

The pros and cons of social media marketing

1 Warmer

Which of the following social media do you use? Why do you use them?

Whatsapp
Facebook
Instagram
Twitter
Tumblr
YouTube

Do you use any other social media sites not listed here? If so, what are the positive and/or negative features of these websites or apps?

2 Key words and expressions

Find the words or phrases in the article that match the definitions below. The paragraph numbers are given to help you. Note that you may need to change the form of the word in the article to match the definition.

1. words printed on or near a picture that explain something about the picture (para 2)

2. the initial capital used to start a new business or create a new product (two words, para 6)

3. to borrow money to start a business (para 6) _____

4. people born between 1980 and the mid-1990s, also known as Generation Y (para 7)

5. to get control of something in order to use it for a particular purpose (para 8)

6. to start selling a new product or service to the public (para 8) _____

7. income from business activities (para 9) _____

8. the way in which words and pictures on a page are arranged (para 11)

9. a company that invests money in new businesses that may or may not be successful (three words, para 12) _____

10. a group of people who buy a particular product or pay for a particular service (two words, para 15)

11. forming an essential part of something and needed to make it complete (para 17)

12. the average number (the amount calculated by adding several numbers together and then dividing by the original number of things added together) (para 21) _____

How start-ups have used Instagram to build \$1bn businesses

Mattress company Casper and beauty brand Glossier leverage social media marketing

BY CAMILLA HODGSON

- 1 A woman's manicured hand clutches a glass filled with a clear liquid poured over ice, her first and middle fingers each adorned by two sparkling gold rings.
- 2 "Two finger ring stacks are in. Millennial pink is basic. Ugly shoes are money. Juice cleansing is dead. U follow?," reads the photo's caption.
- 3 It is just one of Dirty Lemon's more than 3,000 posts on Instagram, the social media platform that has been key to the direct-to-consumer beverage brand's growth.
- 4 "I have an order issue," wrote a customer in the comments.
- 5 "Checking now x," responded Dirty Lemon, whose products include a "collagen beauty elixir" and "charcoal daily detox".
- 6 Dirty Lemon, whose parent company Iris Nova raised \$15m in seed funding at a valuation of \$60m last December, is just one of dozens of start-ups that have leveraged Instagram's 1bn users to build their businesses. Larger examples include beauty brand Glossier and mattress company Casper, both of which became "unicorns" last month, after raising another \$100m each.
- 7 As more companies have embraced social media marketing, the photo-sharing app has become a nexus of branded marketing, with millennials browsing the latest fads and a large number of so-called "influencers" peddling products.
- 8 Last month, in an effort to harness these new networks, the Facebook-owned platform said that it was launching a shopping feature that will allow users to buy products directly from the app. With Instagram checkout, merchants will be charged a "selling fee", calculated as a percentage of each transaction.
- 9 Creating an Instagram page that displays a gallery of products remains free. But paid-for advertising on the platform has become big business since it launched in 2017: eMarketer forecasts that Instagram will make up 6 per cent of global mobile ad spending this year, and a fifth of Facebook's ad revenues.
- 10 "Brands have gone all in on Instagram," said Alexa Tonner, cofounder of social media marketing agency Collectively, pointing to the beauty, wellness and fashion sectors, in particular.
- 11 She added that Instagram's simple, visual layout — a rolling feed of images as well as individual user galleries — makes it well-suited to advertising. The opportunity for unmediated communication between brands and users has also allowed early-stage direct-to-consumer businesses, such as personal grooming brand Dollar Shave Club, to develop personal relationships with customers.
- 12 Dollar Shave Club, which grew its following by posting tongue-in-cheek photos of bearded men posing in steamy bathrooms, raised \$165m from venture capital firms over four years. In 2016, it was bought by consumer goods company Unilever for \$1bn.
- 13 Dirty Lemon founder Zak Normandin said Instagram was "critical" to his firm's early growth. In 2015, the health drinks company launched using only an SMS-based ordering service and Instagram account to build an audience. Mr Normandin said the company grew its following "quickly and organically" using free and "relatable" posts.
- 14 Relatable — for a company that charges \$65 for six bottled drinks — includes Instagram posts of bikini-clad women holding Dirty Lemon drinks with captions such as "let's pretend for a moment we're on boats in mykonos or whatever" and "my life is nonstop, running from meetings to the studio to travelling to throw a party".

