Is Facebook really a confirmative business platform?*

by

Fanny Sau-Lan Cheung  
Assistant Professor, Department of Marketing, City University of Hong Kong  
E-mail: mkfach@cityu.edu.hk, Tel: (852) 27887893

Wing-Fai Leung  
Associate Professor, Department of Business Administration, Chu Hai College of Higher Education  
E-mail: wleung@chuhai.edu.hk, Tel: (852) 24089813

* Correspondence: Fanny S.L. Cheung, Department of Marketing, City University of Hong Kong, 83 Tat Chee Avenue, Kowloon, Hong Kong. Fax: (852) 27889146. Telephone: (852) 27887893. E-mail: mkfach@cityu.edu.hk. We would also like to thank Karen Au, Amy Cheung, Lucienne Huang and Kok-Rui Lau as survey assistants. The authors take full responsibility for all errors.
Is Facebook really a confirmative business platform?

Abstract

Facebook has become a very popular channel for companies to promote their brands or products. However, according to a recent study (The Guardian, 2011) Facebook is currently losing users in US, UK, Canada, Norway and Russia. It becomes interesting to find out whether Facebook is really effective marketing tool. This paper aims to explore university students’ usage habits on Facebook in Hong Kong. Over 80% of the respondents chose “knowing how are things going on with people I know” as the major reason of using Facebook, which is consistent to previous studies. Among the respondents who have joined fan pages, over half of them claimed the main purpose was “to receive discounts and promotion” or “to get updates on future products”. It is suggested that updating product information and offering sales promotion may be more effective strategies for companies to attract Facebook users.

Key words: Facebook, Social Media, Fan Page, Advertising, Sales Promotion
Is Facebook really a confirmative business platform?

Introduction

Social Media, especially Facebook, MySpace and Twitter, have become very popular channels for companies to promote their brands or products. Many platforms, e.g. Social Media Week and Hong Kong Social Media Consortium, have been formed to provide opportunities to the companies to share their experience in making use of social media. Foreseeing the great business opportunities, firms were also established on focusing social media marketing. Actually, companies are willing to spend more on social media for promotion. For example, a study found that companies had a 5.6% of marketing budget on social media in February 2011 compared with 3.5% in August 2009 (CMO Survey, 2011). When the firms are spending more marketing share on social media, surely they are concerned about the effectiveness of this new marketing tool. There are many studies on effectiveness from the perspectives of the firms’ own evaluation. Many small companies, for example, found that the performance on building up branding and attracting new customers did not match the expectations (eMarketer.com, 2010).

Previous academic studies have focused on the effectiveness of word-of-mouth marketing (WOMM) through social media, especially blogs (e.g. Kozinets, et al., 2010). A study also found that the WOMM was more effective through social media such as comparing blogs and online magazines (Colliander and Dahlén, 2011).

Social Media are the trendy promotion channel for many companies. However, it is doubtful whether Social Media are so effective to reach the target customers. In fact, Facebook, the largest Social Network Website, is currently losing users in US, UK, Canada, Norway and Russia (The Guardian, 2011). It is not sure whether Facebook
can keep users to stay for a long time. Moreover, due to the possible negative externalities of too many companies to promote through social media, it is not sure whether the effectiveness of social media is similar to e-mail advertising, which becomes less effective when the users simply neglect the messages when they get hordes of unknown messages.

In the paper, we plan to explore the Hong Kong young people’s habits in using Facebook. We focus on Facebook as it is the largest Social network website in the world and then it is the most representative. As internet penetration in Hong Kong is high (68.8% in Jun 2010, Internet World Stats, 2011) and there were 2.7 million Facebook accounts in Hong Kong in 2010 (Inside Facebook, 2010; the data was equivalent to 38% of the Hong Kong population if all accounts were owned by different people), behaviours of using Facebook in Hong Kong can be a reference for other areas. However, we do not only aim on the Facebook users, instead we want to have a broader view on the effectiveness of Facebook as a business channel. We conduct a survey on Hong Kong Internet users on Facebook. Their purposes on using Facebook are investigated in order to explore whether Facebook is an effective business channel and then it should provide useful information to the companies whether they should put heavy investment on Facebook or not. Particularly, this study is a descriptive research which tries to describe the main characteristics of Facebook users, behaviours.

