importance of Facebook in terms of the global economy was confirmed also by the analysis of Deloitte (2015) which was published in January 2015 and focused on the impact of the largest and most popular social networks in three main areas (Figure 3):

- Marketing Effects: Facebook's economic impact on businesses that use it as a marketing platform for communication with consumers as well as a platform for brand building;
- Platform Effects: impact on software developers in general as well as application developers;
- Connectivity effects: impact through sales of mobile devices and Internet connection.

The analysis in question (Deloitte, 2015) estimated that the economic impact of Facebook in 2014 was around 148 billion USD, and the company employed around 2.3 million people. A closer view reveals that Facebook has the greatest economic impact in the North America - 81 billion USD, in the case of EMEA it is 36 billion USD, the lowest impact was recorded for the region of South America - 15 billion USD. The economic impact also features the variable of jobs. The market in North America features 870,000 jobs related to Facebook, the market in EMEA features 620,000 jobs.

The communication impact of a social network in terms of economic impact is linked with the use of social networks. Thus, it is possible to derive consumers' motive to buy and use mobile devices to access this social network. Innovations in the field of mobile devices stimulate consumers to buy new products and, ultimately, generate even greater consumption of mobile data, which has an additional effect on their own ISPs. The economic impact of the social network Facebook for 2014 is estimated at 50 billion USD, in terms of jobs the estimate is around 1.6 million jobs. A closer look at different regions reveals that the social network Facebook has the greatest economic impact in EMEA - 18 billion USD, in the case of the region of North America the impact is 14 billion USD, the lowest impact was recorded for Central and South America - 5 billion USD. The economic impact also features the variable of jobs, the number for APAC reaches 680,000 jobs. The second highest number of jobs in connection with Facebook was recorded for EMEA - 580,000 jobs. In the case of the region of North America, the estimated number of jobs is around 150,000.

The economic impact of Facebook as a developer platform on the global market for 2014 is estimated at 29 billion USD, in terms of jobs the estimate is about 660,000 jobs. With regard to different regions it can be stated that the social network Facebook has the greatest economic impact in EMEA - 13 billion USD, in case of APAC the impact amounts to 7 billion USD. The lowest impact was recorded in the region of Central and South America - 1 billion USD. The economic impact also involves job opportunities, in EMEA Facebook has created around 270,000 jobs, in APAC it created 200,000 jobs and in the region of North America Facebook has created around 140,000 jobs.

#### 4. Conclusion

The impact of Facebook can be perceived also in a broader sense - the global impact on the markets. On the one hand we have revenues generated by business entities who implement marketing activities in the field of social networking, revenues of social media marketing agencies and revenues of development companies, and on the other there are the very jobs that this segment creates. Based on the analysis by Deloitte (2015), which focused on the global economic impact of the social network Facebook, the estimates were made that in 2014 the number of jobs associated with this social network had reached 4.54 million. The relevance of social networks was confirmed by the above-described analysis carried out by eMarketer (2016).

Social network Facebook has changed the way we communicate with each other, changed the way we perceive and communicate with our favorite brands or companies we come into contact with either in brick-and-mortar stores or online stores. Innovations that Facebook brings in terms of marketing activities can be described as constantly evolving, thus having a major impact on companies and businesses using this communication channel. When looking into the future, we dare to predict that despite the competition from new and mobile devices-exclusive social networks such as Instagram or Snapchat, the social networking site Facebook will, from the point of view of marketing activities, remain a leader among other social networks, and it is also possible to expect that its impact on the global markets will only strengthen.

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