

A STUDY ON THE ATTITUDE OF GENERATION Y TOWARDS SOCIAL MEDIA  
ADVERTISING AND THE EFFECT ON PURCHASING BEHAVIOUR

UCHECHI CYNTHIA OHAJIONU

FACULTY OF BUSINESS, COMMUNICATIONS & LAW  
INTI INTERNATIONAL UNIVERSITY

2015

A STUDY ON THE ATTITUDE OF GENERATION Y TOWARDS SOCIAL MEDIA  
ADVERTISING AND THE EFFECT ON PURCHASING BEHAVIOUR

BY

UCHECHI CYNTHIA OHAJIONU

being a thesis submitted to  
INTI International University  
in candidature for the degree of  
Doctor of Philosophy

FACULTY OF BUSINESS, COMMUNICATIONS & LAW

2015



## POSTGRADUATE PROGRAMME

### CERTIFICATION OF DOCTORAL THESIS

Author's Full Name : Uchechi Cynthia Ohajionu

Student's Registration No: 113003005

Thesis Title : A Study on the Attitude of Generation Y towards Social Media Advertising and the Effect on Purchasing Behaviour

Academic Session : 2015 With regard to Clause 4.2 of the INTI Student Intellectual Property Policy (Supplementary), the thesis is the student's property. Thereby declare this thesis as:

CONFIDENTIAL

☐

Consisting of classified information under the OFFICIAL SECRETS ACT 1972.

RESTRICTED

☐

Consisting of RESTRICTED information which has been determined by the organisation/body where the research was conducted.

OPEN ACCESS/NON-RESTRICTED

☒

I allow this thesis to be published through open access, full text or copied for study, learning and research purposes only.

For the Open Access/Non-Restricted category, I allow this (Master's/Doctoral) thesis to be kept in the INTI International University (INTI) Library with the following usage conditions:

1. INTI Library has the right to reproduce the thesis for study, learning and research purposes only.
2. INTI Library is allowed to make one (1) copy of this thesis for exchange purpose among higher education institutions and any government body/agency, subject to terms and conditions.

STUDENT SIGNATURE

VERIFIED BY:

SUPERVISOR'S  
SIGNATURE

Dr. Soney Mathews  
Associate Professor  
Faculty of Business, Communications  
and Law (FOBCAL)  
SUPERVISOR'S NAME

113003005/A02597454  
(IDENTITY CARD/PASSPORT NO.)

Date : December, 2015

Date: December, 2015

## **COPYRIGHT**

The copyright of this thesis belongs to Uchechi Cynthia Ohajionu under the terms of the Copyright Act 1987 as qualified by Section 4 of INTI International University Intellectual Property Policy. Due acknowledgement shall always be made of the use of any material contained in, or derived from, this thesis.

© Uchechi Cynthia Ohajionu, 2015

All rights reserved

## DECLARATION

I hereby declare that the work has been done by myself and no portion of the work contained in this thesis has been submitted in support of any application for any other degree or qualification of this or any other university or institute of learning.



---

Uchechi Cynthia Ohajionu

## ACKNOWLEDGEMENTS

It is one thing to dream, another to have the wherewithal to actualise that dream. Many thanks to INTI International University for making my dream come true. I would like to express my sincere gratitude to many people who contributed to the completion of my dissertation. My profound gratitude goes to Dr. Soney Mathews, my dissertation supervisor, for her guidance and unflinching support throughout all phases of my doctoral study. Her insightful knowledge, wisdom, and encouragement provided me with strength and direction in conducting this research. I would especially like to thank Dr. Jagdeep Singh Jassel Satwant Singh for his invaluable comments and encouragement throughout this process. To Associate Professor Dr. Cheah Sin Chye, thanks for your advice at the essential stages of putting the study in place.

My special appreciation goes to Prof. Dato' Dr. Ibrahim Ahmad Bajunid, Prof. Dr. Sor Heoh Saw, Dr. Irene Tan Ai Lian, Dr. Chin Sze Kim, Dr. Chanthiran Veerasamy, and Mr. Salaar Farooq for their support and valuable feedback over the years. I am grateful to Ms. Yalini Easvaralingam for her helpful comments and guidance whenever I faced the daunting task of analyzing the data. My gratitude also goes to my colleagues, Viswanathan Annamalai, Subashini Nadarajah, and Gaddafi Mohammed who morally supported and encouraged me to endure the difficult moments by focusing on the goal. Thank you all for your great support and help! To Segun Fadahunsi and Rukaya Fusseni, many thanks for encouraging me in several ways. To Emmanuel Fadahunsi, thank you for your companionship, inspiration, support and love throughout this journey.

A very special thanks goes to my beloved parents who have given so much of themselves over the years that I could never repay. Your support, prayers, encouragement and faith in me persuaded me to come this far. To my lovely siblings, Godspower, Isaac and Victoria, who supported me in every way possible, thank you for being such wonderful siblings.

To the Almighty God by whose amazing grace I have come this far, I am forever thankful.

Uchechi Cynthia Ohajionu

2015

## ABSTRACT

The relevance of social media advertising in this era of cut-throat competition and tight budgeting cannot be overstressed. More than ever, marketing managers are required or expected to justify their advertising budget – in terms of how it will impact sales and revenue. This implies that the era of ‘trial and error’ in advertising is ended or fast coming to an end. Hence, there is need for more strategically targeted advertising to maximise return on investment (spending) on advertising in form of sales, revenue, and profits.

Findings from this study will help advertising managers to ensure more efficient utilisation of their budget and development of more effective advertising strategy, especially when formulating strategies for Generation Y in Malaysia. It also adds to the existing body of knowledge in the area of social media advertising which is still limited. This research investigates the attitude of Generation Y towards social media advertising and what motivate consumers to purchase or not to purchase on sites advertised on social media. Moreover, it examines how businesses can effectively target and engage consumers by determining their attitude and purchase intention and integrating these into their advertising plans and promotion mix.

