# Instagram Strategic Analysis

## Introduction

Instagram is a free application that allows the sharing of photos and videos on smart phones. Its users can also use it to communicate through its chat and comments and react to others posts (Instagram Inc., 2019).

## External environment

## The Industry and external environment

Social media are becoming more and more powerful every day and with them also the mobile instant messages application. Communication and self-expression are some very important needs for human being since a very long time and, as time goes by, technology is contributing to satisfy these needs in an easier and faster way. But one of the point worth going straight to is: How does the social media/ MIM industry looks like? The truth is that it is a very competitive industry especially because the external environment is something in continuous change and growth. The market for MIM is seen to be reaching 2.1 billion users by 2010, on a global level thanks to the powerful role that smartphones and tablets plays in our lives (Global industry analysts Inc., 2016). After such a statement, it is clear like dawn that MIM represents a very powerful communication tool but why? External environment plays a fundamental part and here are some reasons:

- • Text-based communication is becoming more and more popular among populations all over the world for many reasons (psychological, convenience, trend, etc.). Young and adults seems to prefer texting over face to face conversations and data have shown that 58% of the people (more than half) are now using texting method to communicate with their friends and family. In England, for example, 90% of the population between 16 and 24 years old text at least once a day using their smart phones (The Telegraph, 2012).
- • Sales of smartphones and tablets keeps growing and with it the presence of social media and MIM offered by these. GSMA real time intelligence data affirms that 66.53% of the world’s population has a phone. For example, the United Arab Emirates has one of the leading position for having 82.2% of the population using a smartphones and also other countries like China, Germany, United states or Russia present a very high percent in terms of smart phone’s penetration (GSMA intelligence, 2019).
- • There is an increasing need for social connectedness and a need for relationship with others (The social report, 2005).

The listed above are just some exemplary reasons to explain why MIM and social media are so popular but for a better understanding of the general external landscape there are also other factors to consider and analyzing through PEST (political, economic, social and technological) framework, can be a very good start. For what concerns the political part, it might sound unrealistic but Instagram seems to have become a place where even political parties share their views and opinions hoping to connect with more people who could present the similar mindsets. Why? Nowadays it has become more powerful than Twitter and Facebook for political topics

and debates, especially if they want to catch the attention of teens and young adults, as they are very active on this platform. (Frue, 2019). Today's politicians even use Instagram to go on live-streaming and spread their voice to specific audiences. Instagram seems to be a political showcase for the new politicians. Moving to the economic factors, is considered to be worth $100 billion today and its worth keeps growing despite the skeptical people that thought that Instagram couldn't generate any revenue in 2012 (Frue, 2019). A bit side of this platform's luck comes from the deals with sponsorships and for example the job of famous influencers on it. These individuals are paid to post certain contents on their profile thanks to their huge followings and this for sure have a great impact on the economy of the countries on a larger level and could be an advantages for the various businesses. As social factors, as previously anticipated, there is the increasing of social connectedness needs for many different reasons like for example approval or loneliness (The social report, 2015). People use Instagram to share their points of view, their image and their thoughts, they use it to follow people they admire and it can connect individuals for their hobbies or interests. In particular, social connection is also done through Instagram's chat (DM or direct messages), where people can text and communicate in real time. Getting to the last part of this analysis, it can be said that Instagram is directly and strongly affected by technological factors as it presents a massive mobile user base and it comes hand in hand with the technological world, as a product of it.

## SWOT analysis

In order to understand and analyze both the internal and external environment, a very convenient technique to use is SWOT analysis. This tool allows to find the strengths, weaknesses, opportunities and threats of a company or organization and gaining knowledge over these aspects is considered vital.

The strengths that Instagram has are part of the internal environment of it and they are various:

- • Value proposition combined with a big influencer community is one of the main strengths of Instagram. This social platform has become the main choice for businesses when it comes to their marketing techniques as it allows a good engagement with the audience, awareness and promotion.
- • As just mentioned, high engagement represents another strength of Instagram. It is the highest most engaging right after Facebook.
- • Hashtags. These are tools that allow to reach a very high number of people and catch their attention. It allows to divide the posts in group so that it's easier to find similar contents.
- • Massive audience reach is another strength of Instagram. Currently, more than 800 million people are using the application for many different reasons. For example, 80% of the users follow at least a brand and 30% discover products on the platform. That is a significant information for consumer's behavior (Heart of codes, 2019).
- • Instagram is Facebook's son. It was bought from the most powerful social media in 2012 for $1 billion and this means it has a great financial backing (Frue, 2019).
- • Direct messaging (Instagram direct). This is an instant chat that Instagram offers to its users that allows the exchange of messages and pictures/videos in a direct way.
- • It represents a bridge in terms of posting contents in different social platforms as it allows to share content on more than one platform at the same time, with just one click.
- • It is free.

On the other hand, the weaknesses that Instagram has are the followings:

- • It has a one-way traffic for business. In simple words this means that it is hard to move a certain audience or engagement obtained with Instagram to another platform. It is true that the application offers the chance to put a link or website on a profile but the result is clearly not the same also because it has a limited space for words.
- • There are some issues concerning the privacy and data release. Instagram users have had different uncomfortable problems with their private information accidentally came to light.

