

How Facebook Impacts on Young Consumers' Buying Decisions on E-Retailers

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Abstract: The purpose of this research is to use data collected from a survey to investigate the interactions between young consumers and products/services on social media sites, in particular on Facebook. Young consumers are considered as computer literate and use the Internet more than any other generation. It will be beneficial for the companies to understand their buying behaviours, product/service recommendations, as they are the future shoppers. While the technology is developing, the companies must realize the importance of eWOM (word-of-mouth) in the future e-business. The result will give the companies a clearer understanding on how to change and evolve their marketing strategy so they can adapt to this fast-forward thinking generation.

1 INTRODUCTION

Word-of-Mouth (WOM) is known as a means of exchanging opinions on various goods and service. Many researchers believe that WOM is still one of the most effective ways to attract and keep customers (Duhan et al, 1997).

As the technology develops it allows people gain access to vast information in-between simple clicks. The technological developments also drive retailers to innovate online as well. Online purchasing has now become a mainstream activity in the UK. Consumers make decisions by directly learning from other consumers, observations, and social-normative pressures (Van den Bulte & Stremersch, 2004). People are bringing their online experiences into social network as well as engaging with companies directly. The Internet enhanced the consumers' abilities to spread the news and recommendations more quickly, widely and cheaply.

It is no surprise that the companies realize the importance of consumer engagement. Companies can catch consumers' attention via a marketing strategy through social media.

The aim of this research is to better understand the relationship of eWOM and social media, in particularly the role of Facebook in eWOM communications. The three main questions that will be considered are: (1) to identify the motivations of people posting on their Facebook walls about

products they have bought; (2) to identify consumers' influences of their friends' Facebook posts that relate to products; (3) to identify the consumers responses to the retailers' Facebook pages. Section 2 looks at the relevant theories, while section 3 outlines the research method and data collection. Section 4 discusses the results, whilst section 5 outlines conclusions.

2 LITERATURE REVIEW

2.1 Word-Of-Mouth (WOM)

Word-of-mouth gives people a reason to talk about the products or services they have received and it benefits consumers and providers. Because we hear from people we know, their opinion is considered more reliable, credible and trustworthy compared to hearing directly from the companies (Shciffman & Kanuk, 1995).

When the consumers are engaged with the product, the credibility of known person works much better than an advertisement. Word of Mouth cannot be faked or invented. Attempting to fake good review is not only unethical but also creates backlash, damages the brand and the company's reputation. Word of mouth is the honest, natural process among the consumers who voluntarily share their experiences with their friends, family and

colleagues and seek advice from each other. It's the independent and informal side of word of mouth that makes it unique.

2.2 eWOM

As the technology developed and the Web 2.0 took off in the 90s, the online activities of word of mouth gained itself a new name - electronic word of mouth (eWOM). In addition, two concepts have been developed, 'Marketing Buzz' and 'Viral Marketing'.

Viral marketing rapidly spreads formal/informal online communications between individuals regarding a service or a product. While buzz marketing acts as a catalyst for a WOM conversation to occur in person or online but it originates from a formal corporate strategy (Goyette et al, 2010).

2.3 Role of Trust

Trust is considered central to e-shopping intentions. A Nielsenwire (2010) study showed that consumers trust their friends and family more than other resources. Online reviews from other consumers are trusted more than the ones posted directly by the companies.

2.4 Facebook

Agresta and Bough (2010) pointed that *"the key point of social media is that it is shared with those you identify as friends or followers – an inner circle (which can in fact be quite large) that has opted in to view any content or information you opt to share, thereby making it the act of being social online."* Facebook is now the second biggest source of traffic online, since its launch in 2004. Once registered, Facebook users provide their information and their updates, they share news, views, preferences as well as experiences that allow retailers to profile them and thus, providing a more efficient way to reach the right audiences. The dot.com era allows companies to catch attentions from a much cheaper marketing strategy through social media. The brands realize that social media is not about extending existing marketing into the new channels, but it's a shift in how we communicate with the world around us. Facebook launched a number of tools for marketers known as 'social plug-ins', which are used to connect consumers to the retailers.

2.5 Motivations

A study carried by Sundaram et al (1998) suggested

that the four motivations for positive WOM communications are altruism, product involvement, self-enhancement and helping the company while the four motives for negative WOM communications are altruism, anxiety reduction, vengeance and advice seeking.

On social media platform, the individuals who participate in the social media can be divided into three categories - influencers, consumers and individuals in general (Powell et al, 2011). The goal is to maximize the influencers' power, win over the individuals and turn them into potential consumers.

2.6 Generation Y

Young adults aging from 18-32 who grew up in the Information Age are known as 'Net Generations', also called Generation Y. The older generations aged 33-44 is known as Generation X and the 45-54 aged is known as Younger Boomers.

Teens and Generation Y mostly use the Internet for entertainment and communicating with friends and family. They are more likely than the older generations to use social networking sites, either view other people's information or create their own ones.

Generation Y is indeed an important market for many products and services. The purchase-related behaviour that has been established in their early lives can be crucial for the marketers to build a foundation to predict their future consumption patterns.

3 RESEARCH DESIGN

To investigate our research questions, primary data was collected through survey questionnaire and analysed. The purpose was to identify whether there is a consensus on eWOM, test whether eWOM has affected the purchase decisions of the Generation Y and identify the evidences. At this stage of research a survey questionnaire was administered to a small sample of users. It can be applied to a larger sample in the future to validate its findings.

