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The Economic Effects of Social Media in Online Sales

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Abstract

Over the last few years, the new technologies have "invaded" both the social and the economic perimeter, changing the way people communicate with each other remotely, through the creation of a digital society. In addition to its maturation over time, social media offers real opportunities for growth in the market, remaining to date the largest area with the potential for economic growth. This paper aims to analyze the economic effects of the media in the formation of a digital society, which generates sales and profit. The methodology used to analyze social media in the context of the economic relations system is the date of logical and comparative analysis used through the literature. This paper highlights the economic effects of using new media in terms of online sales both before the pandemic generated by Covid-19 and during the coronavirus period. The use of social networks has the role of intensifying the competition between companies from a microeconomic point of view. On the other hand, at the macroeconomic level, the use of social networks helps to develop the internal market, but at the same time, the costs for maintaining and controlling economic institutions will also increase.

Keywords: *Social networks; Social media; E-commerce; Online sales; Covid-19.*

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1. Introduction

It is known that over time, the entrepreneurial environment has greatly improved its management and public relations strategy. This is also due to the public's desire to receive information quickly and concisely so that most companies have adapted to facilitate communication with their own consumers. Social networks are therefore an extremely simple and efficient source of communication, which brings financial benefits to companies. In other words, a lot of entrepreneurs wanted their products and services to reach as many people as possible, which would be of interest, by calling such newsletters via email, print advertising, TV or radio appearances, as well as a series of trade shows. Social media has also had an extremely high global impact, managing to change political, economic, or cultural perceptions. At the same time, through new media, people were able to keep up to date with the latest news, information, and trends. In social media, the conversation is the main pillar in the interaction between people, as it happens in the case of businesses for shaping their own brand. As an indirect interaction, in social media, companies must communicate effectively and concisely with existing customers, but also with the potential customers in order to answer key questions about a particular product. Social media has the role of strengthening the relations between people, of increasing economic growth, but also of affecting it [3]. Thus, through social networks, people have the opportunity to permanently inform others about the activities they undertake, to inform themselves, to recommend, and to buy [1].

2. Literature review

2.1. The social media journey

As early as 1792, the telegraph was invented for sending and receiving messages over long distances. In the late 1800s, sociologists Emile Durkheim and Ferdinand Tonnies are considered to be the initiators of social networks.

In the 2000s, social media took on much more shape because many sites appeared, thus increasing social interaction for those who had a common interest in music, movies, education. Wikipedia was also launched in 2000, and LinkedIn, MySpace or Hi5 appeared in 2003. Thus, in 2004 Harvard Facebook was launched, and in 2005 YouTube, Yahoo! 360 or cyword [4].

Although the first social networking site appeared in 1997, called "Six Degrees", being launched by Andrew Weinreich, social networks have taken an extremely strong momentum since the early 2000s, when the well-known social networks Twitter appeared, Facebook, Instagram, and Whatsapp. Thus, it was concluded that people generally spend about 3 hours only on social networks.

In the case of marketing activities, social media represents a gateway to the sales field and to the marketing of services and products. In other words, social media allows two-way communication between the company and the client, being an extremely important player in the field of entrepreneurship, as well as in the development of the economy. Individuals or businesses, according to the atomic theory of economics, must act on their own, without being influenced by the decisions of others. However, every decision that is made in the economic field is influenced by what is happening around [10].

The relationships between people are distinctly characterized, by means of a network concept, which highlights a collection of nodes, which have links between them. These nodes are represented by individuals, companies, or even countries, so that any connection formed between these nodes represents direct relationships between them. In the case of individuals, the links that are established are social, while between companies or countries, the links that are established are commercial or different mutual defense treaties. A network is practically non-existent without establishing links between the nodes. Some of the biggest nodes in a network are hubs because they have a lot of connections, which manage to connect people to each other, to establish connections, being the biggest network influences. In other words, hubs make things more efficient in the online environment, just as it happens when viewing a video or reading a blog post, by clicking [4].

