

The Economic Potentials of Social Media and the Nigerian Developing Society: An Appraisal

Timothy E. Onyejelem¹ Chinelo E. Ude-Akpeh² Ngozi E. Uduma PhD³

1. Doctoral student of Mass Communication, Chukwuemeka Odumegwu Ojukwu University, Igbariam Campus, Anambra State, Nigeria
2. Doctoral student of Mass Communication, Chukwuemeka Odumegwu Ojukwu University, Igbariam Campus, Anambra State, Nigeria
3. National Orientation Agency, Abia State

Abstract

This paper explores the economic dimension of social media; in other words, it appraises the place of social media in the society's wealth creation and distribution endeavour. Situated within the conceptual framework of the theories of technological determinism, social construction of technology, and uses and gratification, the paper argues that social media has great potentials for economic empowerment through enhancing job creation and skill acquisition, serving as a platform for marketing and business collaboration, and offering cheap platforms for small businesses to thrive. It is, however, pointed out that the extent to which these economic potentials of social media would manifest in Nigeria would be influenced by certain elements including social media penetration, literacy/awareness and infrastructure. The paper concludes that while today's economic sphere is increasingly coming under the influence of technology (including social media technology), this technological influence would also be moderated (determined) by the realities of the social context, just as the participants in the technology will benefit from this influence only as determined by their motives (gratifications) for using the technology. It is recommended, among others, that teaching of the economic potentials of the ICTs including the social media be integrated in the education curriculum in Nigeria as a way of preparing and mobilizing young people for harnessing social media economic potentials.

Keywords: Social Media, Economics, Appraisal, Technology, Wealth creation, and Economic Sphere

1.0 Introduction

Social media have become a powerful communicative force in the world of today and their implications for humankind and the society go beyond the ritual of information exchange to extend to the political, economic, religious and educational realms of the society. It is this economic implication of social media that necessitates the concept of social media economics. This paper, therefore, examines the concept of social media economics, bringing out its elements and considering how it operates in the peculiar realities of the Nigerian situation, with a view to establishing how social media generate revenue.

2.0 An Overview of Social Media

Defining social media has been somewhat difficult as the term refers more to some form of functionality than any particular media platform (Navetta, 2011). It has been defined as "a group of Internet-based applications that build on the ideological and technological foundations of Web 2.0, and that allow the creation and exchange of user-generated content" (Kaplan and Haenlein, 2010). Institute for Prospective Technological Studies (2008, p.35) writes that social media or social networking sites are

those sites which, on a basic technological level, combine social networking, a list of contacts and a profile. They are distinct from other applications in the way they support people's presentation of themselves, externalisation of data, new ways of community formation, and bottom-up activities. They are also distinguished by their ease of use and their reorganisation of Internet geography.

In their perhaps more practical definition, Boyd and Ellison (2008, p.211) see social network sites as web-based services that allow users to do the following:

- i. construct a public or semi-public profile within a bounded system;
- ii. articulate a list of other users with whom they share a connection, and
- iii. view and traverse their list of connections and those made by others within the system.

A distinguishing feature of the social media is its interactivity and inclusiveness. It is interactive in that it represents a radical shift from the one-way communication flow of the traditional media to permit unlimited two-way exchange among users. It is inclusive in that it is open to everyone to participate in; in other words, it excludes the rigid centralised gatekeeping orientation of the traditional media (Kaplan and Haenlein, 2010).

2.1 Types of Social Media

Social media includes a wide range of Internet-based platforms, popular among which are LinkedIn, Facebook, Twitter, Digg, Delicious, StumbleUpon, Foursquare, blogging platforms (e.g. WordPress, Drupal, etc.), Wikipedia, bulletin boards (e.g. phpbb.com), Quora and YouTube amongst others (Navetta, 2010). Today, the social media realm has tremendously developed that it has evolved into a very strong culture. Thus, as aptly captured by the Institute for Prospective Technological Studies (2008, p.vii) “A social networking phenomenon has emerged over the past five years. In that time, social networking sites (SNS) have grown from a niche to a mass online activity, in which tens of millions of internet users are engaged, both in their leisure time, and at work.” Other popular social media in Nigeria include Myspace, Whatsap.

