

# THE BOEHLY CENTER

FOR EXCELLENCE IN FINANCE

CAREERS IN FINANCE PODCAST

---

## EPISODE 28: THE SOCIAL MEDIA IMPACT

---

### Male Voice

Welcome to Careers in Finance, presented by the Boehly Center for Excellence in Finance at William & Mary's Raymond Amy School of Business. This podcast will explore various areas of the financial services industry, career paths in finance, and other practical insights that will help students better understand and prepare for professional success in the field of finance. Be sure to subscribe to the podcast and catch future episodes as we explore the field of finance. And now your host, Morgan Hutter.

### Morgan Hutter

Well, we have an exciting podcast today. It's a little different than usual. We are going to be speaking with a student specifically on kind of a different topic that we normally do here at the Careers of Finance podcast. I have with me Nicholas Kwasnick, who is a first year student at the university, and we're going to be talking about the social media impact. We'll dive into his impact in finance as well. But Nicholas approached me several months ago and had interest in his own podcast, so we hope to have that to be able to share soon. But I offered to have him on this podcast and just get a chance to hear a little bit from him and some of his thoughts on social media and his impact. And obviously we all are dealing with social media in our faces all the time. So Nicholas, let's get started and just tell us a little bit about who you are, locations, kind of how this came about.

### Nicholas Kwasnik

So I'm a freshman at William & Mary. I'm interested in finance and economics. I'm currently a senior analyst at the school's Mason Investment Club. I'm the Vice President of the school's John Quincy Adams Society chapter, and I volunteer outside of campus organization called Engine, where I tutor a Ukrainian student in English. And I make no claim, obviously, to being any sort of expert. I don't have a PhD or anything of that sort. But I'm speaking about this because I feel that it's pretty relevant to, first of all, myself and to kind of the student body at large. Obviously, social media use among the youth is increasing dramatically in 2019. American teenage boys, for instance, use social media for an average of 50 minutes a day. Teenage girls used it about one and a half hours per day. So, yeah, social media use is very common to increase dramatically in the pandemic.

### Morgan Hutter

As well, I'm sure. Yeah, I actually tried to get off of it during the pandemic because I felt like I was just sitting on it too long. So I crept back into it actually this week for the first time. So what's the topic of discussion? What are we going to hear about today?

## Nicholas Kwasnik

So we're going to look at the business model of the largest social media companies. Facebook, now rebranded recently as Meta, Snapchat, Instagram, TikTok. Instagram, of course, is a sub, is now owned by Meta. And we're going to be looking at the kind of social consequences from the activities and then the relationship of these businesses to financial services into the financial services industry.

## Morgan Hutter

Fantastic. I just can't wait for this discussion. So what should we start with here? Are there some notes you want to start with or give us kind of a background?

## Nicholas Kwasnik

So I think it would be relevant, I think, to kind of give a basic disclaimer here. Just two things. First on the data used. So there's a lot of screen time use data and there's also a lot of self reported data on how people feel from the use of screen time. And teenagers are reporting this. So many teenagers will underreport their screen time use according to several studies on that. And it's important to note that the National Institute of Mental Health found that males are likely to underreport feelings of sadness in general. So obviously that applies to their feelings of sadness from social media as well. And so some of this data about how people are feeling from social media use may not be representing the full extent of the picture. And second, absent a kind of perfectly controlled experiment with social media users and non social media users making a definitive statement of causality social media causes, is very challenging.

## Morgan Hutter

Some platforms in their current form might contribute to some mental and maybe physical problems. We do see that in the news often you hear these terrible stories. So especially among such an influential group as the youth, what's the business model of social media that's maybe putting some of this at play?

## Nicholas Kwasnik

So social media platforms make money primarily through user engagement. More users spend more time on their platforms and more engagement means advertisers pay the platforms more money to have their ads listed. And so the rates for what advertisers pay definitely vary on the content of the advertisement on the platform, the targeted demographic and variety of other factors. For instance, on Facebook in 2021, apparel ads cost forty five cents per expected click, while legal ads cost a dollar \$0.32. Ultimately though, you can kind of connect the business model to this idea of habit formation. In my research I thought a lot of the book by Charles Duhigg, *The Power of Habit*, which is a kind of popular self help book. And it outlines a kind of habit loop that social media platforms are trying to inculcate. So the habit loop that Duhigg defines has three components. There's first, this cue, which causes the individual to do the second part, the action, which is the habit itself and then finally the reward, which is either the tangible gain or the feeling that the action creates and that makes the user want to do the action again. And so with social media I think you can classify two habits that each platform tries to inculcate in its users.

