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ABSTRACT OF DIPLOMA THESIS

ECONOMIC ANALYSIS OF SOCIAL NETWORKS AND THEIR
IMPACTS UPON ECONOMY IN CHOSEN REGION

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ECONOMIC ANALYSIS OF SOCIAL NETWORKS AND THEIR IMPACT UPON ECONOMY IN CHOSEN REGION

EKONOMICKÁ ANALÝZA SOCIÁLNÍCH SÍŤÍ A JEJICH DOPAD NA EKONOMII VE VYBRANÉM REGIONU

Abstract

This thesis deals with the social networks and their impact on the economy. Social networks became part of everyone's life in past few years and their impact upon economies is steadily increasing thanks to the technical development of computers along with increasing popularity of mobile devices such as tablet or smartphone. Due to the increasing usage of social media, marketers and companies are able to reach their current and potential customers faster and more easily with relatively low costs which made social media powerful tool for marketing and other purposes. That is why social networks need our attention and why it is necessary to understand how they work.

This thesis is mainly focused on the social network Facebook and its impact upon the economy of the United States because it is an origin country of Facebook. For a practical part, evaluations of the current position of Facebook among social networks in the U.S. was made and extend of Facebook's impact on the U.S. economy in terms of number of jobs created and amount of money generated into an economy was defined.

Keywords

Social network, social media, online marketing, e-business, financial analysis, economic analysis, comparison, economic impact, Facebook

Introduction

Social networks are necessary mean of communication nowadays. Number of the user is increasing by every second and so is the amount of different platforms for social networking. In the past few years number of hours spent online has significantly increased and so has the need of creating online social networks. These try to make a virtual copy of our real lives. Social networks use various tools to build virtual communities. In these communities people share even the most intimate information and other various contents such as images, photographs, videos, etc.

This thesis is focused on social network Facebook and its impact upon the economy of the United States (as a country of origin of Facebook). It examines position of Facebook

among social networks in the U.S. and its impact the U.S. economy in terms of number of jobs created and amount of money generated in the economy.

Objectives

- Evaluation of the position of Facebook among social networks in the U.S.
- Extend, to which Facebook has an impact on the U.S. economy in terms of number of jobs created and amount of money generated into an economy

Methodology

- Fundamental and technical analyses of Facebook
- Stock analysis for Facebook and other competing social networks in order to evaluate development of prices of
- Comparison of social networks using data such as number of monthly active users, revenues, development of audience and others.

Results

Facebook is currently the most successful social network and results from the fundamental analysis support this statement. Revenues and net income are steadily increasing over the past four years as well as its equity. Ratio analysis revealed that Facebook is very strong in terms of finances because current ratio of 9.6 is almost double as industry average 4.99 which means that Facebook's ability to pay its short term payments and obligations is much better than the industry average. Also, thanks to the low debt, the ratio for total debt to equity is astonishing 0.65% compared to industry average of 43.29%, which is quite amazing result.

The comparison of Facebook with other social networks Twitter and LinkedIn proved that Facebook performs much better than the other two. Since Facebook offers wider range of services than both Twitter and LinkedIn, it is not surprising that Facebook has the most users, the highest revenues and also the highest number of employees among these three social networks.

Author of this thesis chose critically review and compare two studies which dealt with the economic impact of Facebook on the U.S. economy. The first one, conducted by Deloitte estimated that in 2014, in the U.S. Facebook enabled creation of more than million jobs while generating more than \$100 billion which represents 0.59% of GDP in the U.S. The second

study conducted at the University of Maryland focused solely on the App Economy and estimated that Facebook enabled creation of almost 210,000 jobs while generating around \$15 billion which represents share of 0.10% of the GDP in the U.S.

Conclusion

Since its establishment in 2005, Facebook has become a leader among social media during last ten years of its existence. Although there are companies such as Google or Baidu (in China) which are very popular and more successful than Facebook, only Facebook is pure social network while the other two started as search engine before expanding with creation of its own social networks.

. Economic impact of social media is quite hard to research due to the wide range of area where social media operate, but author of this thesis chose to review and evaluate studies done by professionals, especially the one created by Deloitte. Deloitte estimated that Facebook has significant impact in the U.S. even though the impact is not likely as high as it is stated in the report, because of questionable methodology and assumptions. According to Deloitte, in 2014, Facebook enabled creation of more than one million jobs while generating more than \$100 billion into the U.S. economy which equals to 0.59 % share of total GDP. As mentioned before, the percentage share looks quite small but given the enormous \$16.7 trillion GDP output of the U.S. the result is more significant than it seems.

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