Social Media: A Dangerous Marketing Platform from a Consumers' Perspective

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On my honor as a University Student, I have neither given nor received unauthorized aid on this assignment as defined by the Honor Guidelines for Thesis-Related Assignments

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Introduction

Being a consumer in the age of social media is more dangerous than ever before. Businesses can track a consumer's purchasing tendencies and preferences to cater products towards them. Businesses used to lack an in-depth understanding of consumer demographics and had to opt to place their advertisements everywhere, hoping some would stick. Unfortunately for consumers, this advertising approach is not the case anymore. Through the use of "cookies", companies can track users browsing history and preferences online, allowing companies to have a more in-depth understanding of different customers (Your Data Is Shared and Sold…What's Being Done About It?, 2019). Tracking purchasing patterns allows businesses to have the upper hand as they can pay small amounts for access to information such as demographics, income, and preferences, to create more meaningful and effective advertisements to potential consumers.

Targeted advertisements are dispersed across popular social platforms such as Facebook and Instagram which boast 2.5 billion and 1 billion active monthly users respectively (Cooper, 2020). One of the reasons why these platforms are popular results from the quick releases of dopamine in the brain that encourages users to stay engaged in such platforms, leading users to spend more time than they otherwise would. Marketing companies are then able to take advantage of this addiction and meet prospective customers on a platform that they're most likely to be. The price for this mental boost, however, does not bode well for users as those who engage in social media for extended periods tend to have lower self-control leading to lower credit card scores and higher levels of credit card debt (Columbia Business School, 2013).

Since social media was primarily created to serve more as a social network before transitioning into something a more business-intensive model, this paper will highlight social media's development through the lens of technological determinism. Hughes describes

technological determinism by noting that society influences younger systems while more established systems have a greater influence on society (Hughes, 1994). Society was receptive to social media during early stages in the early 2000s, allowing the necessary infrastructure to develop and take shape, however, within the past 5 years, social media has become a platform to push agendas and business ideas that influence society today (Ortiz-Ospina, 2019). This paper will further explore how social media, specifically Facebook and Instagram, has evolved into a dangerous marketing platform from a consumers' point of view.

Part 1: The Evolution of Consumerism

Around 5,000 B.C., livestock and game were the primary use for exchanging for and receiving other goods and services. A few centuries later, precious materials such as shells, copper, bronze, silver, gold began being used as forms of currency. These materials eventually led to national currencies that were used around 500 B.C. Markets began to emerge as a centralized location within cities for people to buy, sell, and exchange goods quickly and efficiently. The paper currency then took place of coins due to paper's ease of transport and lightness. In the U.S., checks and credit became popularized in the 1890s, minimizing the need to carry any form of currency wherever you traveled. Credit cards took shape in the 1950s where users could utilize a middle-man (commonly a bank) to make purchases and reimburse the middle-man at a later date. A couple of decades later, electronic data transfers paved the way for online commerce after the internet went public in the early 1990s. Even though most businesses still operate on a cash basis, the lure and security of using a credit card have drawn up its popularity in transactions today. This process also further simplified purchases by minimizing the need for consumers to carry around paper or coin currency to carry out transactions.

In parallel with the success and popularity of debit and credit cards, we've witnessed the growth of online markets such as Amazon and eBay, along with the popularity and relevance of Google AdWords which launched in the early 2000s (BigCommerce, n.d.). Ecommerce shopping platforms including BigCommerce, Shopify, and Square have allowed small businesses to incorporate currency-less transactions to increase overall sales.

Along with the changes in transactions, it's important to look at the evolution of marking and advertising techniques. The first part of the issue is not in advertisements themselves, but rather in the fact that advertisements today are targeted based on criteria specified by businesses that optimize the impact of a company's marketing budget (Barnhart, 2020). Historically, marketing consisted of reaching the largest number of customers possible, starting with magazines in the 1730s, radios in the 1920s, televisions in the late 1900s, to the internet in the early 2000s (Wainwright, n.d.). The transition to social media advertising plays heavily in the favor of businesses as they can engage directly with their customers through two-way communication to promote greater traffic and personal connections between both parties. Data collection through social media also allows businesses to engage in practices, such as geotargeting to target audiences within a specific location and retargeting which target customers who have interacted with specific brands before (Albright, 2018). Although these techniques work heavily in favor of businesses in regards to both customer acquisition and retention, marketing directly to consumers through social media platforms has a significant impact on the amount of money a consumer spends (Wilcox, 2013).

