THE GROWING INFLUENCE OF SOCIAL MEDIA ON THE PROFITABILITY AND REPUTATION OF PRIVATE ORGANIZATIONS

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ABSTRACT

The paper attempts to indicate the widespread use of internet facilities and their easy availability as well as their usage on various spheres of life, be it the government, judiciary, business houses, and societal issues. The positive and negative impact of this medium has been addressed in detail in this paper. The result being that none of the above arms of the system can ignore the strength of this medium. There are detrimental impacts, for example, the spread of fake news, which has to be quickly nipped in the bud before it becomes a nuisance.

Research Question; The aim of this analysis is to study the impact of exponential growth of digitalisation all over the world. Increased globalization and liberalization, as well as the growing spread of internet facilities has led to a definitive change in the approach towards social media as well as the people commonly known as influencers who have the ability to impact the profitability of a commodity through their comments. How far can this impact be felt by companies? Is this directly related to the increased reach of social media activities? These and other questions will be attempted to be answered in the study.

1. Introduction

After the advent of globalization and liberalization since 1991, there has been a growing influence of the occurrences that happen all over the world being felt by the Indian economy almost simultaneously. The sudden upsurge of homegrown IT (Information Technology) companies like Wipro, Infosys and TCS have led to an upsurge of internet facilities and usage in India. India is one of the countries that provides inexpensive data facilities to all its users. Beside the spread of easy availability of data, what has made it more accessible is the availability of cheap android phones, which has led to the phenomenal growth of all types of internet related viewing and data.

The Indian government especially after the pandemic made a concerted effort to provide the citizens subsides on various food products as well as employment under the MGNREGA (Mahatma Gandhi National Rural Employment Guarantee Act), but the main condition was that every beneficiary whether male or female would have to possess a bank account. On the basis of being part of the banking system the recipient would get its due subsidy in the form of cash benefit transfers (CBT). This further increased the digitalization of the economy which was aided by the widespread use of internet facilities. With the huge access to facilities companies were in a position to increase their reach to a wider audience.

2. Definition of social media

Andrew Weinreich is sometimes referred to as the father of social networking. He originally created a platform to help people connect with others whom they did not know. It was a manner in which users could connect digitally with friends, colleagues, family members and like minded individuals whom they have never met in person and are unlikely to meet in future. The spread of this platform has reduced the feeling of loneliness amongst family members and friends. The fact that you can get in touch with anybody at any point in time, day or night, gives a sense of security and comfort to a large number of people who have to stay away from home for various reasons. Social media is a collective term for websites and applications that focus on communication, community based input, interaction, content sharing and collaboration.

The five main types of social media are:

