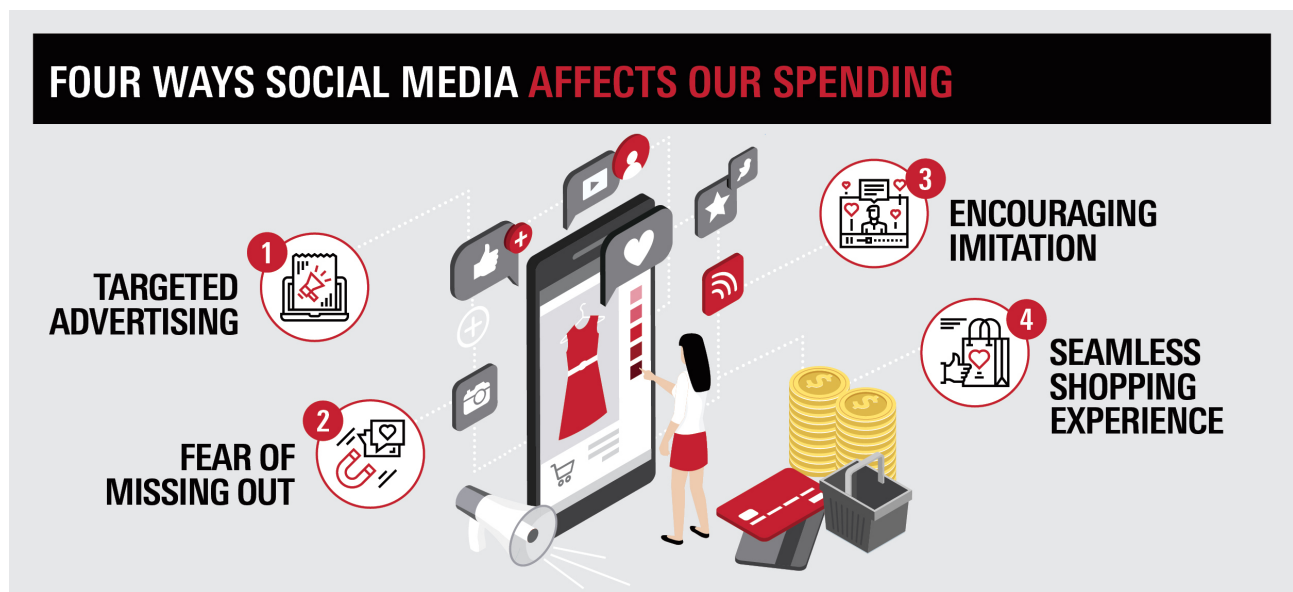


Four ways social media affects our spending

Social media could influence us to spend impulsively.



Can social media use be linked to spending? Research shows it can. For example, one study found that social networks such as Facebook and Instagram can motivate impulsive buying behaviours.¹

But how does social media affect our spending?

1 | Advertising

Sites like Facebook and Instagram have evolved from social networking platforms to powerful advertising tools. We only need to look at our social media feeds to realise how businesses use targeted advertising to expose us to brands, products and services. Targeted posts are effective at getting us to spend because they're typically developed based on our demographics and even our behaviours.

2 | Fear of missing out

Social media creates a tendency among users to compare their lifestyle to those of others. This comparison can trigger a fear of missing out or FOMO, leading us to buy and consume just to fulfil the urge to keep up with everyone else.



3 | Encouraging imitation

Images of products or aspirational lifestyles posted on social media by people we respect or admire might influence us to spend unnecessarily or indulgently. This happens when we look to them for cues or guidance when we don't know how to act and simply copy what they're doing. Psychologists call this social proofing.²

4 | Seamless shopping experience

Social media platforms can also encourage spending by providing a seamless shopping experience. For example, Facebook enables retailers to sell on the platform itself, and Instagram lets them add links to products and services mentioned in their posts so users can purchase them online. This makes it extremely easy to spend.

Making smart choices

Social media can help us make better choices by exposing us to more products and services and enabling us to learn about other people's experiences using them. But it can also influence us to spend unnecessarily or impulsively.

By setting financial goals, you can make smart choices with your money. Your professional financial adviser can help you get started by creating a plan and budget to help you secure your financial future.

Notes:

- 1 | Aragoncillo, L, 2018, 'Impulse buying behaviour: an online-offline comparative and the impact of social media', Spanish Journal of Marketing, accessible at: <https://www.emeraldinsight.com/doi/full/10.1108/SJME-03-2018-007>.
- 2 | Psychology Notes HQ, August 2015, 'What is the Social Proof Theory?', accessible at: <https://www.psychologynoteshq.com/social-proof>.

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