

INSTAGRAM: A PHOTO SHARING APPLICATION

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CASE DESCRIPTION

The primary subject matter of this case is to address and analyze marketing strategies in the social media in general and Instagram in particular. We discuss how Social Media is currently one of the fastest growing industries worldwide and has more than 100 different social media platforms. Instagram is one of the top social media sites and we used Michael Porter's Five Forces to conduct industry analysis and a thorough evaluation. The discussion will include a detailed analysis of the environment and organization of Instagram and its users, financial details and unique marketing strategy used by the company to gain more advertisers. Furthermore, the analysis will include a thorough examination of the problems and threats that Instagram faces and strategic alternatives to solving those issues. The list of assigned questions will lead students through a thorough industry analysis and will prepare them to make strategy recommendations. We suggest that you always direct students to search and learn more about Instagram from its inception to now, before discussion. Students who research and learn more about social media in general and Instagram in particular, will be well-prepared to make meaningful contribution to the class discussion.

CASE SYNOPSIS

Instagram is a photo sharing application that can be accessed through mobile devices or desktop computers. The application, created in 2010 by Mike Krieger and Kevin Systrom, was originally released exclusively on the iOS operating system. By the end of 2012, the app was available on Android devices and desktop computers. After its launch in 2010, Instagram quickly gained popularity and currently has over 700 million active users. In 2012, Facebook purchased Instagram for one billion dollars in cash and stock. Within its seven years of existence, Instagram has experienced major growth, however there are still opportunities for growth in other areas. With 700 million active users and one million active advertisers, the target market for additional customers is already front and center. Instagram solely makes its profit through ad revenue, which has been very profitable thus far, but expanding the app to bring in revenue other ways could be profitable as well.

CASE BODY

Academic Level

This marketing strategy case is appropriate for an oral presentation, a debate, or written assignment. It can be used for graduate or post graduate business, marketing and management students. Most students will be very familiar with Instagram and many of its competitors. Discussion of the case is generally quite lively. The discussion could begin by asking the class if anyone has ever used Instagram and to describe the experience.

Teaching Objectives

To help students recognize how the social media impacts companies, businesses and our daily lives. To give students the opportunity to develop and assess marketing strategies and competitive forces in the social media. To help students understand how the social media presents the market opportunity for advertisers and other businesses. To offer students the opportunity to analyze how social media impact company strategies.

Teaching Suggestions

This case can be taught in a variety of ways: (a) Taught in the traditional manner where the questions are assigned for discussion in class. (b) It can be assigned to a team of students for a written report and presentation to the class. (c) Each of the major competitors in the case can be assigned to a student team for presentation of a SWOT analysis and recommendations. (d) Alternatively, students can be put in teams in class, meet to do the assignment for a half hour and then present their analysis and recommendations of the assigned competitor to the class. The instructor can then draw conclusions about the state of the industry after the presentations.

INTRODUCTION

Instagram is one of the most popular online mobile sharing social media sites in the United States, with 90 million Americans joining since its inception in 2010. The social media app is so popular that by April 2012, Facebook bought the 13 person company for 1 billion dollars. This is still considered the largest acquisition that Facebook has made to date. It was also a strong move by Facebook founder, Mark Zuckerberg, with many considering online mobile sharing a weakness for Facebook at the time. Social media has sky rocketed since Facebook started in 2004. In order to stay relevant after eight years of business, Zuckerberg decided to buy the newest and coolest social media app in Instagram. This purchase gave Instagram the notoriety and funding to make it a big player in today's crowded social media industry. Instagram reportedly had no revenue when it was purchased by Facebook. Recently, Instagram has just updated a plethora of features to make the app more user friendly for heavy users and businesses. The first of which, you can now toggle between accounts rather than having to log in and out. It also announced that businesses can now run 60 sec ads as opposed to 30 sec. These new features demonstrate Facebook's willingness to compete for advertising dollars. Instagram also began selling ads in 30 more countries in September 2015 and hopes to contend with competitors like YouTube and Twitter. Instagram first differentiated itself by allowing its users to take pictures and videos with filters to share with their followers. The aim of the paper is to highlight environmental factors that affect social media industry. We also analyze the environment and organization of Instagram and its users, conduct industry and SWOT analyses, and we provide strategic alternatives to solving those issues.

Instagram Facts and Statistics: <https://www.omnicoreagency.com/instagram-statistics/>
<https://instagram.com/>

Founded on: October, 2010; CEO: Kevin Systrom; Headquarters: Menlo Park, CA; Employees: 550+. Instagram Statistics: Total Number of Monthly Active Instagram Users: 1 billion; Total Number of Daily Active Instagram Users: 500 million; Instagram Stories Daily

Active Users: 400 million; Number of Photos Shared to Date: 50 billion; Number of Businesses on Instagram: 25 million; Number of Instagram Likes per day: 4.2 billion; Number of Photos & Videos uploaded per day: 100 million+.