**Literature Review**

Recently there have been growing studies on Social Media. One line of the studies is the application of Social Media for WOMM. For example, Brown et al. (2007) found that online WOMM was not overwhelmingly favourable to the offline
comments. Kozinets, et al. (2010) studied in depth of 83 bloggers’ comments and postings on a new camera-equipped mobile phone (“MobiTech 3939) and classified the communication methods of the bloggers. Colliander and Dahlén (2011) compared the effectiveness of blogs and internet magazines by studying the feedbacks of readers on a same story of a brand of fashion. It was found that the credibility of blogs was higher than internet magazines. Zhu and Zhang (2010) compared the effectiveness of online and offline reviews on video games and found that online reviews were more effective for less popular games.

There have been growing studies on Social Networking websites. The earlier studies took the advantages of Social Media to business for granted. Thus many books and articles focused on the how to use Social Media for marketing. The more recent examples are Dânișă et al. (2010), Hanna et al. (2011), Kaplan and Haenlein (2011), Liu et al. (2011), Muñiz and Schau (2011), Ščeulovs and Gaile-Sarkane (2011), Shih (2009), Winterberg (2010), Wright et al. (2010). Culnan et al. (2010) studied the applications of Social Media marketing of three companies: Walmart, HP and Coca Cola while Parent et al. (2011) studied three cases, Electronic Arts, Carlsberg Beer and M-PESA on their efforts to raise customer participation through Social Media.

Some other studies focus on the Social Media users. Coyle and Vaughn (2008) studied the university students’ usage of Social Networking websites and they found that most of the respondents used for “keeping in touch with friends”. Sago (2010) found that the users had higher attention to the comments through Social Networking websites compared to more “traditional” e-channels, such as email. Phan (2011) studied the people’ awareness of luxury brands online and found that the respondents’ awareness was high in Facebook. Kietamann et al. (2011) classified functions of Social Media for users to seven types. They suggested the companies understanding
the usage of Social Media before developing strategies.

**Methodology**

The previous studies have focused on the discussion of applications of Social Media to business and the conceptual framework of Social Media in order to help business applications. However, instead of putting most efforts on finding out how to apply Social Media to business, the first question should be: is Social Media really an effective platform for the business? That is, whether Social Media is an effective platform for achieving the business objectives, notably pushing up sales, or reaching more target customers (for example, eMarketer, 2010). Thus following the literature on the usage of Social Media users, we focus on to what extent Social Media will affect potential customers’ information processing and purchase decisions. Our current study focuses on the benefits of one of the popular Social Network websites, Facebook, to the business sector. We choose Facebook because it is more focusing for the students to reveal their usage preference and behaviour. Because different Social Networking websites have different functions, a respondent may find it hard to reveal their purposes with various Social Networking websites as they might have different purposes for using different websites. Moreover, as Facebook is the most popular Social Networking website, it is more attractive to the business than others and thus it is a natural choice for the survey.

As mentioned above, many firms use Facebook as Social Media to attract more potential customers or to induce sales. Questions on the purposes of using Facebook and the effects of advertising on purchases are included. As the survey targets are Internet users, the focus was not put on word of mouth. But there are still questions on credibility and the extent whether a respondent taking reference to FaceBook, which
are related to word of mouth issue. Kietzmann et al. (2011) proposed seven functional building blocks of Social Media: identity, conversations, sharing, presence, relationships, reputation and groups. The survey tries to find out which of the seven functional blocks, or anything else, is most important for Facebook. A question was designed to test the application of the functional building blocks. A Social Media practitioner proposed that fan page plus tab apps should be the most acceptable format among Facebook users. The survey also tries to ask the Facebook users about their own views. As it is common for firms to operate fan pages in Facebook, the purposes of users visiting fan pages were asked in the questionnaire.

We conducted a survey on the university students’ usage habits of Facebook. Before the survey was formally launched, a pilot test was conducted among 8 people. Their comments were collected in details for revising the questions in order to enhance the logics of questions. For example, the question on testing the seven functional building blocks suggested by Kietzmann et al. (2011) was revised based on the pilot test. From the pilot test, there were comments that two of the functional blocks, “relationships” and “reputation” were not related to Facebook and the items would confuse the respondents and thus the items related to these two functional blocks were dropped.

Six classes of Hong Kong undergraduate students were invited to participate in the survey through email. Survey Console was adopted for the Internet survey. An advantage of survey console is that it records details of every respondent; it allows us to check online respondents carefully for avoiding double replies. The questionnaire is attached in the Appendix.
Findings

Altogether 238 questionnaires were collected. Among the respondents, 231 joined at least one Social Networking websites; only 7 had not joined. All of those joined Social Networking websites already joined Facebook (Figure 1). Over 80% of the respondents only have 1 account in Facebook (Figure 2). The user numbers reported by Facebook should not be too exaggerated. It seems that Facebook is really addictive. 86 (or 36.8%) claimed that they used Facebook more compared with the earlier days they used. Only 56 (24.2%) said that they used less while 80 (34.6%) said that they used among the same.