Even from a global level, e-commerce has grown steadily over the years with an increase of 13.6% from 2018-2019 and an increase of 14.9% from 2019-2020. Even in 2018, e-commerce accounted for 56.9% of the retail market's gains (Young, 2020). These statistics show the growth

of online sales and the growing opportunities businesses have to leverage the online community. This leads to the prevalence of "influencers" throughout social media, specifically within Instagram. Influencers typically have "well-established credibility, and a considerably large audience", indicating that the decisions they make carry a significant weight towards social influence (Henderson, 2020). Connecting with influencers allows businesses to increase engagements with their products and allows consumers to get a first-hand review as to what owning a specific product might be like. This also allows businesses to build their reputation as well as increase public familiarity with their business and array of products which influences sales because a consumer is more likely to buy from a brand that they've heard of compared to any others (Sentance, 2018). By using popular users as ambassadors, businesses are finding fast and efficient ways to market their products at little to no cost, allowing them to allocate funds to different parts of the business.

Part 2: The Development and Impact of Social Media

Social networking systems originate as far back as the 1950s through the use of the telephone and developed further through the early 1990s. Most of these systems, however, were considered too costly at the time for users to operate, which ultimately led to the development of social networking websites in the 1990s (Edosomwan, 2011). These websites allowed users to publicly interact with one another, and the development of blogging sites allowed users to voice their opinions and reviews around different topics and products.

The catalyst for social media applications today came from the development of MySpace in 2003, which allowed users to create custom profiles and provide information about themselves and their specific interests. During its peak, and before the launch of Facebook, MySpace experienced an average of 43.2 million users monthly (Edosomwan, 2011). Although the

creation of these public profiles was convenient from a user's standpoint, it paved the way to how specific user information is collected and the public's willingness to use a service regardless of the specific data being collected. MySpace showed the social media scene the success of an advertisement-based revenue model compared to a subscription-based one (Peranzo, 2016).

The launch of Facebook in February 2004 by Mark Zuckerberg, was initially designed to be accessed by Harvard students in an effort for these students to get connected. However, as popularity increased, the user base expanded to Yale and Stanford, and by June 2004, a breath of 250,000 students from 34 schools was registered on the site; later that year companies such as MasterCard looked to gain exposure on the site (Hall, 2021). When Facebook opened access to individuals above the age of 13 in 2006, advertisers and businesses were able to begin connecting with Facebook users to promote their specific products. The beginning of social commerce began in May 2007, when Facebook launch Marketplace which allows users to interact with one another to sell an array of products and services. Facebook continued this business trend by having over 100,00 businesses signed up with the ability to create a Page to provide business information to general users.

The development of different features such as liking, commenting, sharing has increased the addictive nature of social media, causing users to spend an average of 2.5 hours on it per day (Cooper, 2020). One of the main aspects of social media involves a form of a dopamine hit which is achieved whenever another person likes or comments on a users' post (Hayes, 2018). This hit then convinces the body to engage in similar activities and since the effort to achieve such a hit is relatively low, a user is incentivized to stay engaged on the platform.

Researching the Connection between Social Networks and Business

A study done at the University of Pittsburg and Columbia Business school dove into the connections between social networks, self-esteem, and self-control. Two studies focused on the connection between self-esteem and self-control and identified that participants who checked Facebook were more likely to choose a cookie compared to a granola bar. Another group that also checked Facebook was more likely to give up on a word puzzle compare to the group checking a news-gossip source. Both aspects of these studies highlight the influence social media has on encouraging short-term gratification and minimal effort. One other study conducted as a survey found that "The results suggest that greater social network use is associated with a higher body–mass index, increased binge eating, a lower credit score, and higher levels of credit–card debt for individuals with strong ties to their social network," (Wilcox, 2013).