The study through data collected from 1,087 Generation Y consumers in Malaysia examines the effect of belief factors (lifestyle, privacy and security concern, entertainment and credibility) on attitude towards social media advertising. The data was analysed in three ways: descriptive statistics were provided to determine the mean and standard deviation scores for the four belief factors; analysis of variance (ANOVA) tests were conducted to determine the relationship between the demographic profiles and respondents’ purchase intention; and Partial Least Squares-Structural Equation Modelling (PLS-SEM) was employed to assess the hypothetical relationships between the belief factors and attitude towards social media advertising, purchase intention and actual purchase. Results of the analysis revealed that the belief factors (lifestyle, privacy and security concern, entertainment and credibility) showed a positive influence on attitude towards social media advertising. Implications of these findings for researchers and advertisers were further discussed.

## Table of Contents

|  |      |
|--|------|
| CERTIFICATION OF DOCTORAL THESIS .....                         | i    |
| COPYRIGHT .....  | ii   |
| DECLARATION .....  | iii  |
| ACKNOWLEDGEMENTS .....   | iv   |
| ABSTRACT .....   | v    |
| List of Tables .....   | xi   |
| List of Figures .....  | xiii |
| <br>   |      |
| CHAPTER 1 .....  | 1    |
| INTRODUCTION .....   | 1    |
| 1.0 Introduction .....   | 1    |
| 1.1 Background of the Study .....                              | 4    |
| 1.2 Definition of Social Media Advertising .....               | 6    |
| 1.3 Different Types of Social Media .....                      | 7    |
| 1.3.1 Facebook .....   | 10   |
| 1.3.2 Twitter .....  | 12   |
| 1.3.3 Pinterest .....  | 13   |
| 1.3.4 LinkedIn .....   | 14   |
| 1.3.5 YouTube .....  | 15   |
| 1.3.6 Blogs .....  | 17   |
| 1.4 Emerging Trends in Advertising .....                       | 18   |
| 1.5 Advertising expenditure in Malaysia .....                  | 20   |
| 1.6 Global Advertising Expenditure by Medium .....             | 21   |
| 1.7 The Challenge of Social Media .....                        | 24   |
| 1.7.1 Measuring Return on Investment (ROI) .....               | 25   |
| 1.8 Social Media and Advertising .....                         | 27   |
| 1.9 Generation Y .....   | 31   |
| 1.9.1 Characteristics of Generation Y .....                    | 32   |
| 1.9.2 Attitude, Consumption and spending of Generation Y ..... | 34   |



|   |        |
|---|--------|
| 1.10 Beliefs and Attitudes toward Social Media Advertising .....          | 35     |
| 1.11 Problem Statement.....   | 39     |
| 1.12 Research Questions .....   | 42     |
| 1.13 Research Objectives .....  | 43     |
| 1.14 Scope of the Study.....  | 43     |
| 1.15 Significance of the Study.....                                       | 44     |
| 1.16 Assumptions of the study .....                                       | 46     |
| 1.17 Justification for the research.....                                  | 47     |
| 1.17.1 Theoretical contributions .....                                    | 47     |
| Research literature gap.....  | 47     |
| Lack of studies from different countries.....                             | 48     |
| 1.17.2 Practical contributions .....                                      | 48     |
| 1.18 Outline of the thesis.....   | 49     |
| 1.19 Operational definitions .....  | 49     |
| <br>LITERATURE REVIEW .....   | <br>51 |
| 2.0. Chapter Overview.....  | 51     |
| 2.1 The Limited Number of Studies on Social Media Advertising.....        | 51     |
| 2.2 Effects of Social Media on Brands .....                               | 53     |
| 2.3 Relevant Theories on Social Media Advertising.....                    | 54     |
| 2.3.1 The Social Cognitive Theory .....                                   | 55     |
| 2.3.2 Innovation Diffusion Theory .....                                   | 58     |
| 2.3.3 Theory of Reasoned Action (Reasoned Behavior) .....                 | 61     |
| 2.3.4 Theory of Planned Behaviour (TPB) .....                             | 65     |
| 2.3.5 Technology Acceptance Model .....                                   | 67     |
| 2.3.6 The Unified Theory of Acceptance and Use of Technology (UTAUT)..... | 70     |
| 2.3.7 Attitude towards Online Advertising Model (ATOA).....               | 71     |
| 2.3.8 Uses and Gratifications (U&G) Theory .....                          | 73     |
| 2.4 Distinguishing between beliefs and attitudes .....                    | 74     |
| 2.5 Measuring beliefs and attitudes .....                                 | 79     |
| 2.5.1 Indirect measurement of an attitude.....                            | 79     |

|  |         |
|--|---------|
| 2.5.2. Direct measurement of an attitude .....                                   | 80      |
| 2.6 Theory and Hypothesis Development .....                                      | 81      |
| 2.6.1 Lifestyle .....  | 81      |
| 2.6.2 Privacy and Security Concerns .....  | 83      |
| 2.6.3 Entertainment .....  | 85      |
| 2.6.4 Credibility .....  | 87      |
| 2.6.5 The Mediating Role of Attitude towards Social Media Advertising .....      | 88      |
| 2.7 Summary of Empirical Review and Research Gap .....                           | 93      |
| 2.8 Conceptual Framework .....   | 97      |
| 2.9 Chapter summary.....   | 100     |
| <br>CHAPTER 3 .....  | <br>101 |
| RESEARCH METHODOLOGY .....   | 101     |
| 3.0 Chapter Overview .....   | 101     |
| 3.1 Research Design .....  | 101     |
| 3.2 Research methods to be employed .....  | 102     |
| 3.3 Justification for a Quantitative Approach (Descriptive Analysis) .....       | 103     |
| 3.4 Justification of Malaysia as the Target Market for this study .....          | 106     |
| 3.5 Sample selection and data gathering method .....                             | 110     |
| 3.6 Likert Scale Justification .....   | 113     |
| 3.7 Measurement instrument, Variables and Their Operationalisation .....         | 114     |
| 3.8 Pilot Test.....  | 118     |
| 3.9 Procedures for Data Analysis .....   | 119     |
| 3.9.1 Reliability.....   | 120     |
| 3.9.2 Validity .....   | 121     |
| 3.9.3 Descriptive Statistics.....  | 123     |
| 3.9.4 Confirmatory Factor Analysis .....   | 124     |
| 3.9.5 Advantages of Using Partial Least Squares - Structural Equation Modeling.. | 124     |
| 3.9.6 The Limitations of PLS-SEM.....  | 125     |
| 3.9.7 Why PLS will work for this study .....                                     | 126     |
| 3.9.8 Mediation .....  | 127     |