Most respondents (190 or 82.6%) chose “knowing how are things going on with people I know” as one of the reasons they used Facebook. Other reasons with more than half respondents chose are “chatting with friends and others” (165 or 71.7%), “sharing photos and videos with others” (143 or 62.2%), “revealing own information to others” (134 or 58.3%), “exchanging and distributing your own opinions or information with others” (118 or 51.3%). The results are consistent to the previous surveys such as Coyle and Vaughn (2008) which found that most university students chose “to keep in touch with friends” was the major reason they used social networking sites.

Regarding whether the respondents have joined a fan page or not, 161 people or 67.6% replied that they joined at least 1 fan page. The purpose of visiting a fan page which most respondents (among those who have joined fan pages) chose was “To receive discounts and promotion” (94 or 58.4%). The other purpose chosen by more than half respondents is: “To get updates on future products” (88 or 54.7%). The numbers of purposes chosen are shown in Figure 3. Even though most respondents who had visited fan pages claimed that they wanted to receive discounts and
promotion, interestingly only 64 (39.8%) of the respondents replied that they “have used the coupons, discounts or any benefits offered by a company through Facebook”, in which only 55 (i.e. 58.5% of the group) are those who chose “To receive discounts and promotion” as one of their purposes.

The believability of fan pages is not very high, with a mean of 3.16 in a 5-point likert scale. However, the value is 1% significantly higher than 3 (2-tail test), a neutral evaluation. Most respondents thought that a company should use fan page only rather than other tools (Figure 4). It is interesting that most people do not like apps or games in addition to a fan page.

The respondents have not used the Social Media frequently as reference for purchase (Table 1): all were rarely used (under point 3 in a 5-point likert scale). Comparing Facebook with 3 other types, Facebook was significantly used more compared with Twitter while it was significantly used less compared with discussion forums. The usages of Facebook and blogs were not significantly different.

The respondents also considered the credibility of different types of Social media not high (Table 2), also under 3 in a 5-point likert scale. The results are consistent to the claimed usage of the four types of social media. Facebook was regarded significantly more credible than Twitter but significantly less credible than discussion forum. Compared with blogs, both Facebook and blogs were regarded not significantly different.

When they were asked about the attractiveness of advertisements in Facebook, around half of respondents replied that they have been attracted by an advertisement (110 replying “yes” versus 114 “no”). Regarding whether they have clicked in an advertisement, also around half mentioned that they have done so (119 versus 104). Interestingly, only 91 respondents who claimed that they have experience of being
attracted by an advertisement have taken the action to click in the advertisements posted in Facebook. On the other hand, 28 respondents have clicked in advertisements even though they did not find the advertisements posted in Facebook attractive. Those who claimed that they have been attracted by advertising in Facebook or have clicked in advertisements are highly correlated to those who have joined fan pages (Table 3). Impulse purchase online is not rare: 77 (32.35%) claimed that they have online purchase even though they have not tried the product or service before.

Discussion and Concluding Remarks

This survey aims to provide further information to investigate whether Facebook, the current most popular Social Networking website, really provide committable business potential to the business sector. The survey was designed to understand the usage of young people on Facebook, the purposes of visiting fan pages, the preference of business platform through Facebook and the attitudes toward advertising on Facebook.

Kietzmann et al. (2011)’s functional building blocks of social media are interesting as the authors tried to classify the usages of social media into seven blocks and suggested the building blocks would help the business. Vitkauskaitė (2011) agreed that the model would be useful for identifying the differences of individualism and collectivism of social media across different cultures. The pilot test results indicated that the block of “relationships” and “reputations” were not relevant to Facebook. Facebook also does not offer functions to classify social standings of friends. Thus our survey had to drop questions related to these two. In our survey, questions were designed to relate to the other five blocks: “Revealing own information to others” is related to “identity”; “chatting with friends and others” and
“helping you connect and maintain relationships with people in your life” are related to “conversations”; “exchanging and distributing your own opinions or information with others” and “sharing photos and videos with others” are related to “sharing”; “forming communities with others” is related to “groups”; “knowing how are things going on with people I know” is related to “presence”. As shown in Figure 2, “presence” should be the main function of Facebook of the respondents to use, next come with “conversations”, “sharing” and “identity”. The usages of these four were all over 50% among the respondents. “Groups”, on the other hand, was only adopted by less than 20% of the respondents. The business may like to get the attention of Facebook users by focusing on how to relate to “presence”.