2.2 The Concept of Social Media Economics

Social media economics is a construct developed from merger of two concepts – “social media” and “economics”. It therefore connotes the economic dimension of the social media, or better still, the implications of the social media for man’s quest to acquire, conserve and enjoy wealth. Generally, media economics “embodies theoretical and practical economic questions specific to media of all types” (Albarran, 2002). So in the same vein, social media economics relates to theoretical and practical economic questions specific to social media. Indeed, social media embodies significant economic questions given its significant economic roles. Jackson (2010, p.2) comments on these roles thus:

Examples of the effects of social networks on economic activity are abundant and pervasive, including roles in transmitting information about jobs, new products, technologies, and political opinions. They also serve as channels for informal insurance and risk sharing, and network structure influences patterns of decisions regarding education, career, hobbies, criminal activity, and even participation in micro-finance. Beyond the role of “social” networks in determining various economic behaviors, there are also many business and political interactions that are networked. Networks of relationships among various firms and political organizations affect research and development, patent activity, trade patterns, and political alliances. Given the many roles of networks in economic activity, they have become increasingly studied by economists.

Indeed, social media has emerged as a formidable economic force yielding large sums of money. It was estimated that by the end of 2007, revenues from social networking sites would reach \$965 million and grow to \$2.4 billion by 2010 (Institute for Prospective Technological Studies, 2008). Similarly, total social media advertising revenue is expected to increase by 94 percent to reach \$15 billion by 2018 (Shea, 2014).

Social media otherwise called new media refer to new technologies of communication based on the convergence of satellite and communication; as well as new modes of using them (Ihejirika, Mbazie and Ndinojuo, 2015 p.2)

Further, Florida (2010) asserts that social media is redefining the landscape of everything we do from the way we connect to family and friends, how brands and celebrities capture attention, to the way business and journalism function. Hundreds of millions of people across the world use social networks like Facebook, Twitter, and LinkedIn. If any technology promised to shatter the constraint of geography, overcome distance, and flatten the world, social media would be it.

Similarly, Faheem (2015) noted that social media stocks are off to a good start in 2015, with Facebook Inc. (Nasdaq: FB) still leading the group. He writes further

Facebook's stock is up 14% over the past year to around \$80 a share, and FB now has nearly the same market cap as Wal-Mart. Facebook has 1.31 billion active users. And it released a "revolutionary" marketing platform that will challenge the likes of Google Inc. (Nasdaq:

Writing on how social media make money, Strickland 2014 comments that one way social networking sites manage to make money is through investments from venture capitalists. These investors are essentially making a bet that the site they're investing in will become popular and will eventually find a way to monetize that success. Getting in early can mean a huge payoff down the road. There are several examples of large corporations buying out Internet startup companies for millions -- or even billions of dollars

3.0 Conceptual Framework

The fundamental relationship between communication and development has become a well established paradigm in media studies (Ekwelie, 1999; Okunna, 2002; Baran, 2010). The relationship between the mass media and development is in turn founded on this paradigm, and this relationship necessarily extends to economic development (Boyd and Nicole, 2008; Media Development Investment Fund, n.d.). It is based on this paradigm that social media could be viewed as possessing an economic dimension.

The theory of technological determinism affirms this relationship in absolute terms by stating that technology is at the root of all social phenomena including development. It is a reductionist theory which believes that humans are conditioned by technological advancements as they actualize their existence; that their actions are inevitably shaped by the nature and the extent of technological structures existing in the society at any point in time (Leonard, 2008; Baran and Davis, 2001); in other words, we are without choice and freewill as far as technology is concerned. Thus, the technological determinism perspective will view social media technologies as an irresistible force that is reshaping the dynamics of society's realm; in short determining the economic culture.