Instagram Demographics

68% of Instagram users are Females; 80% of Instagram users come from outside the U.S.; 77.6 million Instagram users are from the US; Instagram is used by 31% of American women and 24% of men; Six in ten online adults have Instagram accounts; 32% of all Internet users are on Instagram; 59% of internet users between the ages of 18 and 29 use Instagram and 33% of internet users between the ages of 30 and 49 use Instagram; 38% of female internet users use Instagram and 26% of male internet users use Instagram; 72% of Teens use Instagram (Table 1).

Instagram Financials

An estimated 71% of US businesses are on Instagram in 2018. Instagram now has more than 1 million monthly advertisers and 8 million business profiles. Instagram's mobile Ad revenue is expected to hit \$7 billion in 2018. 78% of influencers prefer Instagram for brand collaboration. User-generated content has a 4.5% higher conversion rate. 55.4% of influencers use Instagram stories for sponsored campaigns.

Fun Facts

More than 50 billion photos have been uploaded to Instagram so far. Posts with a location get 79% more engagement. 7 out of 10 hashtags on Instagram are branded. Photos with faces get 38% more likes. Posts with at least one hashtag average 12.6% more engagement. Brazil ranked second in female user share, the country is home to the largest total Instagram user base in Latin America and second worldwide.

Table 1 INSTAGRAM AMERICAN ONLINE USERS' PENETRATION IN 2016, BY GENDER, AGE, EDUCATION, INCOME AND LOCATION	
All online adults	32%
Men	26
Women	38
18-29	59
30-49	33
50-64	18
65+	8
High school or less	27
Some college	37
College+	33
Less than \$30K/year	38
\$30K-\$49,999	32
\$50K-\$74,999	32
\$75,000+	31
Urban	39
Suburban	28
Rural	31

Source: <https://www.statista.com>, Survey conducted on March 7-April 4, 2016.

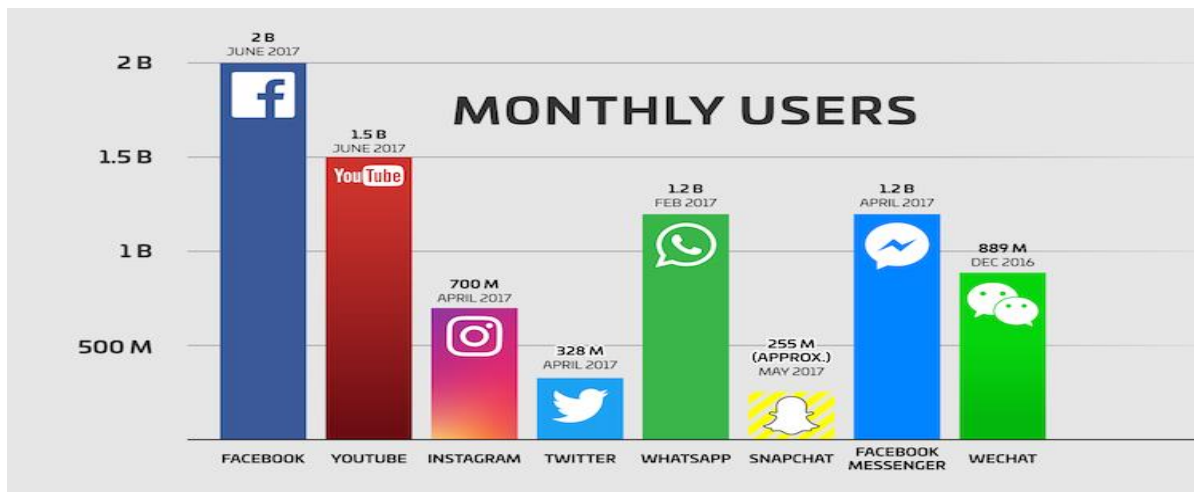


FIGURE 1
INSTAGRAM NUMBER OF USERS AGAINST TOP SOCIAL NETWORKING APPS
ENVIRONMENT

Economic Conditions and Trends

There is a lot of economic growth worldwide and many people use Instagram and other social networking sites to advertise their skills and businesses. Instagram provides a place where ordinary people can post their skills, get recognition (likes), and reach many potential clients

without a fee (free advertising). Many people on Instagram and other social networking sites have followers. Many people have very large followings, making them celebrities, because their names and or images become known in households across the world. Approximately 80% of Instagram users are outside the U.S, and most of them use Android phones (<https://www.statista.com>) What started out as a photo-sharing website for iOS operating system, has now grown and continues to blossom into one of, (if not) the most popular social media site at present, with one million active paying advertisers in March 2017 (<https://instagram.com>).

