

BENEFITS OF ONLINE ADVERTISING IN SOCIAL MEDIA FOR SME IN RESTAURANT BUSINESS IN RIGA

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Abstract: *Small and medium sized business owners often strive for better services for little expense. It includes advertisement expenses. In this work, the author describes benefits of online advertising in social media for SME in Restaurant business in Riga. The research is based on the data received from Internet sources, Facebook Business manager, and Interview with Co-Founder of SIA “Mr.Fox”.*

Keywords: social media, online advertising, Facebook, Instagram, TripAdvisor, Mr.Fox, Riga, profile, Reach, Engagement.

Introduction

Instagram has been sold to Facebook on the 9th of April 2012. Since then it has introduced many functions for business that are useful. Now targeting and managing business accounts in this platform is the same as on Facebook. In Latvia Facebook has 700 000 – 800 000 active users (400 000 – 450 000 in Riga). Therefore many Latvian companies including companies that operate in restaurant industry find it reasonable to be active on social networks and use benefits of its online advertisement options.

In Latvia, it makes a lot of sense for the companies whose target audience is in the age range of 18-44 to have active social media profiles (18-44 is the biggest audience in Riga) (See **Figure 1**).

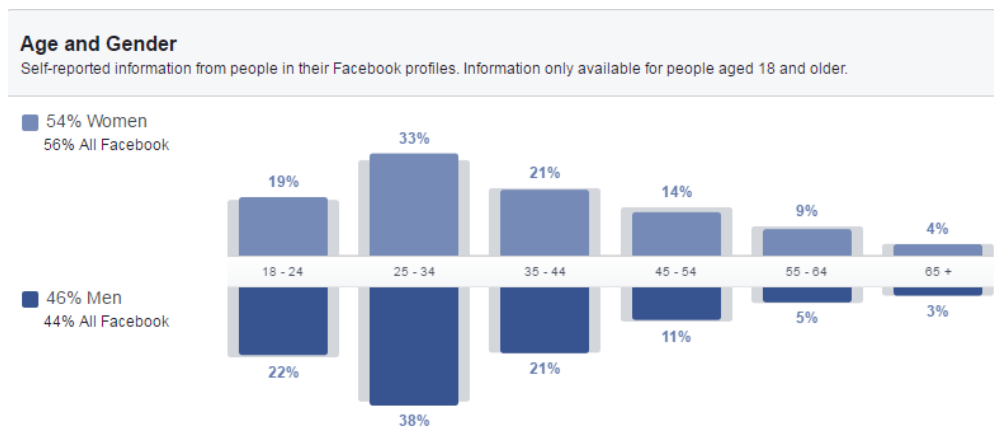


Figure 1 Age and Gender audience on Facebook in Riga, Latvia (Starting from 18)

Social media enables advertising and targeting options, which are relatively cheaper and are not even always reachable through the other advertising tools that belong to means of traditional advertisement and even to some old and new forms of digital marketing. More and more restaurants are deciding to start managing business pages on Facebook and Instagram in Riga. For example, 9 out of 30 (30%) best restaurants in Riga (according to TripAdvisor) signed up into Instagram just within the last year. The switch to online advertising is happening at present in many European countries including Latvia. However, this topic is very dynamic, therefore is not completely explored yet. This research was conducted, to sum up, the most distinctive online advertising benefits and analyze a good example of active social media presence from a Latvian restaurant in Riga – Mr.Fox.

Nowadays, there are various forms of online advertising such as advertising in social networks, email advertising, banners, advertisement via SEO, etc... However, in this work, the author is going to focus only on an online advertising in social networks such as Facebook and Instagram. Later in this research, the author will calculate approximate costs of advertising online on Facebook and Instagram for Mr.Fox.

The aim of the research is to analyze the opportunities that online advertising in social media provides for Restaurant business in Riga and to define if there is a need for it in the Latvian market based on an interview with a small restaurant business owner.

Objects of the work are:

1. To demonstrate that SMM is a new tendency for the Restaurant businesses in Riga.
2. To understand key benefits of online advertising for Restaurant businesses particularly in Riga, Latvia.
3. To conduct and show a research on SIA “Mr.Fox” and their methods of promoting themselves in social media.
4. Make conclusion and recommendations for Mr.Fox and businesses that operate in the same Industry and are still not using benefits of online advertisement.

Methodology: to get primary data the author contacted the Co-Founder of SIA „Mr.Fox” Karina Krasovicka. The author was provided with main information about the company’s SMM strategy and online advertising activities as well as results and expectations of the company’s social media profiles’ performance. The questions that were discussed in the interview, as well as the answers, are attached in the Appendix.