|  |     |
|--|-----|
| CHAPTER 4.....   | 129 |
| RESULTS AND DISCUSSION.....  | 129 |
| 4.0 Chapter Overview.....  | 129 |
| 4.1 Characteristics of the sample.....   | 129 |
| 4.2 Confirmatory Factor Analysis (CFA).....  | 135 |
| 4.3 Assessing the Fitness of the Measurement Model .....                                       | 146 |
| 4.4 Discriminant validity.....   | 148 |
| 4.5 Structural model .....   | 149 |
| 4.6 Confirming the Mediation Test Result through Bootstrapping.....                            | 149 |
| 4.7 Hypotheses Testing .....   | 150 |
| 4.8 Relationship between purchase intention and the dependent variable .....                   | 160 |
| 4.10 Most factor influencing attitude towards social media advertising.....                    | 162 |
| 4.11 Examining Generation Y's Attitude, Purchase Intention and Actual Purchase ...             | 164 |
| 4.11.1 Attitude towards Social Media Advertising.....  | 164 |
| 4.11.2 Purchase Intention.....   | 165 |
| 4.11.3 Actual purchase.....  | 166 |
| 4.12 Comparison of Respondents with Different Demographic and Shopping<br>Characteristics..... | 167 |
| 4.12.1 Gender.....   | 168 |
| 4.12.2 Age.....  | 169 |
| 4.12.3 Ethnicity.....  | 170 |
| 4.12.4 Region.....   | 171 |
| 4.12.5 Highest Educational Level Attained .....  | 172 |
| 4.12.6 Highest monthly income level .....  | 173 |
| 4.12.7 Occupation .....  | 174 |
| 4.12.8 Frequency of buying products online .....   | 175 |
| 4.12.9 Hours spent on social media sites per day .....   | 176 |
| 4.13 Chapter summary.....  | 179 |
| CHAPTER 5 .....  | 180 |
| SUMMARY AND CONCLUSION .....   | 180 |

|  |     |
|--|-----|
| 5.0 Chapter Overview.....              | 180 |
| 5.1 Discussion of Major Findings ..... | 180 |
| 5.1.1 Objectives of the study.....     | 180 |
| 5.1.2 Hypotheses Testing.....          | 183 |
| 5.2 Theoretical Implications.....      | 189 |
| 5.3 Managerial Implications.....       | 190 |
| 5.3.1 Attitude formation.....          | 191 |
| 5.3.2 Lifestyle targeting.....         | 193 |
| 5.3.2.1 Facebook .....                 | 193 |
| 5.3.2.2 Twitter .....                  | 194 |
| 5.3.2.3 LinkedIn .....                 | 195 |
| 5.3.3 Trustworthiness .....            | 195 |
| 5.3.5 Credibility .....                | 196 |
| 5.4 Limitations of the Study .....     | 197 |
| 5.5 Future research .....              | 198 |
| APPENDIX A: SURVEY QUESTIONNAIRE ..... | 200 |
| References .....                       | 275 |

## List of Tables

|             |   |     |
|-------------|---|-----|
| Table 1.1:  | Types of social media with examples   | 8   |
| Table 1.2:  | Descriptions of social media  | 9   |
| Table 2.1:  | Summary of the Key Determinants of Consumers' Attitude towards Advertising                            | 38  |
| Table 2.2:  | Summary of Empirical Review   | 93  |
| Table 3.1:  | Sample size calculation   | 112 |
| Table 3.2:  | The list of items and sources   | 116 |
| Table 4.1:  | Summary of Respondents Demographic Data   | 129 |
| Table 4.2:  | Shopping characteristics of respondents   | 131 |
| Table 4.3:  | Initial measurement model   | 137 |
| Table 4.4:  | Status of survey items  | 141 |
| Table 4.5:  | Measurement model for the factors   | 144 |
| Table 4.6:  | Guidelines for measurement fit  | 147 |
| Table 4.7:  | The fitness indices for the new measurement model   | 148 |
| Table 4.8:  | Discriminant validity   | 148 |
| Table 4.9:  | Total effects test  | 152 |
| Table 4.10: | Indirect effects test   | 153 |
| Table 4.11: | Effects on endogenous variables   | 155 |
| Table 4.12: | Regression Results  | 161 |
| Table 4.13: | Results of Descriptive Test   | 162 |
| Table 4.14: | Attitude towards Social Media Advertising   | 165 |
| Table 4.15: | Positive intention of the respondents to purchase products and services advertised on social media    | 165 |
| Table 4.16: | Affirmation that respondents have actually purchased products and services advertised on social media | 166 |
| Table 4.17: | Comparison of the mean scores of the male and female respondents                                      | 168 |
| Table 4.18: | Comparison of the mean scores of the respondents' age   | 170 |

|             |  |     |
|-------------|--|-----|
| Table 4.19: | Comparison of the mean scores of the respondents' ethnicity  | 171 |
| Table 4.20: | Comparison of the mean scores of the respondents' region   | 172 |
| Table 4.21: | Comparison of the mean scores of the respondents' highest educational level attained                           | 172 |
| Table 4.22: | Comparison of the mean scores of the respondents' monthly income level   | 174 |
| Table 4.23: | Comparison of the mean scores of the respondents' occupation   | 174 |
| Table 4.24: | Comparison of the mean scores of the respondents' frequency of buying products online                          | 175 |
| Table 4.25: | Comparison of the mean scores of hours respondents spend on social media sites per day                         | 176 |
| Table 4.26: | Comparison of the mean scores of the amount respondents spent on purchases on sites advertised on social media | 177 |
| Table 4.27: | Comparison of the mean scores of products frequently purchased on sites advertised on social media             | 178 |
| Table 5.1:  | Summary of Hypotheses Testing  | 183 |

