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## The role of social media in economy

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## THE ROLE OF SOCIAL MEDIA IN ECONOMY

### Introduction

Social Media Marketing is a field of Internet marketing involving indirect promotion through communication with potential customers through social networking sites or blogs, by posting or sharing articles, videos and images. Social media is a communication channel to allow interaction between Internet users, using technologies such as blogs, forums, discussion groups, wikis, podcasts, emails, instant messaging, VoIP, sharing music, videos and photos<sup>1</sup>.

### 1. The essence of social media

The Internet is a channel for companies to reach millions of potential consumers. Many organizations want to reach them using the opportunities offered by social media. Especially so, because they allow for an open debate on specific products or services, and the large number of consumer feedback expressed on the web is a chance for companies to benefit from collective intelligence.

This, in turn, may stimulate the development of their innovativeness – companies can offer new products and services, and implement innovative business solutions.

With social websites, consumers have the opportunity to take a number of actions shown in Figure 1. Owing to the speed in the transmission of information and the possibility of joint action, consumers can effectively influence the image of the company and sometimes even create it.

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<sup>1</sup> <http://socialmedia.pl/tag/social-media-definicja/> [access 10.01.2012].



Fig. 1. Consumer behaviour on the web

Source: *Community business – a new era in business communications*, Report based on the audit *Polish companies on Facebook – social websites in marketing communications of Polish enterprises*, Deloitte Poland 2012, p. 6.

It should be stressed that social media is treated as a kind of social networking revolution that has both staunch supporters and opponents. Discussions and disagreements may involve a number of issues. It is arguable, for example, whether we are dealing with a revolution, or perhaps an evolutionary transition to the next stage of development of the information society how much novelty the new media bring, and whether social media are a step forward, giving new opportunities for marketers, or maybe a step back, making their work harder, whether marketing in social media is based on creative marketing solutions, or the opposite - it is very simple, not to say primitive marketing<sup>2</sup>.

No matter how social media are seen and to which of the above groups one belongs, it must be admitted that social media have enormous potential. It is worth noting that what is happening on the Internet may be just a prelude to the real revo-

<sup>2</sup> B. Gregor, M. Stawiszyński: *How enterprises use social media*, Zeszyty Naukowe Uniwersytetu Szczecińskiego nr 702, Ekonomiczne Problemy Usług nr 87, WNUS, Szczecin 2012, p. 252.

lution that will form the pillars of the economy of global communication<sup>3</sup>. There is no doubt that the traditional business models of companies that use the Internet in their operations do not meet the expectations of their young net-surfing customers, who are open to new ideas and changes. Companies, however, recognize this problem as they adapt and test new solutions and look for potential clients on various social networking sites. These types of websites are gaining popularity, regardless of the latitude, age, gender or skin colour of their users. Of course, the people most open to this kind of novelty are the very young. The degree of popularity of social media decreases with the age of the users. However, it is characteristic that these “older” age groups saw the largest increase in the number of social media users in the years 2008-2010<sup>4</sup>. It can also be observed that the opening of companies to the new opportunities offered by social media depends on the industry in which a given firm operates. Globally, social media are used most enthusiastically by educational companies. Almost three-quarters of these companies (72%) use social media. Second is the communications sector (71%), and third and fourth, respectively, are services (66%) and sales (64%). The potential of social media is yet to be discovered by representatives of many companies operating in the energy sector (32%)<sup>5</sup>.

It is also characteristic that companies which have been on the market longer, use social media more extensively. According to JBrief Inc., social media have been fully integrated with business models of nearly three quarters of American companies operating on the market for over two years<sup>6</sup>.

A report by Deloitte for Facebook Inc., published in 2011, showed that owing to the activities of Facebook and its related companies, 27 countries belonging to the EU and Switzerland earned 15.3 billion euros. The portal has become a global phenomenon, and not just because it gave rise to a new model of communication among Internet users. Its unique position results from the economic impact it has on other entities. These results show that Facebook affects the economies of countries<sup>7</sup> both in a narrow sense, through the daily activities of the company itself, as well as in a wider spectrum of the activities of third parties that use its ecosystem<sup>8</sup>.

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<sup>3</sup> B. Gregor, M. Stawiszyński: *From e-commerce to social commerce – changes in electronic commerce and the Internet and e-clients (trends and challenges)*, “Internal Trade” 2011, 9/10, p. 209-214.