1 Theoretical information and statistical data

Facebook and Instagram are considered to be some of the most effective and precise advertisement tools that we have today. The most active audience is from 18 to 44 years old. Unlike other online advertising tools, these platforms provide the possibility for very precise audience targeting (See **Figure 2**) for a relatively cheap price.

Demographics	Interests
Education	Business and Industry
Generation	Entertainment
Home events	Family and relationship
Parents	Fitness and wellness
Relationship	Food and drink
Work	Hobbies and activities
	Shopping and fashion
	Sports and Outdoors
	Technology
Behaviors	More Categories
Anniversary	Fast Food
Consumer Classification	Nail Care
Digital activities	
Expats	
Mobile Device User	
Multicultural Affinity	
Seasonal Events	
Travel	

Figure 2 Facebook Targeting Options as to 29.03.2017

In Latvia, there are 700 000 – 800 000 active users (400 000 – 450 000 in Riga) on Facebook. 56% are women and 44% are men. 71% is in the age of 18-44. 250 000 – 300 000 speak Latvian (or at least have their Facebook version in Latvian). 150 000 – 200 000 speaks Russian. 150 000 – 200 000 are speaking English. An important statistic for the restaurants that are located in the center of Riga is that the 100 000 active Facebook users that live in the center of the city (or often travel through the center of the city) are classified as those who are potentially interested in Food and Drinks. Which gives restaurants a huge amount of potential customers that can be targeted online.

Advertisement costs on Facebook and Instagram are the same as on Google and most of the other online platforms work on the auction system: “The ad that wins an auction and gets shown is the one with the highest ‘total value’. The total value is not how much an advertiser is willing to pay us [Facebook] to show their ad. It’s a combination of the following three factors...” says Facebook in its Advertiser Help Center for Businesses. The three factors that were mentioned above are “Advertiser Bid” - Facebook represents your interest in showing its users ads with the bid that a company set during ad set creation. It can be automatic or manual; “Ad Quality & Relevance” - Facebook represents how interested it thinks a person will be in seeing a company’s ad with measures of its quality and relevance; “Estimated Action Rates” - is a measure of how likely a person is taking the actions required to get a company the result that it optimized for.

As in Latvia online advertisement is still developing (unlike in U.S., Russia, Germany...) the costs to advertise are lower. Costs per engagement ¹in Latvia are still relatively low but they are going to be increasing with a number of companies starting to make their own online advertisements (See **Figure 3**). This data above describes overall development tendency and reasoning for online advertisement in Restaurant business in Riga as well as one of its key benefits - price.

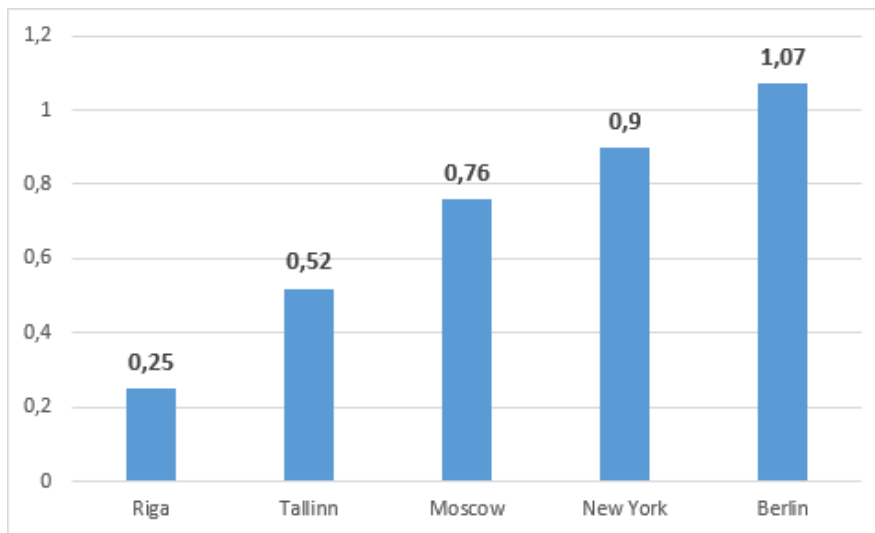


Figure 3 Costs Per Engagement in Euro (29.03.2017)

Business owners should keep in mind that this data is relevant only at present. The more companies are going to use paid advertising the higher costs Facebook will require per engagement.