3. Aims of the research

The present research aims to analyze the impact generated by the Covid-19 pandemic on online sales. If until now, people preferred shopping in physical stores and used social networks and websites for information, relaxation, and socialization, with the pandemic, most people opted for online shopping. Thus, a number of domains in the online environment gained more visitors, who later became customers, but on the other hand, domains that required physical presence suffered extremely much, regardless of whether we are talking about travel, transport, insurance, construction,

agriculture, and other similar fields. Also, online sales have the role of increasing the competitiveness between companies and last but not least, of creating an entrepreneurial company. Through social media campaigns, Facebook, or Instagram, a number of sectors have grown, which before the pandemic did not have an upward trend in terms of online sales, and here we can include medical products, cleaning products, or disinfectants, as well as food.

4. Research Methods

In this paper, qualitative research methods were used, through a comparative analysis of the investigation regarding the level of purchases made both before and during the pandemic generated by the new coronavirus. Therefore, in the qualitative analysis, in order to be able to explain, interpret, and to highlight the similarities and differences between the two periods in terms of online shopping, we used the comparative analysis. The analysis highlights that before the Covid-19 pandemic, online shoppers focused on buying clothes first and second, electronics, followed by books and games, beauty products, beauty products, and sporting goods. Through this comparison, we can see that during the Covid-19 pandemic, most online shoppers turned to medical products, which before this pandemic were not on their shopping list. Subsequently, they turned their attention to cleaning products and disinfectants, followed by food and other necessary goods.

5. Findings and discussions

5.1. Current trends in economic development from a social perspective

Social media, through Facebook, Instagram, LinkedIn, Twitter allows consumers to recommend the products they use to their friends, and their friends, in turn, recommend them to others. In this sense, people buy goods from a cultural economy, gather information about them through Google search engines, which perform dozens of searches in a single day. Subsequently, the results obtained are interwoven with the information published on various websites, thus creating those links between nodes. A social network is considered a system of informal human connections, which can be integrated both horizontally and vertically. Social networks do not take into account geographical constraints, transcend distance and flatten the world. According to (Forbes, 2018), worldwide, in 2018, there were 4.02 billion people using the Internet, so that they represented 53% of the world's

population. Also, 3.2 billion people are active users of social media, which means 42% of the population. Facebook is the most searched access in the world after YouTube and Google, so millions of users use social media daily [2].

Facebook is the social network most used by both people and companies, this platform becoming the main source of product information. Brands reach users extremely easily, so from a Facebook page of a company, in addition to their followers, the information reaches about 10.7% more people [2]. Also, 4.2% of users who see a post interact with it, clicking or appreciating it. At the same time, through the internet, 17% of the world's population make their purchases both online and pay their bills online.

For a decade, Facebook has been a leader in the social media market, still holding 2.3 billion users, but over time, five other new platforms have made their presence felt in the online environment, with active over one billion users: Instagram, Youtube, WeChat. At the same time, however, over half a billion people also own TikTok and Tumblr applications [7]. Figure no.1 shows the percentage of users related to the most popular social networks.

Figure no.1 Social media users in 2019 (%)

Source: Author own research after *ourworldindata.org*

In December 2019, an internet usage rate of 58.7% was registered worldwide. North America was the continent where the Internet was used by the population on average 94.6%, followed by Europe, with 87.2% and then by the other continents. In the figure below we can see the number of users by continent [5].

Figure no.2 World Internet Users (december 2019 - march 2020)

Source: Author own research after *internetworldstats.com*

Internet sales globally also increased from year to year, so in 2019, consumers spent about \$ 3.46 billion online, which is a significant increase compared to 2018, when they were spent online \$ 2.93 billion [6]. Online sales have the fastest growth in the market, estimating that by the end of 2020, online commerce will reach up to 3.5 billion euros. For example, in North America, online orders are increasing from year to year, so in the situation generated by Covid-19, although the economy is quite affected, online sales continue to grow. In North America, from March 22 to April 4, online commerce increased by 52% [6].

Through social networks, such as Facebook, for example, we can create campaigns that generate consistent sales. These campaigns bring extra visibility to the brand, displaying ads to other people who do not follow the Facebook page. One of the most popular campaigns is AdWords, where we choose our own audience, select our budget, and then fill in the text, photo, and URL fields for the website destination. Also, 42% of entrepreneurs

consider Facebook an important tool for their business, so in 2013 there was a 100% increase in the creation of Facebook pages compared to the previous year, creating 16 million pages for local businesses [8].

5.2. Comparison between online shopping before coronavirus and during the pandemic

In the US, online food sales increased due to the pandemic generated by Coronavirus, by 233% in March 2020, compared to August 2019, and online traffic on both websites and social networks of increased by about 300%, especially in the case of food, and in terms of traffic in physical stores, it decreased by about 45% [6].