Cultural and Social Values and Trends

Today many people in society are connected to multiple social networking sites. This worldwide phenomenon is allowing people to stay in touch with family and friends all over the world. Everything is instant and people are making connections across the world they never met and would possibly not dream of meeting without social media. Instagram made its debut in October 2010, and had 100 million registered users in two months. Seven years later, in April 2017, the company had grown to 700 million registered users (Figure 1). Instagram started out as a social media photo-sharing site that allow users to post pictures, add hashtags, geotag picture locations and connect to other social media sites for content sharing. Now Instagram users are able to do much more, a few of which are: add digital filters and borders to their photo images, post larger photos and live videos at great speeds. The age range for users are preteens to the elderly, from all socioeconomic backgrounds. Currently with over 700 million users, Instagram co-founder Kevin Systrom believes that that number will double in the future (Manjoo, 2017). Today people want to be able to access and share every step of their lives or special occasions publicly, or privately with their friends (their wedding clips, the birth of their children, their fitness quest, foods they prepare).

Political and Legal Issues

In 2012, Instagram rolled out a privacy policy that caused users to take pause. The policy was to be effective on January 16, 2013. The policy implied that they would share both user's photos and postings to advertisers without the direct consent of users and without just compensation. This raised the question of ownership of the images posted by users, which was later addressed by the co-founder Kevin Systrom, who put out a statement that the sentence in the photo clause would be removed and the language clarified (Oremus, 2012). The policy lacked an opt out button and it seemed to be in the nature of "*take it or leave it*". Another issue with the policy was an implication of parental consent, when an under-age user signed up for an account, in signing the agreement statements. Also, it prohibited users from joining a class action suit in some instances; and to enter into arbitration should they have a legal issue, instead of suing Instagram. Social networking websites are protected from liability under section 512(c) of the Digital Millennium Copyright Act and of Communications Decency Act, which removes liability for infringement from websites that allow users to post content, where they do not benefit financially. However this protection is not extended to users doing the posting (Findlaw, 2017).

Section 230 of the Communications Decency Act also offers protection to social media. They are not liable for defamation content, privacy violations, or negligence posted by users. This protection is for networks and not users, who can be actionable. Therefore users need to be careful of the content of their postings.

Classification and Definition of Industry

Instagram is one of the most popular social media networks based on the sharing concept where users share photos of their social life. While it is one of the most recent of the social media sites, Instagram has created a sensation for itself and, therefore, has received approval among its users and investors and as a nod by Facebook that bought it for one billion dollars in 2012 (Luckerson, 2016). The ease of use, friendly user interface and image filters as well as the ability to share its images on Facebook and other social media networks are among the reasons for Instagram's increasing popularity. Although it continues to face competition from budding social media platforms such as Snapchat, Instagram continues to grow to have \$1 billion users as of 2018 (<https://louisem.com/152018/instagram-stats-2019>).

CASE DISCUSSION/ASSIGNED QUESTIONS

Question 1: Considering the external market, the competition and the target market, please conduct a situation (SWOT) analysis for Instagram and its implications for strategy development.

Strengths & Weaknesses

Instagram is one of the fastest growing social networks in the world. However, it must use its strength for its further development. It can do so by improving the features that attract users to it regularly. The company can work to add features to the services, especially in light of competition from newcomer Snapchat to capitalize on its service speed and efficiency. Even more important is turning its weaknesses into opportunity, particularly in linking to other sites and on liking and commenting. Finally, it should give more leeway in its future development as a social networking platform.

Opportunities and Threats

There are still more opportunities for Instagram to grow; they are constantly improving and gaining new users, along with increased usage from current active users. This company is consistently being more and more innovative every year. They are setting new goals and achieving them. They are listening to feedback from users and attending to issues as they present themselves. Instagram was first developed for iOS systems, however, it is now accessible to android systems and they continue to make improvements, in the Android systems, to aid in the connectivity problems of their users outside of the U.S, whose phones may not be as sophisticated. One threat to Instagram is the potential loss of new and old users. People may feel that they are relinquishing their right to privacy or ownership of their photos and stories, and their postings in general.

Implications for Strategy Development

As Instagram continues to evolve and introduce more new and exciting features to their users, they have to make sure that they stay within the guidelines of existing laws and policies. They provide a lot of benefit to users, but users do not want to relinquish their rights. Also there are other developing social networks that can attempt to bring legal claim to some technology and or name. For instance, when they were working on an app called "*Bolt*", but another existing

voice-calling app had the same name and the co-founder Andrew Benton pleaded with them to find another name (Borison, 2014).