Continued on next page

- 15 In 2017, the company became one of the first to pay for advertising on Instagram, and was at one stage spending \$30,000 a day on the platform to build a customer base.
- 16 While it does not disclose revenue or profit figures, Dirty Lemon said sales had doubled every year since 2015 and were expected to increase by 250 per cent in 2019.
- 17 Meanwhile, Casper's chief marketing officer Jeff Brooks said Instagram had been "integral" to building awareness of the mattress company, and for cultivating "a community where we can connect and engage with our customers".
- 18 Its posts include photos of people and small dogs swaddled in duvets with captions such as "emotional support pillow" and "if you're reading this, go to sleep".
- 19 Debra Williamson, an analyst at eMarketer, said that for early-stage companies looking to develop a following, Instagram has helped provide a "level playing platform" because it shows users the posts and ads it thinks they will like most, rather than those from the biggest brands.
- 20 But Mr Normandin argues that the rising cost of advertising on Instagram has reduced its "value as a marketing platform" for small businesses. The cost for Dirty Lemon to acquire a customer on the platform rose from around \$30 in 2017 to more than \$100 at the end of 2018, he said. Instagram declined to comment.
- 21 According to researchers at AdStage, the median "cost per click" to advertise on Instagram fell 80 per cent to \$0.83 year-on-year in the fourth quarter of 2018 — though the platform's median click through rate also jumped 121 per cent to over 14m clicks.
- 22 In the same period, the cost per click was highest on LinkedIn and YouTube, at \$3.72 and \$3.61 respectively, compared to \$0.57 for ads on Facebook's news feed and \$0.40 for those on Twitter.
- 23 Ms Williamson of eMarketer said brands could still build a following for free on social media if they "create great content and gain buzz". This is easier to do on Instagram than on Facebook, she added, since Facebook's updated algorithm makes it "much harder" for businesses' posts to automatically appear in a user's feed.
- 24 But as competition intensifies, some brands — including Dirty Lemon, which once advertised solely on Instagram and Facebook — have ceased to advertise on social media altogether.
- 25 Instagram has become "cluttered with brands pulling for customer attention", Mr Normandin said. "If we were starting from zero right now, we wouldn't start on Facebook or Instagram."

FT

Camilla Hodgson, 4 April 2019.
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3 Understanding the article

Answer the questions with as much information as possible from the article.

1. How will Instagram make money from its new shopping feature that will allow users to buy direct from the app?

2. What percentage of Facebook's advertising revenue is provided by Instagram?

3. Which types of brands in particular tend to advertise on Instagram?

4. In which two ways did the health drinks company Dirty Lemon build a customer base?

5. Why, according to the founder of Dirty Lemon, has the value of Instagram as a marketing platform for small businesses reduced?

6. Why is it easier for brands to build a following on Instagram than on Facebook?

4 Business language – idiomatic language

Choose the best meaning for each of these expressions from the text.

1. a level playing platform
 - a. a situation that is fair for everyone involved
 - b. a platform that charges everyone the same fees
2. to go all in
 - a. to try very hard
 - b. to put all your efforts into one place
3. tongue-in-cheek
 - a. intended to be humorous and not meant seriously
 - b. intended to be serious and not meant humorously
4. a unicorn business
 - a. a business that only exists in the imagination
 - b. a private start-up company valued at over \$1 billion
5. a fad
 - a. something that is only popular or fashionable for a short time
 - b. something that is cheap to make but sells at a high price
6. to gain buzz
 - a. to create a strong feeling of excitement
 - b. to make a large profit

5 Discussion

- The article describes the successful social media advertising of companies such as Dirty Lemon and Dollar Shave Club. Do you think you are influenced by the kind of online advertising described in the article? Why / Why not?
- The article suggests that Instagram has become a 'nexus' or central part of branded marketing. Why do you think that this particular social media platform has become more successful than its rivals?
- The article states that some companies have stopped advertising on social media completely. Find the reason in the article. Do you agree? Why / Why not?
- Discuss the effectiveness of the following advertising platforms: newspapers and magazines, TV, billboards and in public spaces such as train stations, online and on mobile phone apps. Which do you think is the most effective?

6 Wider business theme – Social media marketing for a start-up business

1. You are a member of a marketing team that has just started working at a start-up company. Think of a product (or set of products) that you would like to market online. Consider following factors:
 - the target market for the product
 - how you would source funding to launch and promote the product
 - the type of advertising that would best promote the product
 - the social media platform or platforms you would choose to use and why
2. Present your marketing campaign plan to the class.