<sup>4</sup> *Generations 2010*, Pew Internet & the American Life Project, December 16, 2010, in: B. Gregor, M. Stawiszyński: *Use of social media in enterprises*, Zeszyty Naukowe Uniwersytetu Szczecińskiego nr 702, Ekonomiczne Problemy Usług nr 87, WNUS, Szczecin 2012, p. 253.

<sup>5</sup> *The New Conversation, Taking Social Media from Talk to Action*, SAS, “Harvard Business Review”, October 27, 2010.

<sup>6</sup> *The State of Social Media for Business*, SmartBrief Inc., November 3, 2010.

<sup>7</sup> In Poland, taking into account the GDP and popularity of Facebook, this can be estimated at around 150-200 million EUR annually.

<sup>8</sup> Report *Measuring Facebook's economic impact in Europe*, Deloitte 2012.

## 2. Evaluation of the use of Social Media in Poland

There are 1.67 million businesses in Poland, and currently more than 5% of them, i.e. 70 thousand Polish companies and brands<sup>9</sup>, have accounts on Facebook. However, despite the fact that social media are increasingly regarded by most companies as the key pillar of communication between them and the consumers/customers, business organizations have still have much to do in this field<sup>10</sup>.

Social networks can be an effective tool to attract new and maintain existing customers and employees, and may be helpful in developing innovative projects and take part in building the image of a brand close to consumers.

The highest percentage of companies involved in the Deloitte study<sup>11</sup> uses social media due to their positive impact on the image of the brand (59%), and also because this is the market trend and their competition is using social networks (62%). These numbers indicate that the directors and managers of Polish companies still do not fully realize how much can be achieved through an active presence on the web and well planned social media strategy. Awareness of the versatility of these media and of the specific effects that can be achieved through them is low. Especially undervalued seem to be the benefits for recruitment (HR departments). Only 28% of companies use social media for recruitment purposes. Their potential in this field, however, is quite large – a carrier of image-building content, a tool for verifying the competence of candidates, an interactive platform to build long-lasting, deeper relationships with the community gathered around the company<sup>12</sup>. Figure 2 presents the objectives of presence in social media.

Another issue to discuss is the direction in which communication is achieved through social media. Firms interact in social media mainly with consumers/clients and potential consumers. Internal communications, recruitment goals and business cooperation are secondary. At the same time, few businesses reported that they use social media to gain knowledge about the consumers/customers (including potential), increase sales and reduce the costs of obtaining clients. Relatively few companies use social media to engage in dialogue with potential employees, and even fewer use the opportunity to utilize these dynamic media to improve internal communication and dialogue with their employees. Companies should take it into account that current and potential employees will express opinions about them online anyway. It should be noted that a lack of engagement limits control over what happens with the image of the employer. Moreover, as in the case of recommendations of satisfied consumers/customers, the recommendations of satisfied current and

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<sup>9</sup> *Small and Medium-Size Enterprises in Poland*, PARP, Warszawa 2011.

<sup>10</sup> A. Budziewicz-Guźlecka: *Management of changes, in enterprises as a form of adaptation to e-economy*, Scientific Journal No. 681, Service management Vol. 8, Szczecin 2012, p. 199.

<sup>11</sup> *Community business – a new era in business communications...*

<sup>12</sup> *Survey Candidates 2.0*, Employer Branding Institute.

former employees are the most reliable and portals such as glassdoor.com are becoming places for exchange of information about employers. 78% of respondents in the survey “Candidates 2.0” said they would reject a job offer from an employer that has a bad reputation among their friends<sup>13</sup>. Figure 3 shows the target groups with whom entrepreneurs communicate using social media.