### Nicholas Kwasnik

So first I would say is the habit of scrolling. A lot of people may relate to this. Either notification from a page that someone follows or a feeling of boredom cues someone to check the phone and begin scrolling through a feed. And the feed is really important here. Facebook, Instagram, Snapchat, TikTok. They all have feeds. Only alt platforms really don't have feeds like Telegram, for instance. But Telegram really doesn't follow these and is much more of a much newer business than the previously listed platforms. So the individual will continue scrolling through content until that person finds something that will give them a strong feeling. Whether or not that's a positive feeling or one of anger, it doesn't really matter because the strong feeling engages, causes the person to engage with that content, or continue scrolling for new content in the future. And you don't need to look very far, I think, to see that bait content has worked very well. You can look at anything from even vaguely kind of attempting to be, quote, unquote edgy, memes and sports are in popular culture or much political posting as well. The other habit that social media companies would try to inculcate is posting so similar to here.

### Nicholas Kwasnik

Boredom or perhaps a desire for attention or validation may incentivize an individual to post something and then the reward is the likes, the comments, the external validation of people agreeing that whatever the person posted was interesting, cool, funny, obviously depending upon what the content itself was.

### Morgan Hutter

So you're getting this justification right for your emotional charge, whatever that might be. So that makes a lot of sense. I can think about how many days I've probably lost in my life just rolling social media. So I'm guilty of the habit loop for sure. It definitely seems, although sometimes like a loss, I'm sure it's a win as far as the platforms go.

### Nicholas Kwasnik

Yeah, I think I'm certainly have been guilty of various points of it. I think looking at screen time usage amongst demographics, most people are probably guilty of it to varying degrees as well.

### Morgan Hutter

Yeah.

### Nicholas Kwasnik

And so obviously in culcating these habits increases engagement of users with the platform. The platforms basically make money off of time, which the time spent scrolling, time spent liking, time spent posting. And so any habit that increases time spent is a win for the platform. Mark Zuckerberg had a really interesting quote in a Congressional hearing in March 2021 about this. Mark Zuckerberg, obviously the current Meta CEO, he noted that if users are spending time on the platform, it simply proves that the experience is so meaningful to them. Engagement is only a sign that if we deliver that value, then it will be natural that people use our services more. So clearly the measure of quote unquote value is user engagement, which is time.

## Morgan Hutter

It is, it definitely is. So you mentioned something interesting. Obviously you've done so much research on this, Nicholas, it's very impressive. You can tell your passion for it. So thank you for being willing to talk about it today on the podcast, but you mentioned some factors with mental health. I know we're going to talk maybe a little bit today about physical health and then obviously the financial side of it. So can you just kind of walk us through, if at all, which I think we already know the answer to it? Social media may contribute to some mental challenges that some people face through social media and the problems that they can bring, of course.

## Nicholas Kwasnik

So I think that the scrolling effect or the scrolling habit is the most relevant thing here because people may not actually enjoy the activity or enjoy it relative to the next best thing that they know they consciously could do, whether that be exercise and watching some sort of TV show or doing work even. But people do it anyway, which is a sign, I guess, of the effectiveness of the design of these platforms, but it doesn't indicate at all that people are enjoying what they're doing. There was an interesting quote from a study from the Max Planck Institute for Human Development that said that content is increasing in volume, which exhausts our attention and our urge for newness causes us to collectively switch between topics more regularly. And so social media platforms provide the ability to do this, to scroll endlessly down a sort of rabbit hole, but also to discover new things along the way, whether or not that is the best thing to do or the thing that the person even wants to do. And yes, of course, there's a lot of reasons why attention spans are shortening and people are trying to switch and people like the idea and people like switching between new topics. TV has played a part in that in the past. But social media is, the study found, definitely amplifying the shortening of attention spans. And Instagram's own researchers actually found that those who struggle with the kind of platforms addictiveness don't log off necessarily. Almost half of American teens in an Instagram internal study reported wanting to spend less time on Instagram but lacking and the self control to do so, it really breaks down self control, or most feed based things kind of break down self control even further. And there's a relation between this and physical health as well. So if you like to get into that as increased screen time generally means less time on anything else. And of course this relationship is to some extent bi directional. Increased use of screen time means someone is less likely to exercise, but someone less likely to exercise anyway would probably be on a screen more. But regardless of 2020, study from the University of California found that each additional hour of total screen time per day was associated with one-point-eleven times increased chance of the person developing a binge eating disorder. So being on social media a lot is in general associated with worse individual health outcomes.

## Morgan Hutter

God, when you say it like this, it just seems heart wrenching. I'm hearing a lot about that famous word of FOMO, right? Fear of missing out. You don't want to miss the latest posts that somebody might have put or this false sense of learning even maybe like you think you're taking in information in a funky way, but you think there's value to it. And I'm sure it's obviously there are value, I'm not saying there isn't, but big concerns about the shrinking attention spans for sure. All right, we spent a lot of time kind of giving us the background. Thank you. I think our listeners I think this podcast impacts probably everybody to some level, right? Either there used to be social media or maybe they have children that they're concerned about being on social media, whatever it might be. But, you know, here we are on a career in

finance podcast, so we're going to shift it a little bit to talk about finance. So how can investors affect what's going on or be affected by social media?