However, the gap in this conceptualization becomes immediately obvious once we bring in the theory of social construction of technology (or technological constructivism) which affirms that the nature of technology that thrives in a society is conditioned (determined) by the society's aspirations, worldview, beliefs – in fact by its entire cultural realm (Sassen, 2002). Also known as technological constructivism, the theory argues “that development of technology should be analysed in terms of how it is socially and culturally used and appropriated by different social groups” (Hartmann, Punie and Ward, 2006, p.4). The essence of the theory is that technologies are embedded in social contexts and hence cannot be understood without paying attention to how the people using the technology are also contributing in shaping it. Hence, based on this theory, social media economics cannot be understood by paying attention exclusively to the technologies that drive social media without putting into consideration the social context within which these technologies operate.

Also relevant in this direction is the uses and gratifications theory which affirms that the nature and extent of the effect of the mass media on the audience is conditioned by the uses which the audience makes of the media (Melvin, 1999). Uses and gratifications research (such as Hargottai, 2007) suggests that the wide spectrum of social network sites has also led to distinct usage and adoption by different users. “Correlations between gender, race, ethnicity and parental educational background have been observed” (Institute for Prospective Technological Studies, 2008, p.6). From the perspective of this theory, the gratifications which social media users seek in using it will determine the extent they will benefit or not benefit from the economic potentials of the social media.

In summary, while social media technology will be an economic force reshaping the dynamics of wealth creation and distribution in the society, its capacity to achieve this is still moderated by the social context (cultural environment) and the gratifications which individual users seek in accessing this technology. This three-dimensional perspective forms the conceptual framework for the discussion to be made in this paper.

3.1 Elements of Social Media Economics

We look at social media economics by highlighting certain fundamental elements that place social media as an economic force. In other words, these elements characterize social media as far as wealth creation and distribution in the society is concerned. These elements are as follows:

- i. Job Creation
- ii. Marketing/Business Collaboration
- iii. Skill Acquisition
- iv. Boost to Small Capital Investments

Job Creation

An important element in social media economics is its job creation potentials. Job opportunities that exist on social media are unlimited. Examples include publishing, trading, advertising, teaching, counseling, and all sorts of services (Barnes, Hood and Gallardo, 2013). Availability of these online services implies that social media is a job creator. By offering people these opportunities to become employed, productivity and wealth distribution are enhanced in the society through the agency of social media technology.

Marketing/Business Collaboration

Also a significant element in social media economics is its potential to serve as platform for marketing/business collaboration. Parsons *et al.* (2015, p.33) observe that the interactive features of the digital online platforms such as the social media constitute “a unique combination of powerful capabilities for marketers.” With particular reference to Facebook, Barnes *et al.* (2013, p.3) comment on the marketing potential of social media:

Facebook has more than 1.1 billion followers now. Facebook recently purchased Instagram for \$1 billion dollars. Facebook is the Wal-mart of social media with more than 5 billion in revenues from advertising (Mashable.com, 2013). And, new social media startups such as SnapChat, Pinterest, and Vine have made significant impacts on how businesses advertise on the Internet even they are new to the social media frenzy.

The authors further buttress their point by citing the example of Market Maker, a web-based social media platform developed by the University of Illinois Extension Service with the aim of standardizing vital food industry data and making it widely available to consumers, farmers and food related enterprises across local, regional and national markets. They write:

Market Maker is a direct marketing tool available to anyone with access to the Internet. It helps anyone with a food related product or service to target markets and build customer base. Suppliers can find buyers and buyers can locate suppliers. Market Maker is an information technology platform that enables food producers, processors, wholesalers and retailers electronic access to geographically referenced data, thereby enhancing the opportunity for food and agricultural entrepreneurs to identify and develop new and profitable markets. Market Maker will also improve the efficiency and profitability of food systems, both regionally and nationally... In essence, this website provides a one-stop shop for strategic marketing information for producers and food retailers. A multi-state partnership of land-grant institutions and state agriculture agencies has formed to build a national network of interconnected Market Maker sites. Each partner state has its own unique site, but all sites access a common database that will allow for users to conduct regional and national queries (Barnes *et al.*, 2013, p.3 – 4).