After illustrated what is about the internal environment, let's see what are the opportunities for this platform:

- • It has a greater monetary opportunity. As previously discussed, one of the strengths that Instagram has is about influencers and their community and this is the heart of a machine that can make Instagram continuously grow as a lot of companies and businesses refers to these influencers to bring up their marketing campaigns etc. Sometimes these influential figures are paid over $1 million to post a picture of certain products on their profiles.
- • It is designed to match with smartphones. This means that it can take advantage of the growing sales of smartphones and the facts that a high number of people use their applications globally.
- • Technological development is a key opportunity for Instagram as it can grow together with it.
- • Advertising and marketing tools can maximize the brand awareness.

Last but not least, an illustration of the threats follows:

- • Visibility VS invisibility. It is true that Instagram offers chances to be visible but it is also true that often it offers chances to act invisibly. This can lead to various consequences among which we find children's grooming problems. Instagram had been considered one of the main platform where a child could be approached for bad intentions or abuse (heart of codes, 2019).
- • Beauty trends can also be considered a threat for Instagram as it is blamed to be causing problems in people's self-esteem and confidence. Those beauty standard cultures could negatively affect users who compares themselves to somebody else and want to change their appearance. This leads to psychological consequences as unsatisfaction and unproductivity (The economic times, 2018).
- • Social media pressure. Challenges and trends make people on social media want to fit in and follow certain activities and sometimes this can produce a lot of pressure that could lead to loneliness, mental health and depression.

Listing all the elements that form the Instagram's SWOT analysis is a good way to give a general landscape of the situation but it is important to approach these findings in an analytical way in order to use them to maximize the platform's performances and make better decisions. Engagement and influencers would surely represent powerful strengths for Instagram but direct messaging could also be seen as a weakness as some researchers find is a poorer way to exchange text messages compared to other MIM applications. At the same time some points from the weaknesses could also be seen as a strength, for example the one-way traffic

business. It is true that this traffic operates one way but on the other hand the engagement gained on Instagram is still invincible. It is important to consider the different points from various perspectives in order to better know and understand the company from the inside. On the outside it is also vital to use these opportunities and threats to guide concrete decisions and strategic reactions to jump on good chances to grow and avoid threats like the plague.

## Five forces analysis

Another tool that is considered very useful to understand a company's strengths and weaknesses is the Porter's five forces model. It operates through analyzing the five forces that shape an industry which are bargaining power of suppliers, bargaining power of buyers, threats of substitutes, threats of new entrants, competitive rivalry. In Instagram's case, this analysis has to be conducted considering the Facebook application as in 2012 it has bought Instagram for $1 billion making Instagram become a part of something even bigger. Here's an analysis with the force's level:

- • Bargaining power of suppliers is high. Just thinking about the fact that Facebook is the leading social platform since 2004 for both social and economic factors. As said above, Facebook has bought Instagram and this makes it its main supplier while also being a fundamental player in the monopolizing of the social network industry.
- • Bargaining power of buyers is low. This is proven by the fact that Instagram is one of the most utilized social media in the world and it counts more than 200 million active users. The application is considered the best photo-sharing social network on a global level and another reason to support the low bargaining power of buyers is that Instagram is a free application.
- • Threat of substitutes is also low. The threat in this case is considered very low because at the moment there are no applications which focus on pictures and videos like Instagram and that equally provide instant messaging through DM. Not to talk about the filters and other multiple functions that it offers.
- • Threat of new entrants is again considered relatively low. The industry is quite accessible as the barriers are not high but at the same time, in the present moment, it would be very challenging to reach Instagram's position.
- • Competitive rivalry is low in terms of direct competitors as nowadays. Instagram is the best photo-sharing application in the market and has Facebook as a main supplier, which means that competing against it means competing against Facebook too. All its functions are not present in other applications so there are still not identical offerings. Still it has to be said that it is important to consider the indirect and future competitors too. Indirect competitors that could be substitutes someway and future alternatives that could pop up suddenly at any time.

## Competitive analysis and matrix table

When it comes to analyze the competitor's situation for a social media like Instagram, there are more things to consider. Instant messaging cannot be considered as a simple chat anymore (Ortiz, 2001).

First of all, Instagram is a multifunction social platform that offers both sharing options and communication ones, so, in order to have a more complete comparison between its competitors,

one must consider both the direct competitors, that could eventually be substitutes, and indirect competitors that could be different but similar at the same time. If one looks at Instagram as a mere photo-editing-sharing application without highlighting its MIM part, some of the main direct competitors are Flickr, Snapseed, Hipstamatic, Snapchat, Retrica and Eye Em.

The table above shows a basic landscape of what Instagram does better or worse than its direct competitors and from a “picture posting platform” perspective. It clearly has a leading position for the showing reasons but let’s go deeper to find out other reasons why Instagram is winning over these competitors as an “image first app”. The table shows that Instagram could probably be considered the most complete and rich of functions platform. It has a chat, it offers the chance to start live videos and share Instagram stories 24 hours so it basically includes in it all the functions that the others don’t offer. But if there is one thing that really makes the difference in this landscape is the fact that Instagram has a really high level of engagement, it connects users in a better way, creating high following amounts, easier connection with friends and strangers through its very successful hashtags or its very pleasant interface. All of this having a giant as Facebook as a backup. Some examples could even more prove why Instagram is winning against others in the industry. If one considers it compared to Flickr, it can be said that they are both photo-sharing platforms but, for all the reasons above, Instagram arrived to reach more than 1 billion active users while Flickr has 100 million and it has a significant higher level of engagement. Both might offer the same possibility to use hashtags but Flickr couldn’t unlock their real potential (Tarver, 2018). Another example worth bringing up is Snapchat.