One popular way the business makes use of Facebook is to launch a fan page. The finding that 67.2% of respondents have joined fan pages is encouraging. It seems that the majority of Facebook users welcome commercial usage. Over half of those joined fan pages aim “to receive discounts and promotion” or “to get updates on future products”. The companies may like to emphasize sales promotion in their sites and to regularly update the company’s product information.

According to some business practitioners, such as the vice director of an internet advertising company, claimed that “fan page + tab apps” should be the most popular marketing tool among Facebook users. However, our survey results suggest differently. Most of the respondents prefer fan page only while “fan page + tab apps” is only the fourth choice among the respondents. The results should not be too surprising, as mentioned earlier, most respondents visiting fan pages “to receive discounts and promotion” or “to get updates on future products”. A fan page alone is enough for the purpose. It may suggest that a company instead of putting efforts on providing apps or games, updating product information and offering sales promotion
may be more effective to attract Facebook users.

The awareness of advertisements is highly correlated to actions. The respondents who claimed to have been attracted by advertisement in Facebook are significantly (1% significance level) related to those who have clicked in advertisements (Table 3). The respondents who have been attracted by advertisement in Facebook are also significantly (10% significance level) related to those who have purchased products simply looked at advertising online without trying the product before. It suggested that the companies may like to pay more attention to the creative aspect and make the advertising online more attractive.

Even though Facebook may be losing users, our survey reflects that the situation is not so bad. More respondents said that they were using more Facebook than using less. The attractiveness of Facebook is not clearly diminishing. The business may still put efforts on using Facebook as a channel to communicate with potential clients.

Our current study does have limitations on the interpretation. At first, the survey targets are mainly university students. Though the target group may be one of the major users of Facebook, the coverage may miss important characteristics of other users. Moreover, the respondents are users in Hong Kong who may represent usages different from other areas. The focus on Facebook may also not be easy to generalize to other social networking websites. However, we believe that our study should at least provide a starting point for investigating the usage of Facebook to business. Moreover studies on the usage of Facebook and other social networking websites are necessary for determining how much a company should invest in Social Media.
REFERENCES


Figure 1  Social Networking Websites the Respondents joined
Figure 2  Purposes of Joining Facebook
Figure 3  The Purposes of Joining Fan Pages
Figure 4  Preferred Marketing Tools in Facebook
<table>
<thead>
<tr>
<th>Social Media</th>
<th>Mean Value</th>
<th>Compared with Facebook</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facebook</td>
<td>2.28***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.064)</td>
<td></td>
</tr>
<tr>
<td>Twitter</td>
<td>1.43***</td>
<td>0.80***</td>
</tr>
<tr>
<td></td>
<td>(0.052)</td>
<td>(0.075)</td>
</tr>
<tr>
<td>Discussion forums</td>
<td>2.72***</td>
<td>-0.43***</td>
</tr>
<tr>
<td></td>
<td>(0.081)</td>
<td>(0.082)</td>
</tr>
<tr>
<td>Blogs</td>
<td>2.39***</td>
<td>-0.10</td>
</tr>
<tr>
<td></td>
<td>(0.084)</td>
<td>(0.091)</td>
</tr>
</tbody>
</table>

Notes:
1 = never referred; 2 = rarely referred; 3 = fairly referred; 4 = frequently referred; 5 = refer every time
The value within parentheses underneath is standard error
***: 1% significance level compared with 3
Table 2  Credibility of Social Media Webs on Providing Product Information

<table>
<thead>
<tr>
<th>Social Media</th>
<th>Mean Value</th>
<th>Compared with Facebook</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facebook</td>
<td>2.85**</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.058)</td>
<td></td>
</tr>
<tr>
<td>Twitter</td>
<td>2.47***</td>
<td>0.31***</td>
</tr>
<tr>
<td></td>
<td>(0.064)</td>
<td>(0.061)</td>
</tr>
<tr>
<td>Discussion forums</td>
<td>3.02</td>
<td>-0.16**</td>
</tr>
<tr>
<td></td>
<td>(0.060)</td>
<td>(0.064)</td>
</tr>
<tr>
<td>Blogs</td>
<td>2.92</td>
<td>-0.09</td>
</tr>
<tr>
<td></td>
<td>(0.067)</td>
<td>(0.075)</td>
</tr>
</tbody>
</table>

Notes:
1 = Very low; 2 = low; 3 = neutral; 4 = high; 5 = very high
The value within parentheses underneath is standard error
**: 5% significance level compare with 3
***: 1% significance level compared with 3
Table 3  Correlation among Awareness of Advertisement and Actions