## List of Figures

|              |   |     |
|--------------|---|-----|
| Figure 1.1:  | Global advertising expenditure                                      | 18  |
| Figure 1.2:  | Average Annual Growth in Adspend by Regional Bloc                   | 19  |
| Figure 1.3:  | Advertising expenditure in Malaysia                                 | 20  |
| Figure 1.4:  | Advertising expenditure in Malaysia by Medium                       | 21  |
| Figure 1.5:  | Contribution to global growth in advertisement spend by medium      | 22  |
| Figure 1.6:  | Share of global adspend by medium                                   | 23  |
| Figure 1.7:  | Forecasted growth of advertising expenditure and GDP 2014-2017      | 24  |
| Figure 1.8:  | Percentage of consumers who use Social Media for purchase decisions | 28  |
| Figure 1.9:  | How Advertisers and Agencies use social media                       | 29  |
| Figure 1.10: | Forecasted Social Media Adspend from 2012-2017                      | 30  |
| Figure 1.11: | Malaysia Population and Housing Census                              | 32  |
| Figure 2.1:  | Social Cognitive Theory   | 57  |
| Figure 2.2:  | A Model of Stages in the Innovation-Decision Process                | 60  |
| Figure 2.3:  | Model of Reasoned Action  | 64  |
| Figure 2.4:  | Model of Planned Behaviour  | 67  |
| Figure 2.5:  | Technology Acceptance Model   | 69  |
| Figure 2.6:  | Unified Theory of Acceptance and Use of Technology (UTAUT)          | 71  |
| Figure 2.7:  | Attitude towards Online Advertising Model (ATOAM)                   | 73  |
| Figure 2.8:  | Social Media Advertising Model (SMAM)                               | 99  |
| Figure 3.1:  | Research Design Blueprint   | 102 |
| Figure 3.2:  | Research Process  | 106 |
| Figure 3.3:  | Top Social Media Platforms in Malaysia in 2015                      | 110 |
| Figure 3.4:  | Summary of the different statistical methods used                   | 128 |
| Figure 4.1:  | Frequency of buying products on social media                        | 133 |

|              |   |     |
|--------------|---|-----|
| Figure 4.2:  | Hours spent on social media per day   | 133 |
| Figure 4.3:  | Purchases on sites advertised on social media in the last 12 months           | 134 |
| Figure 4.4:  | Types of products frequently purchased on sites advertised on social media    | 134 |
| Figure 4.5:  | Model of hypothesized relationships   | 136 |
| Figure 4.6:  | Initial measurement model   | 140 |
| Figure 4.7:  | The new factor loading after deletion   | 143 |
| Figure 4.8:  | Summary of direct effect tests  | 152 |
| Figure 4.9:  | Summary of mediating effects  | 153 |
| Figure 4.10: | Structural model (standardized regression coefficients)                       | 157 |
| Figure 4.11: | Standardized regression coefficients - Purchase Intention and Actual purchase | 160 |
| Figure 4.12: | Mean score of Attitude towards Social Media Advertising                       | 164 |
| Figure 4.13: | Mean score of purchase intention  | 166 |
| Figure 4.14: | Mean score of actual purchase   | 167 |
| Figure 5.1:  | Decision Making Process Model in Social Media Advertising                     | 188 |



# CHAPTER 1

## INTRODUCTION

### 1.0 Introduction

*"Social media is the ultimate equalizer. It gives a voice and a platform to anyone willing to engage". – Amy Jo Martin*

This profound quote by social media guru, Amy Jo Martin, captures the way social media has changed how people use the web, connect with one another and share information. This "openness" facilitated by social media has made it more important than ever for businesses to operate in an ethical and fair manner. People are constantly sharing their experiences and thoughts about companies on social media with hundreds to thousands of people. Consequently, businesses must practice what they preach and be accountable to their customers. Businesses that embrace social media and engage with customers are at an advantage. For instance, in the past, when bad news hits, companies used to take their time and plan how to respond. Today, a negative story or customer experience can be shared with millions of people within a matter of hours. If companies wait to respond, a small story can reach millions and cause irreparable damage to their brand. Fortunately, companies now have many chances throughout the day to reach customers using social media.

Social media use among Fortune 500 companies increased in 2012 (Okazaki & Taylor, 2013). A study carried out by the University of Massachusetts Dartmouth indicates that about seventy percent of these corporations currently have an official company account on Twitter, while sixty-six percent have a corporate Facebook page. As of 2011, twenty-eight percent of the corporations had blogs at the corporate level, signifying the biggest growth since 2008 (Barnes et al., 2012). This growth is an indication of a long-term trend towards social media usage among corporations (as well as individual brands) becoming the norm. Social Media have expedited unparalleled growth in human interaction in modern times. This new media have caught the attention

of organisations, communities and individuals through their ability to facilitate the collaboration of virtual communities and to provide a productive environment for mutual sharing and interaction (Corvello and Migliarese, 2007; Cheung and Lee, 2010; Kaplan and Haenlein, 2010; Levy, 2013; Elena et al., 2014). These days, the heart of customer activity is situated inside the social media and social networking site. This is evident from the speed at which social media is being adopted by consumers and organisations. Business-to-business (B2B) companies have started to embrace social media in their marketing communication mixed with increased spending (Spekman and Dotson, 2009; Michaelidou et al., 2011). A market research carried out by e-Marketer discovered that companies worldwide increased their social network advertising spending to 37.3% in 2013 compared to 2012; with advertisement revenue on social networks is estimated to grow from \$4.7 billion earned in 2012 to \$11 billion in 2017 (The e-Marketer 2013).