- Social networking sites

- Image based sites

- Video sharing/screening platforms

- Discussion forums

- Blog and community platforms

The term social which is added to the term media indicates that the platforms are user centric and enable community activity. These social media can be labeled as online facilitators or enhancers of human networks. This essentially means connecting with a number of individuals like a web, all of whom enhance social connectivity. The basic reason why people around the world use social media is to share information and make connections.
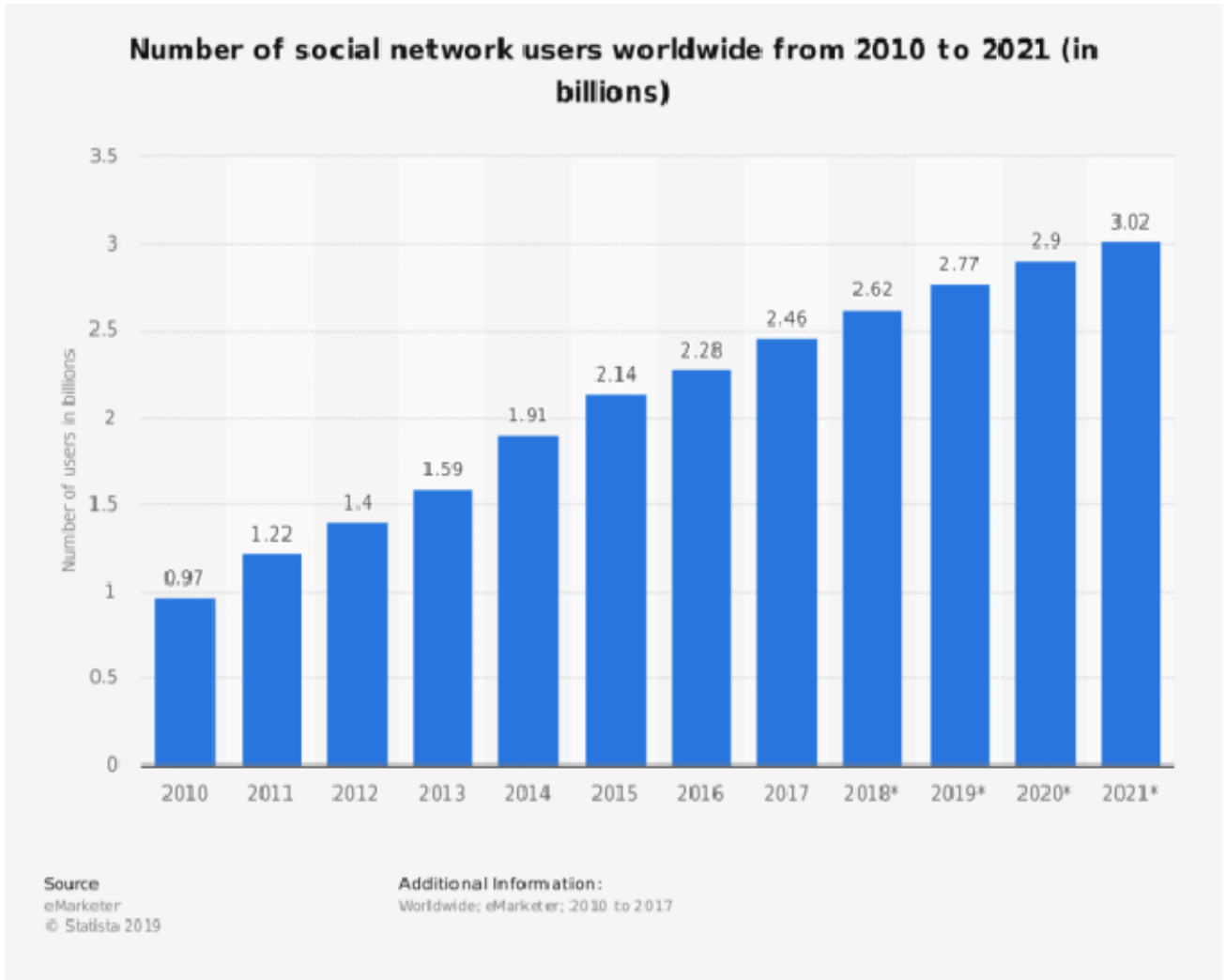
Figure 1:Different types of social media sites

Source: Google Image

3. Growing influence of social media

Social media has had an increasing importance on consumer behavior and market equilibrium. Consumers who connect with the media are more informed. Those people who use them seem to be more aware than those who don't. As the medium increases its reach it is likely to be an important choice for connecting people all over the world. It seems to be a greater enhanced interactivity as advances in connected technology take place. People are then in a position to attend events in an online mode rather than being physically present. This was especially in force during the Covid-19 pandemic.

Figure 2: Increasing use of social media from 2010 to 2021

Number of social network users worldwide from 2010 to 2021 (in billions)

Source
eMarketer
© Statista 2019

Additional Information:
Worldwide; eMarketer; 2010 to 2017

Source: Statista

The above is a representation of the large growing influence of social media platforms. This during the pandemic years reached immense growth and popularity.

3.1 Companies

Social media marketing has a two pronged impacts:

- Targeted marketing

- Advertisement

Both of the above create maximum brand awareness at the least cost, directly reducing operating cost and increasing the profit margins of businesses. A large number of businesses have adopted the social media platform, resulting in a greater connection with the customers, boosting brand awareness, thus, increasing sales. A conservative estimate indicates that 5 billion people across the globe use social media. There is a new term called digital marketing which has started appearing as part of studies at the undergraduate and postgraduate level, indicating the popularity of this medium of instruction.

This helps businesses in 3 main areas:

- Brand building

Uses the above platform to increase brand visibility amongst potential customers, thus reaching a larger audience.

- Omni channel engagement

Interacting with customers through mail and telephone indicate greater engagement amongst customers and help to iron out any personal issues that the customer might face in the usage of the service or commodity. One to one interaction increases the credibility of the commodity or service and inculcates confidence of the customer in the product.

- Business growth

It has been seen that advertising on social media as well as personal interaction with customers have led to greater business and brand loyalty, improving sales and profitability.