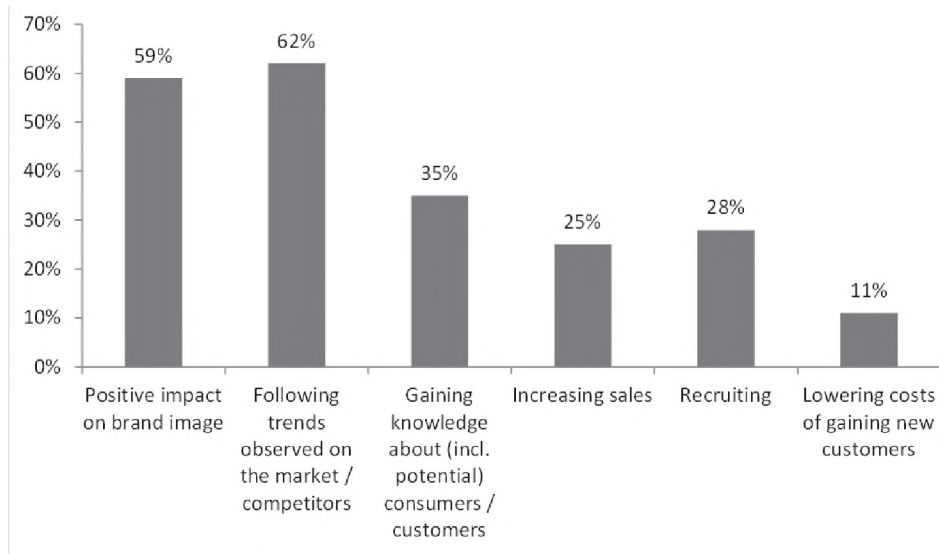


Fig. 2. What is the objective of presence in social media?

Source: *Community business – a new era in business communications...*

An important aspect which needs to be mentioned is the approach to using social media in the future, and whether entrepreneurs have strategies for their activities in social media. Unfortunately, this area is clearly neglected.

The vast majority of companies do not have a separate strategy for social media activities. 15% per cent do not have a strategy at all, 43% of companies in the survey have indicated that their actions in the social media are part of their marketing strategy and support traditional marketing and PR activities. Only 17% of companies have a specific strategy for the social media, fully integrated with their business development strategy and marketing plans.

<sup>13</sup> Survey *Candidates 2.0...*

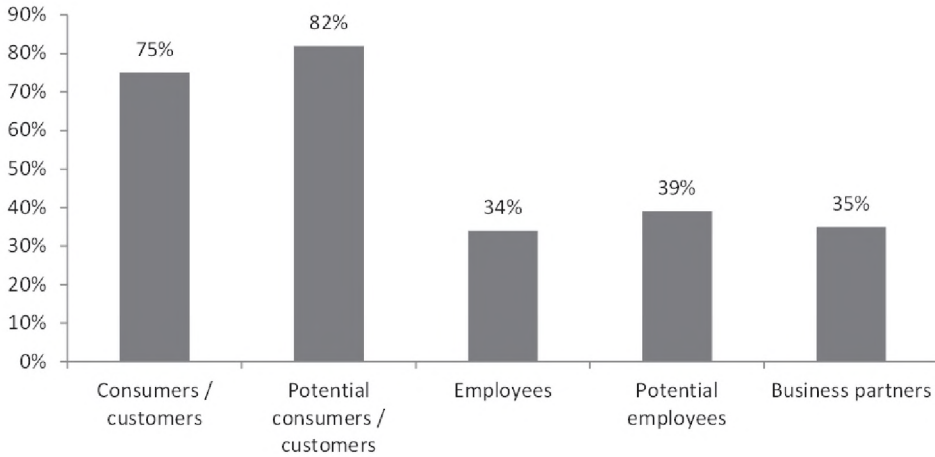


Fig. 3. Which target groups do you communicate with through social media?

Source: *Community business – a new era in business communications...*

A strategy for brand presence in social media is a concrete plan of actions to achieve predefined, measurable results, which has clearly defined criteria for evaluating effectiveness. Lack of a strategy or a mismatch with the company's strategy eliminates the main benefits of activities in social media, increases the cost of communication and increases the risk of mistakes. Lack of a strategy equals a greater risk of failure.

Social media pervade all areas of social and economic life. In order to use them effectively, companies should see more in them than just modern technology and risk. Regardless of the industry in which a company operates, its top management should approach these media in the most practical manner possible.

It is necessary to clearly define business objectives, define the target group, and choose the most effective way to use social media to achieve the predefined goals.

## Conclusion

The Internet is the driving force behind today's economy, creating opportunities and chances for business development worldwide. Internet technologies are developing very intensively, and the quality of the telecommunications infrastructure is improving systematically, new media providing access to the Internet are being offered. This result is a growing number of Internet users. Structures and business profiles transform under the influence of technology and the e-commerce sector is developing intensively.

It seems that the serious barriers that used to restrict the development of e-commerce a few years ago, have now disappeared. In turn, the opportunities that have emerged on the market provide a very good environment for the development of this market in the future.

## Literature

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### Summary

Social media has become a platform that is easily accessible to anyone with internet access. Increased communication for organizations fosters brand awareness and often, improved customer service. Additionally, social media serves as a relatively inexpensive platform for organizations to implement marketing campaigns.



This article shows the place the social media marketing in e-marketing. The analysis of the situation of the social media marketing in Poland was discussed.

*Translated by Anna Drab-Kurowska*