An increasing number of companies are using social technologies to improve the interaction with external stakeholders in order to increase business values such as improving customer satisfaction and supplier loyalty, increasing sales and revenues, supporting marketing and advertising initiatives, creating brand awareness and reputation, enforcing loyalty performance (Culnan et al., 2010; Kietzmann et al., 2011; Sinderen and Almeida, 2011). Attracted by the rapid penetration of social media into society (Dickey and Lewis, 2010), firms are increasingly using them as a part of their advertising and brand building activities (Gallaughier and Ransbotham, 2010; Georgios and Sergios, 2014). In fact, social media provide the opportunity to connect with customers using richer media with a greater reach (Thackeray et al., 2008). The interactive nature of these digital media not only allows sellers to share and exchange information with their customers, but also allows customers to share and exchange information with one another. Firms have the opportunity to shift relationships with consumers from dialog to triologue, in which consumers engage in meaningful relationships with one another and with the firms (Lipsman et al., 2012; Mangold and Faulds, 2009).

Using social media, organisations have been able to forge relationships with existing as well as new customers and form communities that interactively collaborate to

identify problems and develop solutions for them. These interactions change the traditional roles of both seller and customer in exchange relationships. Indeed, customers add value to the interaction, generating content, and they can influence purchase decisions of others in peer-to-peer interactions (Sashi, 2012). Social media have been recognised as potentially the most powerful medium for relationship building (Bartlett, 2010; Hackworth and Kunz, 2010; Selina and Milz, 2009). While companies aim at engaging with loyal customers, by influencing members' perceptions about the brand, disseminating information, and learning from and about customers (Algesheimer et al., 2005), customers gain value through the variety of practices that they perform online and offline (Shau et al., 2009). In such communities, people may engage in several types of behaviours, such as helping other customers or sharing experiences with them (Nambisan and Baron, 2009).

Furthermore, many consumers engage in non-interactive behaviours such as reading others' comments. According to Park and Cho (2012), this is one of the reasons that consumers will go to social networking sites, that is, to learn about previous product or service experiences, which will be posted on these sites. Recently, social media have been added to advertising and brand building activities of companies (Kaplan and Haenlein, 2010). Attracted by the large number of users, companies have created brand communities in social media, such as Facebook, which boasts having more than a billion monthly active users (Facebook, 2013). Twitter has approximately 650 million users and LinkedIn has approximately 200 million members worldwide. These statistics demonstrate the popularity of social media, which in turn provides an indication of the enormous influence such applications carry.

From a business perspective, social media can be used in a number of ways to improve operations and enhance the business profile through: improved communication; greater exposure through amplifying word-of-mouth effects; getting closer to and building relationships with existing customers; attracting new customers; promoting a company's products/services; improving brand awareness; increasing volume of traffic to web site; increasing levels of sales; improved collaboration and establishing online communities (Fischer and Reuber, 2011; Montalvo, 2011; Nair, 2011; Zhang et al., 2011;

Hoffman and Fodor, 2010; Kaplan and Haenlein, 2010; Mangold and Faulds, 2009). Businesses are therefore increasingly attempting to embrace social media as an integral part of working life and exploiting it for competitive advantage (Kiron et al., 2012; Qualman, 2010).

### **1.1 Background of the Study**

Social media advertising is a developing and emerging academic subject area. It is currently the trend and its use among consumers has increased in recent years and shows no sign of stopping (The Nielsen Social Media Advertising Report, 2013). This new platform allows for an interactive method whereby customers play an active role in the management of information provided by the advertiser, unlike traditional advertising, which is a non-interactive message to mass audience (Bezjian-Avery, 1998). Social media facilitates information sharing and participation from users of the media in order to create and/or distribute the content (Steenkamp and Hyde-Clarke, 2014). These platforms have shifted the emphasis of Internet services from being consumption-based towards becoming more interactive and collaborative, thereby creating new opportunities for interaction between organizations and the public (Henderson and Bowley, 2010). Due to the advantages of social media in connecting businesses to end-consumers directly, in a timely manner and at a low cost (Kaplan and Haenlein, 2010); social media has become the center of attention in many industries by facilitating various areas of marketing, such as promotions, marketing intelligence, sentiment research, public relations, marketing communications, product and customer management (Akar and Topcu, 2011).

Harris and Rae (2009), cited in Farzana et al. (2014), using a case study approach investigated the use of new technologies such as Web 2.0 by entrepreneurial businesses in West London. They found that social networks will play a key role in the future of marketing; externally they can replace customer annoyance with engagement, and, internally, they help to transform the traditional focus on control with an open and collaborative approach that is more conducive to success in the modern business environment. Hence, advertisers have promptly adopted Social Media (SM) as a means to build lasting relationships with young consumers. They target social network users

based on profile data and engage them with advertisements relevant to their interests. Social media and the ability of customers to connect to each other instantly have changed the traditional brand manager/consumer power relationship (Christodoulides and Jevons, 2011; Christodoulides, 2009). The effect on businesses has been substantial, affecting how corporations advertise their product (Kassaye 1997; Hofacker and Murphy 1998; Yuan et al., 1998).

In 2011, US marketers spent \$3 billion to advertise on social media, demonstrating a fifty-five percent increase in expenditure compared to 2010. A forecast in the same year indicated that advertising expenditure on social media will more than triple over the next five years (Hof, 2011). The results of a study carried out by Fox Interactive Media revealed that seventy percent of return on investment (ROI) comes after customers are exposed to advertisements in online social networks. Similarly, Goldsmith et al. (2000) postulated that "48.9 percent of participants liked the advertisements delivered through the internet, compared to 73 percent and 41.8 percent for TV and radio, respectively. These numbers confirm that the internet, as an advertising medium, is enjoying a rise in popularity, hence delivering greater revenues to the advertising companies".