Also, in Europe, sales increased in the same period from March 22 to April 4 in the online environment by 44%. Online sales increased in Sweden during the Covid-19 period by 37%, in Germany by 45%, in France with 24%, while in Italy sales also increased by 43%. Online sales in the cosmetics industry increased during this period by 53% compared to the previous period, and clothing sales increased by 12% than before the pandemic [6]. Sales of subscriptions to digital content on Netflix or Now TV also increased, with an increase of 12.4%, and food sales increased by 1%. The medical products were the most sought after in the Covid-19 period, so the medical masks were sold with over 300%, and the disinfectant and cleaning products were sold with over 200%. From the food category, in the US, milk, fruit snacks, dried beans, or preserves, which have a longer shelf life, have been sold extremely. Online sales have taken shape during the pandemic to avoid crowding in supermarkets, so that many people order through websites or online shopping applications. In addition to online earnings, there were also losses, especially in terms of restaurants, entertainment or travel, physical stores and last but not least, luxury goods. In the branches below, you will be able to observe the evolution of online shopping from 2019 to March 2020. With the pandemic generated by Covid-19, sales of medical products have increased extremely much and in particular, medical masks, gloves, medical supplies, equipment and last but not least, disinfectants, given that, in 2019, the demand for these products was extremely low. Also, during Covid-19, online sales grew exponentially in most areas of interest. Figure no. 3 presents the areas of interest for online shopping for 2019, while, Figure no. 4 presents the online shopping generated by the Covid-19 pandemic.

Figure no.3 Online consumer sales (2019)

Source: Author own research after *Simtech Development*, 2019 [9].

Figure no.4 Online consumer sales (Covid-19)

Source: Author own research after *Common Thread Collective* (2020)

In Romania, there are so far 19,000 online stores, so that over 4 million Romanians do their shopping online, especially in the situation generated by Covid-19. Also, according to the Romanian Association of

Online Stores, the e-commerce sector, at the end of 2019 had exceeded 4.3 million euros. Online sales increased significantly from year to year, and in 2019, they were 22% higher than in 2018. At the same time, at the beginning of 2019, it was estimated that Romania will reach the threshold of 5 million euros in the e-commerce sector, but with the Covid-19 pandemic, sales are likely to exceed the estimated unemployment. In 2019, 23% of the population of Romania made their purchases in the online environment, so that Romania is on the penultimate place in the European Union [11]. After the coronavirus pandemic, it is estimated that in Romania will be an increase of 22% for online shopping. In Romania, according to statista.com and the Romanian Institute for Evaluation and Strategy, the most purchased products during the Covid-19 pandemic were household appliances, followed in a proportion of 71% by clothes, shoes, household products, as well as of cosmetics. Figure no.5 shows the situation of online shopping in Romania during the Covid-19 pandemic.

Figure no.5 Online shopping in Romania during the Covid-19 pandemic

Source: Author own research after www.statista.com [13]

Globally, online traffic has increased in a number of areas, such as finance, food, health care, pharmaceuticals, and the media industry. However, on the other hand, there has also been a decline in online traffic for areas such as travel, transportation, electronics, construction, or advertising. Figure no.6 shows the increase and decline of online traffic generated by the Covid-19 pandemic in some areas [12].

Figure no.6 Growth and decline of online traffic due to Covid-19

Source: Author own research after www.neilpatel.com

6. Conclusions

Therefore, access to the internet and implicitly the social networks have facilitated the sale of products of the companies, without being limited geographically. Online commerce is dependent in the future on the latest trends and technologies to meet in a more concrete way the requirements of online shoppers. According to www.statista.com estimates, online sales will reach \$ 4.88 billion in 2021, so Amazon owns 40% of everything online commerce represents. The impact of Covid-19 on the economy is quite strong, with adverse consequences on the one hand, but on the other hand, in the online environment, sales have become large enough to avoid congestion in physical stores. Shopping applications, websites and internet subscriptions increased quite a bit during the Covid-19 period. Thus, if the online buyer in 2020 focuses on the purchase of products for health, medicine and the environment, the buyer a few years ago had completely different priorities. In other words, online retailers need to constantly adapt to changing industry and trends to satisfy and attract customers.

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