Thus, through social media, marketing and collaboration are achieved among entrepreneurs in various ways. For instance, through a platform like MySpace, career musicians connect with their colleagues and promote their songs. Also, some other social network sites such as LinkedIn and Xing are oriented towards enabling people build and maintain professional contacts for career growth (Prospective Technological Studies, 2008).

Skill Acquisition

Equally significant is the social media's potentials towards engendering skill acquisition for economic empowerment. Through social media platforms, users can learn new skills and improve their existing skills by collaborating with others, particularly colleagues in a given field (Institute for Prospective Technological Studies, 2008). There are sites where professionals such as health practitioners, lawyers, teachers, media workers, writers, and indeed any imaginable career group interact to exchange ideas, explore new skills and knowledge towards mutual growth. Such forums serve as good opportunities for economic empowerment through improved knowledge and skills (Barnes *et al.*, 2013, p.3 – 4).

By providing opportunities for skill development, social media helps in grooming competent workforce for the society. Thus, individual users are empowered to build their personal wealth and improve their living standard, and the society is collectively made more productive.

Boost to Small Capital Investments

Social media equally possesses potentials for boosting small capital investments. This is chiefly because it offers a very cheap medium for reaching out to clients and customers. The suitability of social media marketing for small businesses lies in its less capital demand, as social media platforms can disseminate messages across an unlimited geographical space at very manageable costs. Social media marketing excludes the colossal cost implication of traditional mass media marketing; and given its interactive orientation, social media can facilitate relationship marketing in an effective, convenient and very cost-saving manner (Akasike, 2008). Generally, part “of “the attraction of SNS (social networking sites) for users is the fact that they do not have to pay for the services offered” (Institute for Prospective Technological Studies, 2008, p.viii).

4.0 Social Media Economics: Prospects and Challenges for Nigeria

Having seen the various dimensions of social media economics, it becomes pertinent at this point to explore how they might operate within the Nigerian context. In other words, to what extent could these economic dynamics of the social media translate or fail to translate to socio-economic success for Nigeria? This question is answered under the sub-heads below:

Penetration Factor

The economic potentials of the social media would translate to economic success for Nigerians only to the extent social media has penetrated among the population. Without social media platforms being at the disposal of a reasonable portion of the population, realizing its economic benefits becomes a mirage. Unfortunately, the truth is that till date Internet penetration among most countries of Africa including Nigeria is still poor. This would mean that these nations are still hindered from fully reaping the benefits of the social media including its economic aspect. Table 1 and Figure 1 below buttress this assertion.

Table 1: Internet Users By Region

	2005	2010	2013
Africa	2%	10%	16%
America	36%	49%	61%
Arab States	8%	26%	38%
Asia and Pacific	9%	23%	32%
Commonwealth of Independent States	10%	34%	52%
Europe	46%	67%	75%

Source: International Telecommunications Union

Table 1 above shows the progression in Internet penetration across six regions of the world in the years 2005, 2010 and 2013. The figures show that by 2005, 2010 and 2013, Africa ranked lowest with 2%, 10% and 16% penetration rates respectively.

