

Abstract

With the initiation of social media in the recent years, the conventional and classical forms of media came across key challenges. As a result print and broadcast media have faced reduction in audience. In today's world the marketers have also changed their trend and shown a shift towards social media for promotion of their products or services. This has in turn affected the promotional costs of the company. The purpose of this research work is to analyse the effect on promotional costs of a business due to extensive marketing and branding activities through social media.

This research is self-explanatory in nature and data collected is quantitative. Considering the recent trend and shift in paradigm from traditional methods of promotion and marketing to promotions done through social media, I formulated a model that how social media is used to influence promotional costs along with branding and marketing.

The research shows that businesses have not fully incorporated social media for promotion, marketing and branding them; they still depend on conventional Medias for this purpose, due to the reach and coverage of social media in less developed countries.

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CHAPTER 01

INTRODUCTION

This section will present an outline of social media and promotional costs. It starts with introduction of social media along with promotional cost. It will be followed by use of social media by businesses and companies. At the end of this section, research problem, questions and summary along the outcomes of the research will be provided.

1.1 Background

In the modern era, traditional media such as print and electronic media lost their spectators, even if not fully lost but their audience has reduced manifolds. Newspaper and TV channels faced main challenges in attracting the audience towards itself as major promotional, advertising, marketing and branding tool. A study conducted in 2007 by Forrester Jennings indicates that there is a shifting trend of viewers towards the online channels. This study depicts that 52% people in Europe stay frequently online at home, there is a reduction in TV audience by 36%, and print media audience by 28% and radio listeners have also declined by 17%.

Latest research indicates that 88% of businesses use social media to promote and market their products. Facebook, LinkedIn and Twitter were top three tools used by businesses and marketers. This shift in paradigm was due to shift of audience at large to the social and online media, making world a global village in real sense.

1.1.1 Social Media

Social Media is defined as "websites and applications that enable users to create and share content or to participate in social networking". According to another definition provided

by Palmer and Koenig-Lewis in 2009, it is "online application, platforms and media which aims to facilitate interactions, collaborations and sharing of content". Social media is important as it serves as interaction point among customer and community. It also serves as means of interaction between the business and its customers in modern era.

Social media is used by the global business chains around the world. If we take the example of Victoria Secrets, its Facebook page has twenty five million followers, Instagram has nineteen million followers, receives two thousand three hundred notes for each of its posts on Tumblr, on average. The recent study ranks Victoria Secrets as the winners over other brands on social media. Mercedes-Benz, MTV and NBA share the following spots in ranking. Recently, candidates of Presidential Elections in USA used social media campaigns to aware the society about their stance and marketed themselves effectively through it. Trump and Hillary both used campaigns to promote themselves through Facebook, Twitter, You Tube, etc. The use of Social media for promotional campaign in politics however started in 2008, where Obama won the Presidential elections. However, Facebook effect is given the credit of his victory in the elections.

The stats of usage of social media are shown in the diagram below by fortune 100 companies. The diagram illustrates that 65% of fortune 100 companies use Twitter to connect to their followers, 54% use Facebook, 50% are seen active on You Tube, where as only 33% companies are observed promoting themselves through blogs.

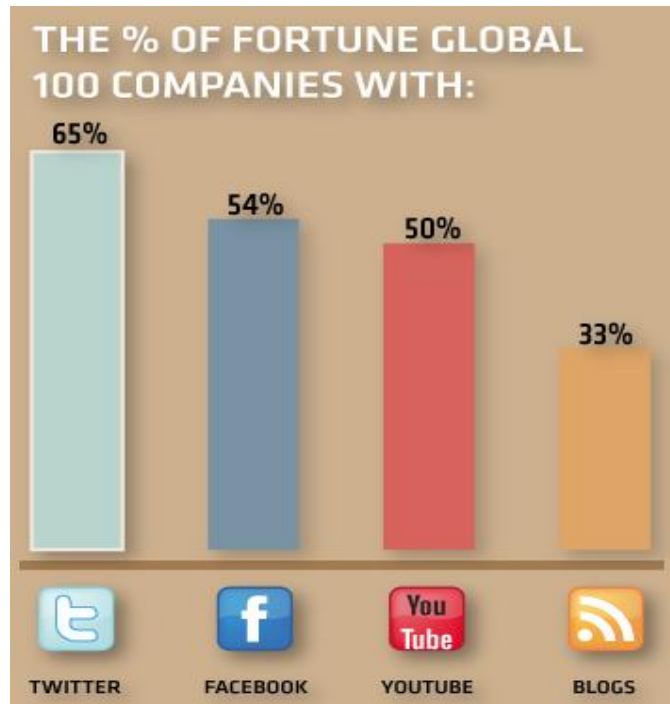


Figure 1: Social media usage of fortune 100 companies.

1.1.2 Promotional Cost

Promotion is referred to as "the act or fact of being raised in position or rank, through certain activities". According to a definition it is described as "to encourage the sale of (a product) by advertising or securing financial support". Merriam Webster defines Promotion as "the act of furthering the growth or development of something, specially the furtherance of the acceptance and sale of merchandise through advertising, publicity, or discounting"

Promotional Cost is defined as "cost that a business incurs to make its products or services better known to consumers". Thus cost incurred by a business for marketing, promotion, branding, advertising itself along with selling its products is the promotional cost. A typical business bears the expense

of promoting its products and services, these costs are obligations for a business.

With widespread use of social media, businesses have seem to take numerous advantages worldwide, one of them is promoting, marketing, branding, advertising themselves through social media. Therefore, there is an emerging trend in effect on promotional costs due to efficient advertisement and promotional activities via social media

1.2 Objectives

The main reason to conduct this study is to point out, determine and significantly analyze the relation between social media and promotional costs, in an expressive and analytical way. The objectives behind the research are listed as follows:

- To explore the reason, due to which an organization needs to use social media for its promotional activities.
- To study the relationship between the use of social media and its impact on promotional costs.
- To investigate that social media reduces promotional costs.
- To study the positive influence of social media on promotions for a business.

1.3 Problem discussion

The study is undertaken to observe and inspect that how social media can be used as promotional tool, which is, for branding or marketing and can in turn have an immense effect on the

variable promotional costs of an organization. Social media first appeared as a commercial networking device on internet in the year 1995. At present there are more than 200 various social networking tools and their number is expected to grow on the daily bases. As on July 2015 the population of the world as according to an estimate was recorded as 7.3 billion approximately, whereas 3.17 billion (approximately) people were traced as internet users, which implies that about half of the world's population was using internet. In 2016 users of social media have raised by 176 million (approximately). Active users of social media were estimated to be 2.3 billion (approximately). Moreover it was observed and analysed that growing trend towards social media induced the marketers, seller, traders, merchants and the retailers to use social media pathway. At an average 91% retail brands were seen to use minimum 2 or more social networking sites or social media channels.

Study and Research on this subject matter of social media and its usage by various companies holds immense importance, as it is need of the time due to the fact that the marketers, seller, traders, merchants and the retailers are showing high interest towards it in recent era. Within last three years, the networking sites and social media is adopted by people from various ages, as natural, usual and normal part or component of life. Resultantly they are able to control the variable promotional costs of the business. A report (Stelzner, 2009) shows that 39% of brands are using social media for 10 hours on weekly basis. These facts therefore, depict and outlines that social media is used widely as promotional tools, for branding or marketing activities, in this modern era of competition among various retail brands.