¹ Total fan posts, comments, and Likes on brand posts

2 Mr fox's SMM development strategy and performance results on Facebook and Instagram

The author conducted an interview with the Co-Founder of SIA "Mr.Fox" Mr. Karina Krasovicka. Mr.Fox is a Gluten-Free Restaurant in Riga, Latvia that was founded on the 5th of January 2016. It is a relatively little restaurant in the center of the city that is located on Dzirnavu street 34A, Riga. It is number 193 in TripAdvisor restaurant business. The restaurant has a wide variety of Gluten-Free Food.

The company has both social networking profiles on Facebook and Instagram. At present, it has 1767 subscribers on Facebook (26.03.2017). The company does 4-5 publications a month on Facebook on average. Each of the 10 last posts on average received 40,4 likes (~2,3% audience engagement). Page was viewed 335 times from the 20th-26th of March, received 24 likes and Reach² of 2570 People (See **Figure 4**). The company shares its new offers, news about working days, conveys its atmosphere in its news feed. It's current rating on Facebook is 4,7.

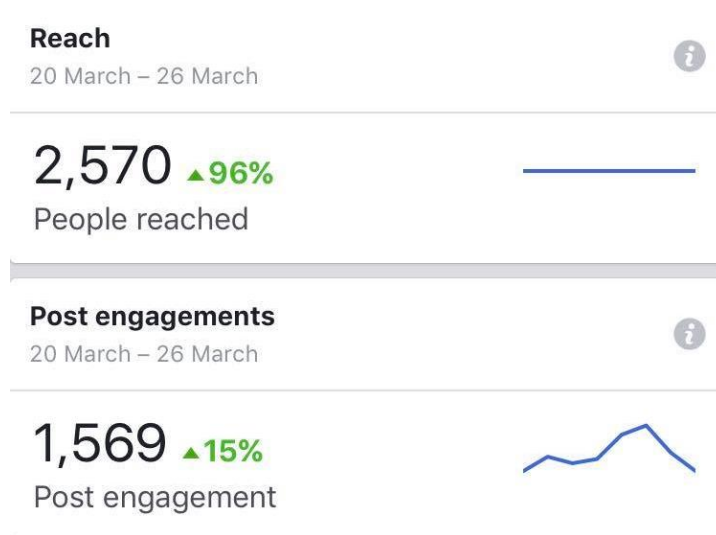


Figure 4 Insight data from Mr.Fox profile from the 20-26th of March (by Karina Krasovicka)

Mr.Fox has 3494 followers on Instagram (26.03.2017) and it has made 66 publication. Each of 10 last posts on average received 208,9 likes (~6% audience engagement). The first post (the company's entrance on Instagram) was made 9,5 month ago. After that, the company was making 4-5 posts a week on average. Right now, the company stays in tune with its audience by just making at least 1 post a week. The average amount of community growth in average is about 386 subscribers a month.

3 Research

The main aim of the research is to analyze the opportunities that online advertising in social media provides for Restaurant business in Riga and to define if there is a need for it in the Latvian market based on an interview with a small restaurant business owner.

Social networks are the only promotion channels that Mr.Fox uses. The owner of the company sees social networks as a tool that helps to introduce company's potential clients with the company's offer, changes, and culture. The Co-Founder of the company in the interview

² The number of unique people who saw a company's content/publication.

said that now it is enough to have a least one post a week to maintain adequate audience engagement.

The company's buyer persona is anyone in the location near the restaurant (Dzirnavu street) who speaks Latvian, English or Russian in the age of 23-40 years old. As the Co-Founder of the restaurant noticed, most often their clients are the employees of the nearest businesses that are coming during their lunch times or after the work.

During the interview, the owner of Mr.Fox said that they are currently receiving enough customers with social media without even using paid advertising: *"At present, we have 29 seats and each of them is occupied about 7 times daily"*. However, the owner also accepted the fact that the company might need to expand and in this case, the opportunities that advertisement in SMM enables might come to hand.

The Co-Founder of the company has also noted that although the company has a relatively high reach, it does not have a high subscribers engagement (meaning that clients are not often sharing their opinions online or comment the photos that the company uploads). It was supposed that it might be a feature of Latvian nature that *"people here do not share their opinion online very often."*

Mr.Fox's management does not have a clear development strategy for their SMM accounts because as the owner said, their business is doing well right now and they do not see an urgent reason in having a strategy.

For example, advertisement online enables targeting by age, location, events in life (birthday, friends' birthday, marriages...) language and interests. This option of Facebook and Instagram would help Mr.Fox show their ads only to their buyer persona (See description in Appendix). Online Advertising through Facebook also enables an option of showing the text of the publication and text on the picture, which is attached to the publication to a person in a language that is set in his Facebook profile. It would allow a company to show Latvian messages to the Latvian speaking audience, Russian messages to the Russian-speaking audience and English for foreigners.