Figure 1: Internet Penetration Rates by Geographic Regions

Source: <http://www.internetworldstats.com/stats.htm>

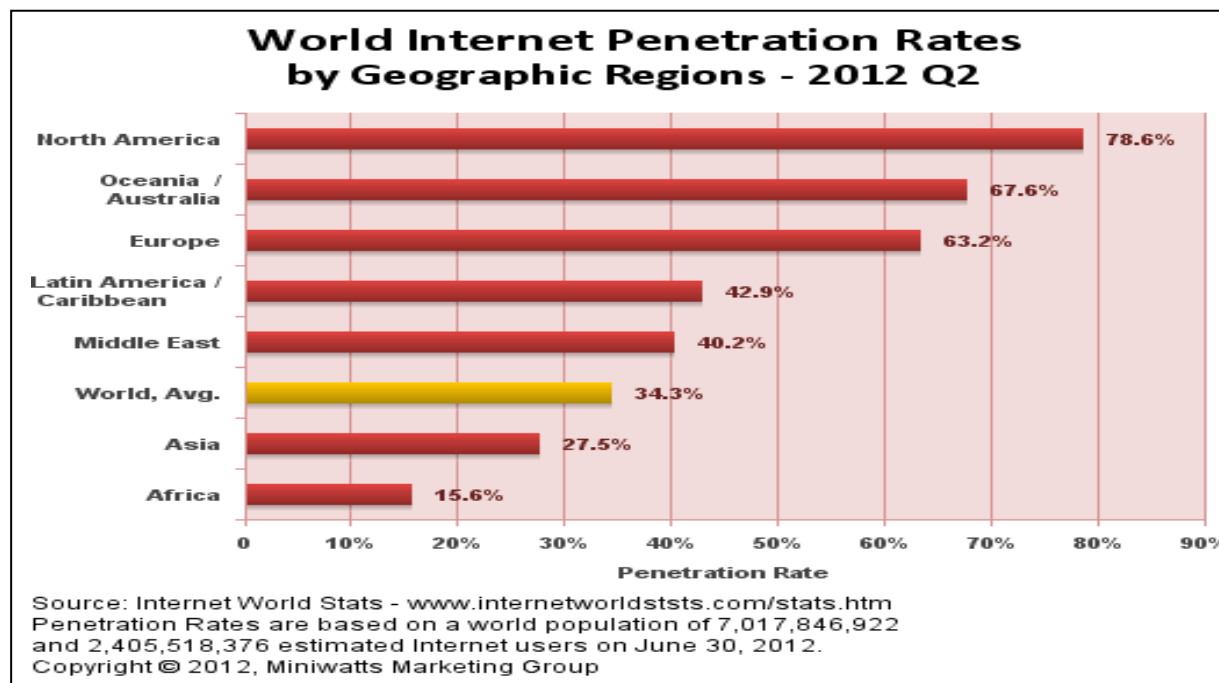


Figure 1 shows that the advanced countries are leading the world in Internet penetration while Africa comes behind with 15.6% penetration rate as against 78.6% enjoyed by North America and 63.2% enjoyed by Europe.

While Nigeria is well ahead of many African countries in terms of Internet penetration, particularly in the wake of the mobile phone revolution, the accessibility level is still not satisfactory even as cost remains a serious hindrance (Oduche, 2013). Because social media is Internet-based, poor Internet penetration inevitably translates to poor social media penetration, and by implication poor utilization of its economic potentials.

Literacy/Awareness Factor

Low literacy rate is still a formidable challenge for African countries in their bid to maximise the economic opportunities offered by the social media. Literacy is key to Internet use (Dare, 2008), and therefore he who lacks such lacks the capacity to be integrated into the Internet community.

While the more advanced democracies such as the United States, Canada and most European nations have achieved almost 100 percent literacy rate, most countries of Africa are still battling in this front. Nigeria has its literacy rate standing at 61.3% (World Bank, 2014). With this educational handicap, a country like Nigeria naturally would be finding it difficult to fully reap the economic benefits of the social media.

Related to this is the challenge of awareness. While it is one thing to have access to social media, it is another to be aware of its economic potentials and be motivated to explore these. This fact is expressed by Barnes *et al.* (2013, p.3) when they observe that:

Unfortunately, many small business owners continue to be disadvantaged because of their lack of education on how to use social media to grow business profits. Often times, small business owners simply do not have the technical background to understand how to use social media to grow their businesses.

As long as there remains low awareness and low motivation, the full economic benefits of social media will remain unattained in Nigeria.

Infrastructure Factor

Social media is information technology-based and so its thriving requires ample availability of relevant information technology hardware and software. This is basically what is here referred to as ICT infrastructure. The precise ICT infrastructure primarily required here is Internet infrastructure which unfortunately is yet to be satisfactorily developed in Nigeria. Thus, Banda *et al.* (2009) observe that the problem of infrastructure in African has continued to undermine her quest to join the global train of information superhighway. This infrastructure problem, the authors argue, relates, among others, to poor telecommunication networks which results in low levels of Internet usage.

