



video case

chapter 11 Social Networks, Auctions, and Portals

case 11.1 Instagram

watch the video at

<https://www.youtube.com/watch?v=mYAplrM3-0Y>

summary

Instagram offers a rich social networking experience for its users, but also provides unprecedented new opportunities for advertisers to connect with young people. See how three major brands are doing just that.

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Facebook turned heads and raised eyebrows with its purchase of Instagram for a whopping \$1 billion in 2012. Few question the logic of the acquisition today. At the time, Instagram only had 30 million active users, but that number has grown explosively to over 800 million in 2018, at a time when Facebook's own growth has stagnated and its popularity with younger people has waned. Instagram's core business is still as a social network, making the two companies a logical fit, but Instagram's unique image-driven format makes it a unique experience both for users as well as advertisers, who are seizing the opportunity to extend their marketing and branding efforts in creative and appealing ways.

Instagram has overtaken Facebook and Twitter as the most popular social network for teens and the coveted millennial demographic, with about one-third of teenagers in the United States citing it as their most important social network. Two-thirds of Instagram users

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are female, and Instagram users tend to be urban and college-educated. The premise is simple—users take photos or short videos that are immediately visible to friends, applying filters and other techniques to make them more visually appealing as well as text and hashtags. Just like Facebook, Instagram posts allow other users to ‘like’ them. Instagram’s interface is clean, simplistic, and most importantly extremely fast.

In many ways, Instagram is more suitable to mobile social networking than Facebook itself—while on the go, it’s easier to view and engage with an image than it is with the blocks of text that often appear on Facebook, where the many different types of content make for a less streamlined experience. The world’s ongoing shift from desktop to mobile is excellent news for Instagram. Advertisers have long understood the power of evocative images, and Instagram is doing its best to offer them a multitude of ways to use these types of images to connect with its user base. Instagram began selling advertising in 2013 and its mobile ad revenues are growing so rapidly that they are expected to reach almost \$11 billion by 2019. Instagram’s \$1 billion price tag looks awfully cheap in hindsight.

Instagram offers direct-response advertisements that take users to a specified link when they tap or click the ad, as well as more interactive advertisements that allow users to customize a product without leaving Instagram. Some advertisements are images, some are videos, and others are a bit of both—known as “cinemagraphs,” these advertisements are essentially high quality versions of .gif files. Newer products like Carousel, which is featured in the video, allow brands to offer even more information to Instagram users who engage with advertising. By swiping left on Carousel ads, users can view a series of images in sequence as opposed to one individual ad. One Carousel ad might show off multiple features of a product, while another might tell a story or show a transition, such as multiple ingredients becoming a full meal. Instagram’s challenge is to introduce these ads without diluting the social networking experience its increasingly large user base has come to love.

video case questions

1. Why was Carousel a good fit for HP’s marketing efforts for its Spectre tablet?
2. Why did Toyota view Instagram and Carousel in particular as a good choice to advertise its new vehicle?
3. What was the nature of Capital One and Uber’s partnership on Instagram?