Advertising rates in online social networks are comparatively low and range from corporate logos, banners, pop-up message and text-based hyperlink to official websites. Advertisers, as a result, have turned to social networks to grab their share of advertising space. These networking sites are gradually moving from a push medium to a pull medium when it comes to advertising. Advertisements are pushed to customers once they visit social networking sites instead of the user pulling information from websites (Ducoffe 1996, Schlosser et al., 1999). This is a broadcast media model where the media content is paid for by advertising revenues. Users get advertisements on these sites as a content they need to participate in to keep the service free. Consumers agree to be exposed to advertisements in a free service more easily than they would agree on paying for the service of social networking.

## 1.2 Definition of Social Media Advertising

Researchers and media experts have proposed various definitions for social media. Kaplan & Haenlein (2010) defined social media as a group of internet-based applications that build on the ideological and technological foundations of Web 2.0 and allow the creation and exchange of User Generated Content. Social media consists of collaborative projects, for instance blogs, user-generated content communities (e.g. Flickr; YouTube; Youku/Tudou), social networking sites (e.g. Facebook; Twitter, Cyworld), virtual game worlds (e.g. EverQuest), and virtual social worlds (e.g. Second Life) (Kaplan and Haenlein, 2010). Wellman and Gulia (1999) see online social networking communities as digital networks through which users feel an intrinsic connection to other members. Ana (2013) defined social media or social networking sites as an online software that originated with the popular Web 2.0, which allows people to interact with their social network in an online environment.

Jim Tobin, author of the best-selling *Social Media is a Cocktail Party* and president of Ignite Social Media, writes, "social media describes online technologies (Internet-based, phone-based, or widget-based) that allow people to share content, opinions, insights, experiences, perspectives and media themselves" (2008). Even more simply, Tobin writes, "think of social media as tools that empower people to self-publish" (2008). This "self-publishing" can take on a variety of forms including blogging, Tweeting, Facebook messaging, or commenting (Tobin, 2008). Social media is also defined as a series of technological innovations in terms of both hardware and software that facilitate inexpensive content creation, interaction, and interoperability by online users (Berthon et al., 2012). Social media differ from traditional computer-mediated communications in three primary ways: a shift in the locus of activity from the desktop to the web (meaning greater accessibility); a shift in locus of value production from the firm to the consumer (deriving from increased interaction/interactivity); and a shift in the locus of power away from the firm to the consumer (Berthon et al., 2012).

Social media advertising is seen as the practice involving the use of paid adverts on social networking sites (SNS) like Facebook, Twitter, YouTube, blogs and other content (The Social Media Advertising Industry Report, 2013). The Interactive



Advertising Bureau defined Social Media Advertising “as an online advertisement that incorporates user interactions that the consumer has agreed to display and be shared. The resulting ad displays these interactions along with the user’s picture and or name within the ad content” (IAB Social Advertising Best Practices, 2009). Although a lot of company websites offer social media features, this research focuses on sites purely dedicated to user conversation and interaction as well as with multimedia capability and commercial opportunities for advertisers. Following Boyd and Ellison (2007), the authors defined social media sites as web-based services that allow individual users to, (1) construct a public or semi-public profile within a bounded system, (2) articulate a list of other users with whom they share a connection, and (3) view and traverse their list of connections and those made by others within the system. Since the internet provides many companies irrespective of sizes with almost equal opportunities to market themselves worldwide (Wang and Sun, 2010), examining the attitude towards social media advertising may provide useful implications about expanding business across nations.

### **1.3 Different Types of Social Media**

Advertisers currently make use of several platforms of social media to boost their corporate and brand images. Also, businesses use social media advertising (e.g. display ads on social networking sites) to convince customers to buy advertisers’ products (Neti, 2011). However, this has not always been the case. The history of using web in commercial and usage of digital technology to enhance and improve marketing started around 1994 (Goodarz et al., 2012). There are several proofs available that different companies tried to use this medium to increase their core competency amongst other organisations. A study revealed that since 1997, companies now use internet as a medium because it is cheaper and has greater capability compared to other tools and platforms which they were using previously to distribute information and media in the global market (Goodarz et al., 2012). Through the help of technology, people can make various public shows of affection, among such different levels of relationships in such an enduring and broadcast manner (Zizi, 2011).

Generally speaking, social media are web-based applications and interactive platforms that facilitate the creation, discussion, modification and exchange of user-generated content (Kaplan & Haenlein 2010). Social media are therefore not limited to social networks like Facebook, but also include blogs, business networks, collaborative projects, enterprise social networks, forums, microblogs, photo sharing, product/services reviews, social bookmarking, social gaming, video sharing and virtual worlds. Table 1.1 gives an exhaustive overview of all the different types of social media, and provides two popular examples for each category.

**Table 1.1: Types of social media with examples**

| Type of social media       | Examples                        |                                  | Date/Year of start-up                        |
|----------------------------|---------------------------------|----------------------------------|--|
|                            | Name Website                    | Name Website                     |  |
| Blogs                      | The Huffington Post             | huffingtonpost.com               | May 9, 2005                                  |
|                            | Boing Boing                     | boingboing.net                   | 1988 (zine)<br>1995 (website)<br>2000 (blog) |
| Business networks          | LinkedIn<br>XING                | linkedin.com<br>xing.com         | December 14, 2002<br>November 1, 2003        |
| Collaborative projects     | Wikipedia<br>Mozilla            | wikipedia.org<br>mozilla.org     | January 15, 2001<br>July 15, 2003            |
| Enterprise social networks | Yammer<br>Socialcast            | yammer.com<br>socialcast.com     | September 2008<br>June 1, 2005               |
| Forums                     | Gaia Online<br>IGN Boards       | gaiaonline.com<br>ign.com/boards | February 18, 2003<br>September 29, 1996      |
| Microblogs                 | Twitter<br>Tumblr               | twitter.com<br>tumblr.com        | March 21, 2006<br>February 19, 2007          |
| Photo sharing              | Flickr<br>Photobucket           | flickr.com<br>photobucket.com    | February 10, 2004<br>May 8, 2000             |
| Products/services review   | Amazon<br>Elance                | amazon.com<br>elance.com         | July 5, 1994<br>1999                         |
| Social bookmarking         | Delicious<br>Pinterest          | delicious.com<br>pinterest.com   | September 2003<br>March 2010                 |
| Social gaming              | World of Warcraft<br>Mafia Wars | warcrafft.com<br>mafiawars.com   | November 23, 2004<br>July 2007               |
| Social networks            | Facebook<br>Google+             | facebook.com<br>plus.google.com  | February 4, 2004<br>December 15, 2011        |



|                |                        |                               |                                    |
|----------------|------------------------|-------------------------------|------------------------------------|
| Video sharing  | YouTube<br>Vimeo       | youtube.com<br>vimeo.com      | November 13, 2006<br>November 2004 |
| Virtual worlds | Second Life<br>Twinity | secondlife.com<br>twinity.com | June 23, 2003<br>July 2006         |

Source: Thomas & Frank, (2015).