Oduche (2013) observes that in Nigeria, Internet bandwidth is still so small that Internet use in the country is still hampered significantly. Thus, when one is need of data-consuming social media services such as video streaming, a whole lot of troubles are experienced. Furthermore, the bandwidth deficiency also results in high cost of Internet access. Oduche, therefore, hopes that the Nigerian government's pledge of achieving the much needed bandwidth sufficiency by 2018 becomes a reality. The foregoing shows how Nigeria might be lagging behind in terms of harnessing the economic potentials of the social media.

5.0 Conclusion

Our discussion so far has focused on the economic dimension of social media, i.e. its place in the society's wealth creation and distribution endeavour. Existing literature overwhelmingly supports the view that social media has great potentials for economic empowerment through enhancing job creation and skill acquisition, serving as a platform for marketing and business collaboration, as well as offering cheap platforms for small businesses to thrive. However, Nigeria's capacity to explore these potentials is inevitably affected by certain elements including social media penetration, literacy/awareness and infrastructure.

The foregoing can be viewed within the conceptual framework of the technological determinism, social construction of technology and uses and gratifications theories. While today's economic sphere is definitely coming increasingly under the influence of technology (including social media technology), this technological influence is in a way and to some extent also moderated (determined) by the social context (social construction of technology), just as the participants in the technology will benefit from this influence only as determined by the uses to which they put the technology (uses and gratifications).

5.1 Recommendations

Based on the discussions so far in this write-up, the following recommendations are put forward:

1. Education curriculum in Nigeria should integrate the economic potentials of the ICTs including the social media at both the secondary and post-secondary levels. This is with the view to creating awareness and imparting the requisite skills in the young people as a way of preparing and mobilizing them for harnessing social media economic potentials.
2. As Nigeria and other developing countries pursue cooperation with their developed counterparts towards economic growth, such cooperation should equally be extended to the social media economics. The aim here should be to receive technical and financial aid from these developed countries towards boosting Internet infrastructure for greater participation of the population in the social media and its economic opportunities.
3. Empirical research should be conducted with the aim of assessing the level of economic potentialities in the Nigeria's social media realm and the rate of people's awareness and participation in same. Such empirical data will complement the conceptual exploration made in this paper as well as validate, debunk or modify them.