### Nicholas Kwasnik

Yeah, so we'll talk about, I guess, morally concerned investors about that. Ethical investors is a kind of popular phrase that's been on the rise. There's a variety of ethical ETFs, especially clean energy related funds that invest primarily in, like, clean energy and renewable resources. And these are kind of a vehicle to dispense social judgment in the way that the ESG environmental sustainability goals of a lot of major corporations kind of validate that this company is doing well. So ethical investors can definitely influence social media companies. Every social media company ultimately depends upon external investment. We can just give one example. For instance, Meta has historically depended a lot on investors cooperating with it to get funding. Like in 2004, one of the first people who invested in Facebook and really kind of help a platform take off was Peter Thiel, who our viewers may currently know is the creator of Palantir, the tech and defense company he invested \$500,000 into in 2004. And in 2005, an investment fund, a cell partner is also partnered with Facebook. So every company requires influence of cash. And so even with like a lot of these companies being much bigger now and much better able to sustain themselves, meta, Snapchat, TikTok, investors can still ultimately kind of withhold their money. And that, I think, is the ultimate thing that they can do to kind of dispense judgment on these companies and to try to change their actions.

### Morgan Hutter

It's just amazing to see how everything kind of touches something else, right, and how it does make an impact on the stock market or whatever it might be. Are there kind of other ways this relates to financial services, whether it be how people market things? I know we mentioned advertising earlier, maybe how it impacts Wall Street, so there.

### Nicholas Kwasnik

Are some career opportunities for aspiring, especially financial advisors who want to use these platforms. Social media usage is obviously exploding and whether or not it's a good thing, any aspiring financial advisor would definitely want to take note of its increased usage. And many financial advisers right now are using it to advertise themselves, even if it would intuitively seem less professional than LinkedIn. For instance, at the 2020 survey from this Putnam investments fund found that 89% of financial advisers said that they had gained new clients through activity on social media. Social media provides a way for kind of aspiring financial advisers to show their more human side and to try to connect and to try to build a personal brand. And another survey in 2021 from another investment fund called Hartford Funds found that 33% of investors seek a financial advice online and 50% say that social media presence impacts who they hire as financial advisors. So being on social media is definitely going to improve one's chance of picking up new clients, certainly not the most traditional way of finding new clients, but it is a way of doing it. And just to kind of contextualize, I think, how influential social media can be; the Wall Street Betsy phenomenon in late 2021, with the mass shorting of the GameStop stock and the AMC stock afterwards, I think that really shows how influential social media accounts can be. A lot of people followed the actions of accounts that they had followed that already had a lot of followers. There was Keith Gills Reddit accounts, he became kind of the most famous at the time, shorter of GameStop and AMC. And he did actually run before this, a YouTube channel where he talked about his investment methods. But

a lot of people who followed his actions didn't know about that channel. His reddit account had way more activity, his anonymous red account had way more activity than his YouTube channel. So clearly having a large social media presence is a way to get a lot of people to see you, to notice you, and to engage with you.

### Morgan Hutter

So how did you get into this being your passion and how long have you been researching this topic?

### Nicholas Kwasnik

So I started researching this in late 2021 with the Wall Street Journal investigations into Facebook, which revealed a lot of internal information. And Facebook of course, then still not having yet rebranded itself as Meta, it revealed a lot of concerning and things that validated a lot of intuitions about Facebook, facebook being consciously aware of the negative effects of its platform. So I kind of wanted to share the information with others because I believe, of course, it's really relevant, as I said at the beginning, given how many people are using social media.

### Morgan Hutter

Yeah, it is. And what's so great about our listeners and thank you for listening to this podcast is as far as social media goes, we probably run the gamut, right? I mean, obviously LinkedIn, a lot of people use Facebook for some of our I mean, I know in our era of Facebook came out when I was at William & Mary, I remember my college roommate told me about, hey, this thing came out at Harvard, and that was 2005 six. I remember it vividly. And now instagram. I just had a student the other day say that they don't really even check emails anymore. It's really just instagram. So it is really taking over as a new medium. Not a new medium, but as a medium of communication throughout. Not only communication, but as you share Nicholas, how people are getting their information. So with that, we'll wrap up nicholas, we thank you so much for joining us today, listeners, thanks for tuning in, and we look forward to having everybody join for the next Careers in Finance podcast at the Raymond A. Mason School of Business at WilWilliam & Mary. Take care.

### Male Voice

Careers and Finance, presented by the Boehly Center for Excellence in Finance, is a production of the Raymond A. Mason School of Business at WilWilliam & Mary. Executive producer is Jeffrey Rich in association with Magenta Text Productions. Find out more about the Boehly Center by visiting Boehly Center mason wm.edu. If you enjoyed this podcast, please share it with a friend and leave us a review.