The increasing use of social media also helps in the evaluation of competition as well as the way in which your competitors are using this platform for higher sales. Besides just print advertisements and television advertisements which at times may seem impersonal, the personal touch a social media interaction generates, leads to greater bonding and loyalty. Any issue with respect to the product is expected to be addressed in the shortest time possible. Again giving an impetus to individual satisfaction and contentment. Twitter accounts addressing an issue by putting a hashtag to the concerned cell of the government, department, company or person, following it by reinforcing it through the linkedin application immediately results in redressal of the problem.

Figure 3: Images of various social media platforms

Source: Google Images

There has been a shift of expenses with respect to advertisements and awareness of a company's product from print media to social media. There is a huge body of call centers which have developed all over the world in response to the growing influence of social media, who are employed with the specific aim of individually contacting customers over the telephone.

Advanced countries of the world have set up such centers in labor intensive countries like India and Bangladesh to name a few. Besides this there are a number of companies which have mushroomed who influence the product via paid " likes". This might give a false narrative to the popularity of the product.

The use of artificial intelligence in the search engines of all these social media platforms have led to them picking up everyone's area of interest and periodically flooding the recipient with similar alternatives. This indicates the level to which the importance and the extent that marketing alternatives have reached.

3.2 Society

Social media has played an extremely important role for society at large. It has the ability to influence a large number of people according to the stories/depiction of reality/photographic evidence that is screened and spread via social media. The government is extremely aware of the

spread of news via this platform and if it finds that there is an unnecessary interest in a particular incident which might lead to harming people, then the first step that is taken is to completely shut off internet facilities of that area, so that it can curtail the spread of harmful news and unnecessary violence.

Figure 4: Positive and negative impact of the spread of news via social media

(a)

(b)

Source : Google Images

The above figures indicate the extent that the government decides what has to be presented tothe world at large. A classic case is when the Chinese government decided to showcase to the world the manner in which it had managed to contain the spread of the Covid-19 virus. It was with the help of social media that some photographs were leaked to the press which indicated the inhumane conditions that were adopted to control the spread of the virus. This led to large scale resentment by the people which forced the government to retrace its policy measures. This is one example where social media has worked in a positive manner coming to the aid of its residents.

In India one of the many instances where this could be seen is in the justice that was finally achieved in the "Jessica Lal murder case".

Figure 4 (a) indicates the negative impact of social media where fake news spreads like wildfire leading to extremely detrimental impact on the lives of the citizens of the country.

3.3 Politics

Social media has an extremely important role in the spread of political news. The increasing extent of political polarization is largely due to the spread of fragmented news as well as the extent of misinformation and fake news that is posted on various sites. The first ideological polarization which essentially is the divergence of political opinion, belief, atitudes. The second type is affective polarization which is essentially based on research with respect to the role of identity in politics. Political polarization can be both good and bad for democracy. The advantages are the increasing level of political participation as well as clear ideas with respect to electoral choices. The disadvantage is the centralization of power which comes with it. A large number of people build their impressions via social media, thus, social media is increasingly shaping the citizen's perception of the political environment.

Political media also work towards exchange of political content via various platforms and this has continuously evolved in recent times, resulting in the ways in which government institutions operate and the manner in which political leaders communicate. Newspapers, radio shows and television news programmes co-exist with technological innovation that include websites, blogs, youtube, video sharing platforms and digital apps. A large number of this new media can avoid censorship which is imposed on traditional measures of mass media like newspapers and television. The penetration of new media into political spheres have introduced an increasing level of instability and unpredictability in the level of communication.

Both sets of media are extremely important in a democratic set up as they are performing their primary purpose which is "informing the public". This provides information to the citizens such that they can make effective decisions about leadership as well as policy. The increasing role of the media has led to them being "watch dogs" for the government and the society at large.

This forum has facilitated community building by working towards solutions that emerge in society. It can transcend physical boundaries through networking capabilities. Television talk shows, talk radio shows, youtube channels have increased the reach of information to the citizens of a country.

In India the spread of information of various schemes that have been announced by the central and the state government are broadcasted both through traditional media as well as new media. The availability of internet facilities in remote areas of the country have increased awareness of schemes being announced by the government. Any wrongdoing by any official or any help that may be required is also posted via social media and, more often than not it definitely results in a prompt response, resulting in help reaching quickly to the affected people.