**Table 1.2: Descriptions of social media**

| Type of social media       | Description  |
|----------------------------|--|
| Blogs                      | A blog is a chronological list of postings, which can be read and commented upon by visitors. Blogs are run by both individuals and companies, which post news or other informational material, such as product tests.   |
| Business networks          | Individuals use business networks to establish and maintain professional contacts. Registered users create a personal profile and share personal details such as the type and duration of their education, professional experience and expert knowledge. Companies use professional networks primarily to position themselves as an employer and to search for new employees or experts.   |
| Collaborative projects     | Collaborative projects bring together internet users with a common interest and/or certain knowledge in order to plan, develop, improve, analyse and/or test technological, academic, scientific or fun-oriented projects. The results (e.g. programs, codes, findings, results, games) are usually distributed as open source and made available to the public for no charge.             |
| Enterprise social networks | Enterprise social networks are open for registration only to employees of a specific company or group, offering similar features as social networks, including personal profiles, profile pictures, etc. Companies want to ensure that their employees know one another and exchange experiences and ideas. This helps to increase the efficiency of knowledge management within the firm. |
| Forums                     | A forum is a virtual discussion platform where users can ask and/or answer other users' questions and exchange thoughts, opinions or experiences. Communication here does not happen in real time, like in a chat, but is time delayed and usually visible to the public.  |
| Microblogs                 | Microblogs restrict the length of postings to approximately 200 characters, which may be the major reason for their popularity. Postings may include pictures or weblinks. Users can subscribe to news from other users, companies, brands or celebrities.   |
| Photo sharing              | Photo-sharing websites offer services such as uploading, hosting, managing and sharing of photos. Often, the photos can be edited online, organised in albums and commented upon by other users.   |

|                                 |  |
|---------------------------------|--|
| Products/<br>services<br>review | Product and service reviewing websites sell and provide information about products. Customers can evaluate products or certain attributes (e.g. product quality) and write or read product reviews.  |
| Social<br>bookmarking           | Social bookmarking describes the concept of saving and organising internet bookmarks at a centralised platform in order to share them with friends and other users. Social bookmarks are a valuable indicator for popular websites and other web content.  |
| Social<br>gaming                | Social games are online games that allow or require social interaction between players, e.g. card or multiplayer games.  |
| Social<br>networks              | Social networks connect people that know one another, share common interests or would like to engage in similar activities. Users have an individual profile; they can be found by other users using their full name, and they upload pictures and videos. Companies use social networks by creating a corporate profile in order to position certain brands and to inform and support existing or to win new customers. |
| Video<br>sharing                | Video-sharing platforms allow users to upload and share personal, business or royalty-free videos and to watch them legally. Most websites offer the opportunity to comment on specific videos. Companies use these social media to share commercials, to test unconventional promotional videos or to save costs, which are much lower compared to TV advertising.  |
| Virtual<br>worlds               | Virtual worlds are populated by many users who can create a personal avatar, and simultaneously and independently explore the virtual world, participate in its activities or communicate with others. In contrast to computer games, time continues even when the user is not logged in. Virtual worlds often use virtual currencies, which have an actual value, and allow companies to sell virtual or real products. |

*Source: Thomas & Frank, (2015).*

Although a lot of company websites offer social media features, this study focuses on sites purely dedicated to user conversation and interaction as well as with multimedia capability and commercial opportunities for advertisers. Some of these sites are explained below.

### **1.3.1 Facebook**

Facebook is a social networking site with membership of about 1 billion users worldwide. In 2013, Facebook made \$2.02 billion – making it the company's first \$2 billion quarter – with earnings of \$0.25 a share. The company has a number of ways of making money, such as gifts and payments but the greatest part of Facebook revenue

generator is advertising (Facebook, 2013). Founded in 2004 by Mark Zuckerberg, Facebook is a social networking site which gives users the opportunity to create their own profile with the option of displaying their friends' identities as well as sharing pictures and activity feeds (Palmer and Koenig-Lewis, 2009). By publishing their personal information, sharing it with others and receiving information about other peoples' lives, it results in a form of collaboration which generates new content (Coulter and Roggeveen, 2012). Since Facebook is not necessarily for making new friends but to share and keep in touch with friends and family (Facebook, 2013), users can look at pictures of friends, communicate with others, play games with others and send gifts (Palmer and Koenig-Lewis, 2009).

According to Park and Cho (2012), the average Facebook user is online for thirty-two minutes a day and a lot of users sign in at least once every day. An earlier study by Palmer and Koenig-Lewis (2009) reveals that over half of Facebook users have clicked on a company's Facebook page while about sixteen percent had sent a message to a company. A lot of users see Facebook as a free-service network but they are still affected by advertising from companies (Lilley et al., 2012). For instance, advertisements and banners on Facebook motivate customers to click on them and subsequently spend cash to buy the companies' products. Even though most people have a Facebook account mainly to be in contact with their family and friends, they are very much conscious of the fact that Facebook is likewise used as an advertising channel for companies (Lutze 2010). Businesses are therefore capable of spreading their messages, create contact with customers, and build connections on Facebook.