An article written through Wharton at the University of Pennsylvania dives into the breath of data a company can collect and utilize from their customers. Companies can utilize the data to make improvements to products and focuses more on the product side than the consumer side. Cookies are placed when a user interacts with different websites, leaving a trail for how a customer moves from one place to another ("Your Data Is Shared and Sold…What's Being Done About It?", 2019). This allows companies to track what a user's interests are and when they're most likely to be active to help optimize their advertisement strategies.

Research has shown the significant difference in the brain between purchasing with a physical object such as cash, compared to credit and debit cards. One of the key differences between e-commerce and brick-and-mortar stores is not necessarily the ease of purchase, but rather the impact purchasing has on the brain. When purchasing an item in-store, a user has the option to pay with cash or a card compared to only a card when paying online. This discrepancy is important because paying in cash activates the pain receptors within the brain are compared to

paying with a card that has little to no brain activity in the same region (Ceravolo et al., 2019).

Utilizing cash allows the user to identify the direct loss in purchasing opportunities and

understand the loss of value in the given moment. In comparison, card payments make the user

unable to directly witness the loss in value within their bank account and unable to experience

the change in wealth. This impacts the user's understanding of their available wealth and can

heavily impact budgeting and spending habits which may lead to debt and bondage to interest

payments over time. Although it started as a free service for users to engage on, social media

platforms such as Facebook and Instagram are starting to ask their users to pay up.

Ethical Considerations

Although extensive data collection and use of social media provide benefits for

businesses, it raises concerns as to the amount of information these platforms should be allowed

to collect for each user. Social media companies do need forms of revenue to produce a free

service to their customers; however, detailed information such as gender, age, and any other

information necessary for marketing should be refrained from being collected, or rather, able to

be manipulated to target advertisements towards specific groups (Dyess, 2019).

Another consideration should be made towards determining the length in which these

media companies can track a user's content viewing history and display similar content to that

user. This concept revolves around an echo chamber in which social media platforms can

reinforce existing ideas and preferences with news sources and articles they believe a user will

interact with (Wolk, 2018). Media companies utilize this tactic to keep users engaged with their

platforms as they know that users will stay as long as the dopamine hits keep coming, which

ultimately leads to higher revenue gains from advertisement monetization.

When looking for information about a company's reputation, prospective customers can also stumble across fake reviews and falsified information. There have also been instances of allegations across companies in charge of ratings where businesses have paid these companies to either post positive reviews or remove negative ones (Falls, 2013). Some media companies such as Twitter and Instagram have gone through to publicly verify the authenticity of highly popular individuals through the indication of a symbol next to the user's online name. Although this bodes well for popular celebrities, it still raises a concern in which users can identify the authenticity of written reviews and visual reviews such as star ratings that can be easily manipulated. Third-party extensions have come in to help consumers identify reputable products and reviews, but this action should be taken by the social media platforms themselves to provide an open and honest platform for their users.

Conclusion

Social media has its merits and when used properly, it can connect people from all around the world in a matter of seconds. However, over the years we've witnessed more and more monetization across these media platforms to fund these free services to their users. The danger now lies in a company's ability to identify a user's personal information and preferences, while being able to track how long a user stays engaged with a specific website or company through cookies left behind on every visit. Monetization is necessary for a company to provide free services; however, the exactness of advertisements should be limited to keep companies from shoving business ideas down user's throats.

This paper only addressed the impact of Facebook's monetization and further work should consider the impact of other popular social media such as YouTube, Twitter, and Instagram to identify the different impacts each of these media have on their respective users'

spending habits. Other areas of improvement may include and are not limited to conducting

interviews with psychologists, replicating studies noted earlier in the paper, conducting surveys

to gauge social media usage, and so forth. Understanding how social media impacts our spending

behaviors can help us identify health habits and boundaries to minimize debt and maximize long-

term pleasure.

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