Figure 5: Extent of following by citizens of various political parties in 2022
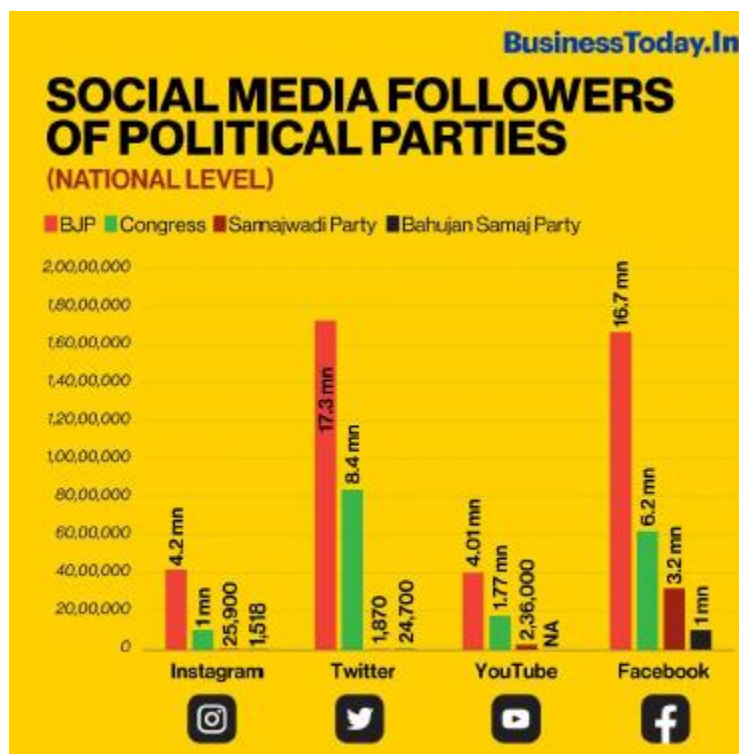
Source: Business today

The above diagram indicates the increasing reach of new social media in large democracies like India.

3.4 Judiciary

The new media has started playing a great role in important cases which come up for trial in various courts.

Figure 6: Media Trial

Source: MyAdvo.in

The increasing spread of new media has had an important bearing on the manner in which various cases, especially high profile ones pan out in the country. The citizens as well as the media decide on who is guilty even before the case is heard by the courts. This does not bear well for the victim/victims as in the eyes of the law all are innocent till proven guilty. They have to be proclaimed guilty by the court not in the eyes of the media or the people. How far the courts and the custodians of the judiciary get influenced by what they read, hear and see is not very well known.

At times investigative journalism may bring out new angles to a case which the police may have overlooked either deliberately or inadvertently. Such information is then considered by the judiciary either by reopening the cases or by directing the government to reinvestigate the evidence. This might lead to announcing punishment to the actual victim rather than on an innocent who might have been framed incorrectly. The use of social media could have both positive as well as negative impact on the justice system of the country.

**4. Policies undertaken by companies to deal with influence of social media**

Companies are faced with a number of issues that arise out of interactions within social media, a.g customer service is a public affair. Any adverse comment or reaction that is posted on a social media platform results in an impact on the sales of the concerned products or services. If earlier such issues were solved in private through traditional call centers and email they are now made

open forum with far reaching consequences once they are posted on different platforms. The fact remains that customer behavior and expectations have been actually shaped by digital-first, and fast growing technology supported companies. For the companies it has become a challenging situation to handle customer service interactions. If any individual faces an unpleasant experience most of them complain in the public social media domain. If they do not receive an answer then a majority of them will definitely not recommend a product or service to their friends. Besides friends any individual looking to buy or use the service would definitely go through the reviews before attempting to buy the product. The quality of service on a social media platform can have a significant impact on the brand perception. Social content, especially adverse ones can spread like wildfire and it turns into a public relation headache. At times disgruntled customers can tag a number of bodies including the government or redressal of their complaints.

The figure below indicates the importance of quick response to negative comments that are posted on the social media platform. It can be seen that 69% of the grievances are addressed within 24 hours. This shows the seriousness that the companies place on the negative impact of social media on their product.