A self-administered questionnaire was posted on a Facebook wall, thus ensuring that questionnaire respondents are predominantly Facebook users. The survey was designed to contain multiple choices and spaces for any suggestion or experiences people would like to share.

3.1 Survey

The online questionnaire combined yes/no question, multiple choices, and if people chose to answer 'others' they were given a chance to give their own answer. A five-point rating scale (5-strongly agree to 1- strongly disagree) asking respondents to indicate the extent of their opinion of some statements was used. The data was collected anonymously from a distributed group of 18-30 years old. These people would have credit cards and purchase ability. The questionnaire was available online for two weeks. In the end, 58 recipients responded. After collecting all the data needed, the results were analysed and used to understand data quickly and effectively.

4 RESULTS AND DISCUSSION

The respondents were chosen randomly, in the end, there is a significant disproportion between male (24%) and female (76%) respondents, and as a result the analysis was heavily based on females' opinions. Online-shopping and Facebook activities depend on individual's characteristic, and there is no evidence showing that sexuality has significant impact on their behaviours (Dholakia, 2007). The target group is between 18-30, though there were 8 people who are over 30, the majority of respondents' age are within the target group. Therefore, the overall answers should be able to cover this research.

4.1 eWOM Facebook Activity

The majority hours people spend on Facebook is between 30 minutes -2 hours (altogether 93.1%) and among them, socializing (67.7%) and seek information (23.1%) are the two top activities. The top three reasons for those who do follow the retailers' activities are finding inspiration (25.9%), finding out about the products/brands (36.2%) and seek promotion activities in-store or online (27.6%). 56.9% of the participants never check the e-retailers Facebook pages, for those who did follow their Facebook pages, 55.2% people never checked their activities. Only 10.3% people would like to share what they have bought on Facebook, 31% people undecided. Overall, the results indicate that in general, the respondents have little interest in interacting with retailers on Facebook and they do not want to engage with retailers on Facebook.

However, with regards to their friends' activities, people were more enthusiastic. They showed more

positive reactions to the questions. If they saw their friends sharing information of Facebook, most them will definitely check out the products.

4.2 Role of Trust

People value their friends' and families' advice the most; 44.3% thought their friends are very trustworthy resource while 55.2% trust their families the most. Surprisingly the number of recommendations that needed to convince people are much lower than expected, with majority needed no more than 10 recommendations.

In general, people are more interested in each other's Facebook postings related to products than those that were posted by the companies directly, which stimulates two-way interactions between friends.

4.3 Online Shopping

All the respondents had shopped online in the past year, from department stores, fashion, electronic and beauty related stores.

Unlike the eWOM theory suggests, the respondents showed little interest in engaging with retailers on Facebook as well as eWOM activity on Facebook. As Silverman (2011) suggested, the main motivations behind the Facebook posts are seeking information, communicating with friends and family, and seeking social belonging. However, they're more interested once their friends posted reviews or recommendations about products or service on Facebook. Though searching on Google will give people numerous suggestions, however, people trust those they know a lot more. The way people responded to Facebook reviews proved that Word-of-Mouth is seen as more credible than advertising, as it is perceived as having passed through the evaluation of 'people like me' (Allsop et al, 2007).

Trust has been proposed as a major factor in e-business (Dennis et al, 2009) and retailers need to pay attention to interactions with their consumers on social media. The use of technology has become one distinct feature of the Generation Y that would affect their buying behaviours; their adaptability of technology allows them to seek information faster and at a much larger scale. Due to their familiarity with and usage of digital media, they are the driving force for tomorrow's e-business.

5 LIMITATIONS

eWOM is a rather new field that requests a more theoretical ground to the measurement. There are some limitations associated with this research.

Firstly, the scale of the measurement is rather small, 58 people cannot represent the majority of population. At the time of convenience, most of the respondents were University students. Any future survey should consider respondents' education level, occupation and income. These should be taken into account as different backgrounds affect the way people think, subsequently making decisions.

Secondly, social media as a whole is a fairly new area. People initially used it as a socializing tool rather than business tool. Retailers only recently set up their own accounts. People are still getting used to the business side of social media. Facebook itself has been working on various applications to help the retailers interact with customers.

Thirdly, though Facebook is an open platform where people can share everything, not everyone wants to share everything they have bought; some people would like to keep their privacy.

At the moment, many retailers lack real engagement with the customers rather than the 'follow us' and 'like' buttons at the bottom of their web pages. Though this research briefly touched on the motivations of eWOM, a more in depth qualitative and quantitative research is needed to help to understand what are the customers' thoughts and motivations.

6 CONCLUSIONS

Facebook as a social network tool is popular among the young people. This research attempted to investigate the consumers' eWOM activities on Facebook, their motivations, engagements and online shopping behaviours. However, some eWOM activities do not appear as popular. Facebook is seen as a communication tool rather than business tool. When friends start to recommend or review on their Facebook, people are more interested. The retailers should note this behaviour and develop more appropriate strategies to deal with consumers' behaviours.

There is a clear difference in the degree of trust; people trust their family and friends the most, strangers the least. And if there were a lot of reviews from strangers, they would trust the advice more. When the retailers promote new products on social

media, they should pay attention to whose opinions people would respond. The trust scale of recommendations can be associated with purchase decision when recommended products or service.

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