Seung-A (2012) found that businesses use Facebook to build discussion and relationships with their dedicated customers, motivate their customers to shop online and rely on their customers to help in promoting the brand via their commitment to Facebook and the brand's page. Furthermore, by reading comments and conversations from customers' profiles, companies can gather valuable information, which can then be used to target customers and obtain feedback from them. Since Facebook page creates a two-way avenue where corporations and customers can have rich conversations, companies

can make use of this to offer information about forthcoming product introductions, changes, and updates (Palmer and Koenig-Lewis, 2009).

Interestingly, companies want to know their customers' thoughts about their general profile, updates, and product information. They can also use social media to display their popularity, conveyed by the number of fans they have and how many people are following them (Seung-A, 2012). These companies use social media as an instrument to discover how popular they are, and then compare that with the popularity of their competitors (Palmer and Koenig-Lewis, 2009). The customers associate bigger networks with providing additional valued information and having more trustworthiness than smaller networks (Coulter and Roggeveen, 2012). In order for a customer to get a gripping experience when he or she visits a company's Facebook page, there should be commitment, excitement and a positive association between the visit and the customers' entertaining use of the internet (Palmer and Koenig-Lewis, 2009).

### **1.3.2 Twitter**

Launched in 2006 by Jack Dorsey, Twitter is a Microblogging and Social Network Site where messages (known as tweets), typically not more than 140 characters, are posted instantly. Since its launch, Twitter has grown to more than 645,750,000 active registered users (Twitter.com, 2014). Twitter has been described as an online listening tool as well as a way of crowd sourcing (Crawford, 2009). Jansen et al. (2009b) described it as an instrument to create electronic word of mouth and as a form of online word of mouth branding. Twitter can be classified into one-to-one (e.g. private e-mail), one-to-many (e.g. mass media) and many-to-many (e.g. the web and online groups) (Hoffman and Novak, 1996). Jansen et al. (2009a) examined Twitter's influence as a form of electronic word-of-mouth for sharing customer views regarding brands and discovered that nineteen percent of tweets contained brand information. He therefore concluded that microblogging is an online tool for consumer word-of-mouth communication.

Lariscy et al. (2009) found out that people use Twitter for many social reasons like keeping in contact with family, friends and colleagues, being visible in one's social networks, collecting valuable individual and professional information, looking for

assistance and/or view and releasing emotional tension. Since Twitter encourages companies to create a sense of belonging to an online community via sustaining an information flow with the audience, the lines between the consumers and the brand are blurred (Yan, 2011). The impact of social media was pointed out by public relations and marketing practitioners who gave emphasis to the importance of directly communicating with the customers (Solis and Breakenridge, 2009). Solis (2011) summed it up nicely by advising companies to “engage or die”. The engagement with customers on social media platforms is said to be essential for the continued existence of businesses and companies. On Twitter, companies engage with their customers by retweets, using hashtags, and following other users (Burton and Soboleva, 2011). Through this engagement and communication, businesses are in a better position of altering a brand's perception in the minds of the customers (Jansen et al., 2009) as well as affecting customers' thinking and behaviours (Fischer and Reuber, 2011).

### **1.3.3 Pinterest**

Pinterest is the newest arrival on the social media scene, but its visual focus and crafty, sometimes quirky “do it yourself” content have quickly earned it a place in social media (Zara, 2013). Pinterest is a “virtual pinboard” photosharing site that lets users collect and share images and websites they like. Founded in March 2010, Pinterest at first was by invitation only, which meant that potential users could only obtain invitations from friends who already had Pinterest accounts. Even so, invitations and accounts were not terribly difficult to secure, and the site was so successful that registration was opened to the general public in August 2012 (Russell, 2012). Now anyone can create a free Pinterest account. For maximum convenience, users can register using their Facebook or Twitter account or with a stand-alone email address if they prefer to keep their social media accounts separate (Zara, 2013).

Pinterest has proven to be extremely popular. In August 2011, Pinterest was included in Time Magazine's list of “50 web sites that make the web great” (McCracken, 2011). In February 2012, Pinterest boasted 11.7 million unique visitors every month (Constine, 2012). In July 2012, that number rose to 23 million (Shontell, 2012). By

September 2012, Pinterest had reached comScore's list of Top 50 US web properties. The site came in at number 50, with over 25 million unique monthly visitors (comScore, 2012). Pinterest is particularly interesting as a social media platform because of its popularity with female users. The majority of Pinterest users are women, with some sources reporting that women represent as many as 80 percent of its users (Zara, 2013). Despite being a largely female populated space, Pinterest has emerged at the forefront of the social media landscape. According to Experian Hitwise, it is currently the third most popular social media platform in the USA and in 2012, it was outperformed only by Facebook and Twitter (Zara, 2013). Due to its rising popularity, businesses and retailers are expanding their social media preferences to include Pinterest. The results of Steelhouse's Social Shopping (2012) survey indicates that this trend is likely to continue. Steelhouse found that 59 percent of Pinterest users purchased an item found through Pinterest.

#### **1.3.4 LinkedIn**

Established in 2003, LinkedIn is a networking site for professionals. In recent years, it has become extremely popular with about 200 million subscribers worldwide (Bela, 2015). Similar to Facebook, LinkedIn allows users to create an online profile, build a network of connections and directly communicate with their contacts (Ryan and Jones, 2009). To cater exclusively to professionals, it enables users to search for employment opportunities, research companies and industries, include résumé information in their profiles as well as give or receive recommendations (Bradley, 2011). LinkedIn targets the professional niche, and it has become the largest professional networking site (PNS) worldwide (van Dijck, 2013) with a median user age of 39 years old (Sago, 2010; Bradley, 2011). Being a networking site, LinkedIn allows users to establish professional profiles and interact with other business professionals (Boyd and Ellison, 2008; Bradley, 2011), offering several unique features that set it apart from other social networks. One distinction is that LinkedIn profiles display professional information mainly for self-promotion that looks like "formatted CVs containing only the most relevant facts on education, current and past positions, as well as former experience" (van Dijck, 2013).