Figure 7: Impact of response to negative comments
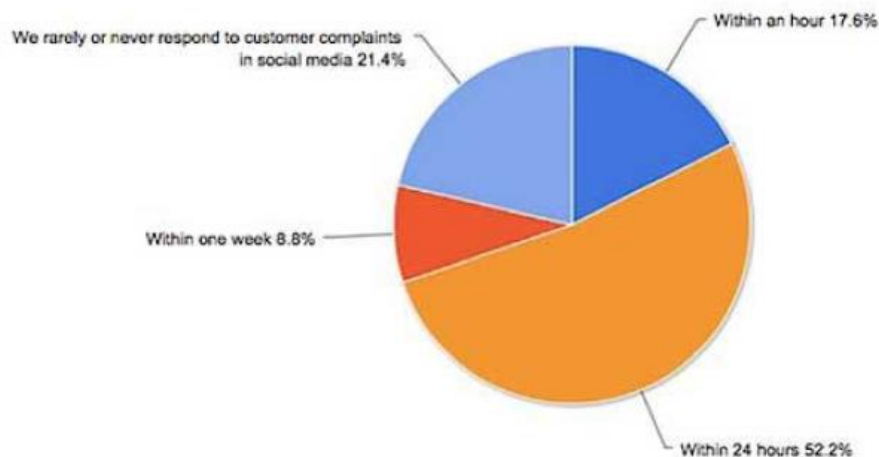
Source: Social Media Marketing University (SMMU.com)

Source: Social media marketing university

5. Impact on profitabilities of corporations due to increasing influence.

Given the extent of the reach of social media, most companies are extremely vigilant and careful about the negative comments that are posted on this platform. They try as far as possible to address these negative issues as soon as they can to reduce the detrimental impact on their earnings. The eight most frequent strategies which are adopted to counter negative commentsare-

- Discount coupons

- Post removal

- Request for post removal by consumer

- Sending another free product

- Product substitution

- Acceptance of consumers requests

- Providing excuses/explanation

- No reaction

Positive comments are extremely beneficial for the company in question. There are media influencers who can also impact the decisions of the consumers. It is extremely important to work with such firms to achieve greater benefits for the products in question. As the spread of social media increases, the role of the consumer becomes extremely active in sharing information about their experience with other users. Some companies take this as a positive interaction and work on the overhauling of the product such that it results in a larger number of satisfied consumers.

It has been seen that consumers pay more attention to negative reviews than positive ones. They feel that negative reviews are more informative. This is possible by any of the methods which have been mentioned above. The figure below indicates the percentage impact of media in today's world. The companies should address any negative issue immediately as ignoring such sentiments could lead to a definitive impact on profitability of the firm.

Figure 8: The Power of social media marketing
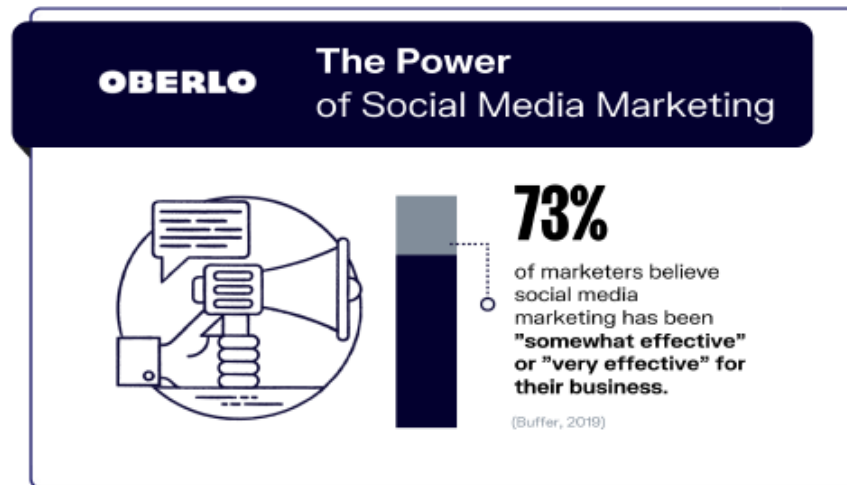
Source: Oberlo

6. Conclusion

Social media has become an extremely important tool in both the hands of the consumer as well as the producer. Consumers can use this medium to indicate their satisfaction as well as their ire against a product or a service. They can also indicate their desired product or services which can be then taken up by any production company. Producers on the other hand can advertise their product and services throughthis medium, thus saving a large amount on advertisement costs. For producers the downside is that any negative comments can lead to a detrimental effect on their profit.

Besides just producers and consumers, this medium is used by all sections of society,whether it is education, health, the government, and the judiciary. The downsize is the spread of fake news which has to be completely countermanded before it can create mischief. There should be agencies which can immediately sniff out the fake news before it leads to harm.

As digitalization, globalization and the spread of internet facilities has increased, so hasthe reach of this medium. The spread and level of information should be handled with concern and care as their reach is widespread.

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