References

- Akasike, N. (2008). A Study of Facebook as an Advertising Platform among Small and Medium Scale Enterprises in Nigeria, *Journal of Management*, 5 (2): 341–356.
- Albarran, A. B. (2002). *Media Economics: Understanding Markets, Industries, and Concepts* (2nd. ed.). London: Blackwell.
- Banda, F., Mudhai, O. F. & Tettey, W. J. (2009). *New Media and Democracy in Africa - A Critical Interjection*. Retrieved from <http://www.gsdr.org/go/display&type=Document&id=3766>
- Baran, S. J. (2010). *Introduction to Mass Communication: Media literacy and CULTURE*. (Sixth Edition). New York: McGraw- Hills Companies Inc.
- Baran, J. S., and Davis, D. K. (2001). *Mass Communication Theory: Foundations, Ferment and Future* (Third Edition). Belmont, CA: Thomson Wadsworth.
- Barnes, J., Hood, K. and Gallardo, R. (2013). The Economic Impact of Social Media on Small Businesses: Evidence from Three Mississippi Extension Programs. Selected Paper for presentation at the 2014 Southern Agricultural Economics Association Annual Meeting, February 1-4, 2013, Dallas, TX.
- Boyd, D. and Nicole, B. E. (2008). "Social Networking Sites: Definition, History, and Scholarship." *Journal of Computer-Mediated Communication* 13 (1): 210-230.
- Dare, J. S. (2008). Impact of the Social Media on the Academic Endeavours of Undergraduates in Lagos State [Master's Thesis]. Department of Mass Communication, University of Lagos.
- Ekwelie. S. (1999). Development Communication: Capacity Building. Paper presented at a seminar on Development Communication in Nigeria: Challenges of the Millennium, organised by PTF Zone II, in Enugu, March 16, 1999.
- Faheem, R. (2015). How Facebook, Twitter, Social Media Make Money From You (TWTR, LNKD, FB, GOOG). Retrieved from <http://www.investopedia.com/stock-analysis/032114/how-facebook-twitter-social-media-make-money-you-twtr-lnkd-fb-goog.aspx#ixzz3mYSqOtU9>
- Florida, R. (2010). *Is Social Media Driving the Economy? Top of Form*. Retrieved from <http://www.theatlantic.com/technology/archive/2010/10/is-social-media-driving-the-economy/64780/>
- Hargittai, E. (2007). Whose Space? Differences Among Users and Non-Users of Social Network Sites. *Journal of Computer-Mediated Communication*, 13 (1). Retrieved from <http://jcmc.indiana.edu/vol13/issue1/hargittai.html>
- Hartmann, M., Berker, T., Punie, Y. & Ward, K. (2006). *Domestication of Media and Technology*, Open University Press - McGraw Hill
- Ihejirika, W.C, Mbazie, S. & Ndinojuo B.C (2015) *Use of Social media by political parties in Nigeria: An analysis of face book and twitter in International Journal of Communication: An Interdisciplinary Journal of Communication*. Number Sixteen, March 2015
- Institute for Prospective Technological Studies (2008). *Social Computing: Study on the Use and Impact of Online Social Networking*. Seville: European Commission.
- Leonard, B. O. (2008). *Towards a Technological Discourse*. Beverly Hills: Sage Publications

- Jackson, M. O. (2010). An Overview of Social Networks and Economic Applications. In J. Benhabib, A. Bisin and M. O. Jackson (eds.) *Handbook of Social Economics* (pp.1 – 96). Stanford, CA: Elsevier Press.
- Kaplan, A. and Haenlein, M. (2010). What is Social Media? Retrieved from <http://www.infolawgroup.com/2011/06/articles/social-networking/the-legal-implications-of-social-networking-the-basics-part-one/>
- Media Development Investment Fund (n.d.). *Media Development's Role in Social, Economic, and Political Progress*. New York and Prague: MDIF
- Melvin, J. Y. (1999). Uses and Gratification Approach. Retrieved from http://www.utwente.nl/cw/theorieenoverzicht/Theory%20clusters/Mass%20Media/Uses_and_Gratifications_Approach.doc/
- Navetta, D. (2011). The Legal Implications of Social Networking: The Basics (Part One). Retrieved from <http://www.infolawgroup.com/2011/06/articles/social-networking/the-legal-implications-of-social-networking-the-basics-part-one/>
- Oduche, A. A. (2013). Readership Base for the Nigeria Online News Sites. In B. C. Oyebanjo (ed.), *New Media in Nigeria*. Lagos: Joja Educational Foundation.
- Okunna, C. S. (2002). A Quick Look at Development Communication. In C. S. Okunna (ed.), *Teaching Mass Communication: A Multi-Dimensional Approach* (p.293 – 302). Enugu: New Generation Books.
- Parsons, A. Zeisser, M. and Waitman, R. (1998). Organizing Today for the Digital Marketing of Tomorrow, *Journal of Interactive Marketing*, 12 (1): 31 – 36.
- Sassen, S. (2002). Towards a sociology of information. *Current Sociology*, 50 (3): 365–388.
- Shea, B. (2014). Social Media Ad Spending: Statistics & Trends [INFOGRAPHIC]. *Social Times*. Retrieved from <http://www.adweek.com/socialtimes/social-ad-spend-stats-trends/503712>
- Strickland, J. (2014) How do social networking sites make money? Retrieved from <http://moneymorning.com/2014/07/14/how-do-social-media-companies-make-money-2/>
- World Bank (2014). Rural Population (% of total population). Retrieved from <http://data.worldbank.org/indicator/SP.RUR.TOTL.ZS>