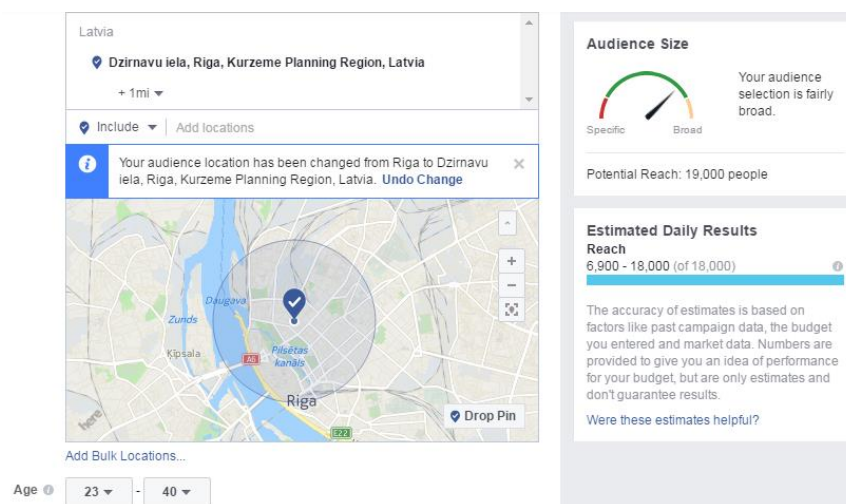


Figure 5 Estimated targeted Reach that Mr.Fox can receive for 70 EUR

The author decided to check the size of the audience that fits Mr.Fox buyer persona profile (24-40 y.o., live near Dzirnavu street and is interested in going to cafes and restaurants). The total amount of the audience according to Facebook is 18000 and it could be reached for 70 EUR (See **Figure 5**). The numbers will be higher if we add additional interests, people speaking other languages, travelers etc.

4 Conclusions

In the conclusion, the author wants, to sum up, all the results and theoretical part of this research and conclude that SMM is a developing tendency in Latvia.

1. 9 of 30 most popular restaurants in Riga have signed in on Instagram within the last year. From 400 000 – 450 000 in Riga – 18 000 according to Facebook data would most likely be interested in Mr.Fox's offer and could be reached online for 70 EUR.
2. Costs per engagement (Total fan posts, comments, and Likes on brand posts) in Latvia are still relatively low. The price difference between Latvia and other European countries exist because of little competition among online advertisers and could be used as another advantage of SMM in Latvia.
3. Online advertising enables targeting by age, location, events in life (birthday, friends' birthday, marriages...) language and interests. This option of Facebook and Instagram would help Mr.Fox show their ads only to their buyer persona
4. Social networks are the only promotion channels that Mr.Fox uses. The owner of the company sees social networks as a tool that helps to introduce company's potential clients with its offer, changes and the company's culture. Mr.Fox receives enough customers with social media without even using paid advertisement. This fact shows that although online advertisement offers a wide range of targeting possibilities for the relatively low costs, not all small and medium sized restaurants need it and can get enough reach and engagement by using organic growth.

5 Recommendations

The author is satisfied with Mr.Fox's activities in social media (Facebook and Instagram). The company shows good performance and receives good results of community growth without using online advertisement yet. However, the author still wants to make some recommendations for Mr.Fox as well as to the other companies in Riga that operate in the restaurant business:

1. Use Targeting options. Today restaurants in Riga can target their potential clients by their clients' behavior, interests, and demographics. It helps to increase relevancy a company's advertisement and show it to people who speak the language a company wants, interested a company's product, live or visits the location that is near to a company's restaurant etc.
2. Use online advertisement while the price for it is still relatively low because of little competition among advertisers. As advertisement online (on Facebook and Instagram) is build on an auction system. The lower the competitor's activity in a certain market, the lower the price of advertisement in this market. Therefore advertisement in the Latvian market is still considered to be rather cheap.
3. Companies should use social networks in order to introduce their potential clients with its offers, any changes in the working times, company's culture etc. As the research shows, there are about 400 000 – 450 000 Facebook active users only in Riga.
4. A company that creates its accounts in Social networks does not necessarily need to make a lot of publications to stay in tune with their potential clients. As the example of Mr.Fox shows, sometimes it is just enough to have 1 publication a week on Instagram and from 1-2 publications a week on Facebook.

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Appendix

1. Interview with Karina Krasovicka, Co-Founder of SIA “Mr.Fox”