Question 2: Using Porter's Five Forces Model, assess the strength of each competitive force in the social media

Analysis of Existing Competitors

Instagram operates in the social media industry, one of the most competitive and fastest growing industries in the world. Today, the industry's landscape has more than 100 social media platforms, but each of the players in the industry serves particular niches. The landscape has platforms operating in different categories including purchases (TripAdvisor, Bookset and Polyvore among others), localization (Plancast, Path and Yelp among others), microblogging (Twitter) and sharing where Facebook, Instagram, YouTube, Vimeo, Scribd are among others (Cavazza, 2012). The sharing social media platform is a fluid industry and each player within the industry works to ensure it provides the best experience for its users. Currently, there are more than 2 billion active accounts on social media across the world, representing 29 percent of the world's population (World Newsmedia Network 3, 2015). The social media industry, particularly sharing, is not a preserve of the young although they are the majority users. Statistics indicate that of all the social media accounts, individuals aged 16-24 have an average of six social media accounts, even as those between 35 and 54 average four accounts while those 55 and above average three accounts (World Newsmedia Network, 2015). Currently, Instagram is among the top sharing social media sites in the world. With over 1 billion users, it has proved popular, especially among the young (Luckerson, 2016). However, the social media platform faces a lot of competition from other platforms. Facebook has 1.8 billion monthly active users, which implies that it is still the world's most popular social media network. Although Facebook owns Instagram, it competes with it for the number of active users (Hutt, 2017). Additionally, Facebook offers more in interaction than Instagram, a fact that has increased its esteem across the world. Twitter is, furthermore, a formidable competitor. Twitter's differentiation is in the number of words users can use (140 characters), a fact that has attracted mature users to the platform. LinkedIn is another competitor that has gained popularity. Moreover, Instagram faces competition from regional social networking platforms, such as QQ and WeChat in China with 877 and 846 million users respectively.

Analysis of Potential New Entrants

The social media industry has low barriers to entry, which means that the potential for new entrants is very high. Snapchat, a relatively new entrant into the social media industry, is already drifting traffic towards it from Instagram, specifically among young users-a forte that Instagram previously owned (Huddleston, 2017). In the U.S. alone, statistical predictions by eMarketer indicate that Snapchat will overtake Instagram among users between 12 and 24 years in the U.S., with a 40.8 percent growth (Huddleston, 2017). The potential for new entrants in the industry is especially high given the difficulty in preventing competition from creating similar features in their products. The ease of potential entrants into the social media industry means that there are various substitute products for Instagram in the industry. Therefore, Instagram has many substitute products, one of them being its sister service Facebook (Huddleston, 2017).

Analysis of Suppliers

Regarding suppliers, the cost of switching suppliers for Instagram is meager. Many security companies supply security features that Instagram can use in addition to others provide cloud computing, on-demand, storage, and server capability. For this reason, suppliers have a low bargaining power over Instagram, especially given its popularity. The social media industry is intensely competitive and has a lot of market output. Therefore, the intensity of the competition means that complacency is not an option for any social network. Customers (users) are especially choosy and demanding. Thus, the relevance of its features and uniqueness pushes the customer to the network. Consequently, the network not only works to attract more users but also to increase its popularity as a means of attracting buyers, largely advertisers, giving it leverage in price negotiations.

Analysis of Buyers

Social media continues to achieve growth. Pew Research indicates that while 5 percent of the American adults used social media in 2005, in 2017 the number has risen to 69%. An increase in the use of social media across the world is projected (<https://louisem.com/152018/instagram-stats-2019>), a fact that suggests the existence of the opportunity for growth of revenue in advertising for social networks. Social media also has an opportunity in internet penetration and smartphone adoption.

Privacy or lack thereof remains a threat to the industry. More users are concerned about their privacy and the use of their data for advertising. Additionally, rivalry and intense competition are a danger to the industry, which has led to the demise of some industry players such as MySpace. Censorship in countries such as China, which is a huge potential market for social media, impedes the market. The country has recently blocked WhatsApp while Instagram and Facebook are largely unavailable in the country (Bradsher, 2017).

SUMMARY AND CONCLUSION

Instagram has made a huge impact on the social networking scene since its debut in 2010, and it shows no sign of slowing down. It is innovative and captivating to its current active users and a beaconing point of curiosity for potential users. The easy user friendly interface and speed at which this app performs is second to none. With aspirations to double its current 1 billion active users, it is poised to position itself on the same level of its parent company Facebook. Although the social networking industry is very competitive with new apps entering the market constantly and current apps gaining more users, Instagram still has the ability to increase its revenue *via* advertising as they have shown. This case analysis helps us to understand Instagram's current marketing position, and issues, opportunities and threats.

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