<table>
<thead>
<tr>
<th>Have you ever joined the fan page of any business organization in Facebook?</th>
<th>Have you ever purchased a product or a service you have not tried before because of seeing its advertisement on web?</th>
<th>Have you ever been attracted by the advertisements posted in Facebook?</th>
<th>Have you ever clicked in the advertisements posted in Facebook?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Have you ever been attracted by the advertisements posted in Facebook?</td>
<td>86*** (0.174)</td>
<td>74* (0.123)</td>
<td>-</td>
</tr>
<tr>
<td>Have you ever clicked in the advertisements posted in Facebook?</td>
<td>92** (0.172)</td>
<td>81* (0.130)</td>
<td>91*** (0.590)</td>
</tr>
</tbody>
</table>

Notes:
Figures within parentheses are values of Pearson Correlations
*: 10% significance level when both answers are “yes”
**: 5% significance level when both answers are “yes”
***: 1% significance level when both answers are “yes”
Appendix

The Added Values of Social Media on Promotion Questionnaire

This is a survey conducted by an Assistant Professor at City University of Hong Kong on the usage of social networks. Data gathered is for academic use only. All personal information will be kept in strict confidential.

Please choose the most suitable answer(s) and put a “✓” in the “☐” (i.e. ✓).

PART 1

1. Have you ever visited social media website(s)?

   Yes ☐ No ☐

   If Yes turn to Q2; if no, turn to Q15.

2. Which of the following Social Networking site(s) have you visited? (You may choose more than one option.)

   a. Facebook ☐ ☐
   b. Twitter ☐ ☐
   c. Flickr ☐ ☐
   d. Myspace ☐ ☐
   e. Renren ☐ ☐
   f. Weipo ☐ ☐
   g. LinkedIn ☐ ☐
   h. Others ________ ☐ ☐

   If Yes for “a. Facebook”, go to Q3; if No, turn to Q15.

3. How many Facebook account(s) do you have?

   1 ☐ 2 ☐ 3 ☐ 4 ☐ >5 ☐

4. On average, how long you visit Facebook per day?

   <15mins ☐ 15mins-<30mins ☐ 30mins - <1hr ☐ 1hr - <2hrs ☐
   2hrs - <4hrs ☐ ≥4hrs- < 6hrs ☐ ≥6hrs-8 hrs ☐ ≥8hrs ☐
5. What is/are the main purpose(s) of using Facebook? (You may choose more than one option.)

- Revealing own information to others
- Chatting with friends and others
- Exchanging and distributing your own opinions or information with others
- Sharing photos and videos with others
- Forming communities with others
- Updating of the activities of any business organization
- Finding friends I had not seen or heard from for a long time
- Knowing how are things going on with people I know
- Expanding your business via connecting with potential clients
- Helping you connect and maintain relationships with people in your life
- Others

6. Have you ever joined the fan page of any business organization in Facebook?

- Yes
- No

If Yes, turn to Q7; if No, turn to Q12.

7. What is(are) the company fan page(s) you have joined?

Name any: __________; __________

Cannot remember

8. What is(are) the main purpose(s) you visit a company’s fan page? (You can choose more than one option).

- To receive discounts and promotion
- To get a free gift from the company
- To stay informed about the activities of the company
- To get updates on future products
- To get updates on upcoming sales & discount information
- For fun or entertainment
- To get access to exclusive contents
- To show my support to the company
9. Please rank in order the Facebook Marketing tools you prefer (You may choose more than one option).

   - Fan page only ☐
   - Fan page + Wall game ☐
   - Fan page + Tab Apps ☐
   - Fan page + Game Apps ☐
   - Game Apps only ☐
   - Social Ads only ☐

10. Have you used the coupons, discounts or any benefits offered by a company through Facebook?

    - Yes ☐  No ☐

11. To what extent you believe in the information delivered through a fan page?

    - Very low ☐  low ☐  neutral ☐  high ☐  very high ☐

12. Do you visit Facebook more or less frequently recently compared with earlier days??

    - More ☐  Less ☐  Among the same ☐

13. Have you ever been attracted by the advertisements posted in Facebook?

    - Yes ☐  No ☐

14. Have you ever clicked in the advertisements posted in Facebook?

    - Yes ☐  No ☐

15. To what extent you make reference to the following websites before you decide on buying a product or a service you have not tried before?

<table>
<thead>
<tr>
<th></th>
<th>Never</th>
<th>rare</th>
<th>fair</th>
<th>frequently</th>
<th>Every time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facebook</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Twitter</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Discussion forums</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Blogs</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Others</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>
16. In general, how do you consider the believability of the comments and information for a product from the followings?

<table>
<thead>
<tr>
<th></th>
<th>Very low</th>
<th>low</th>
<th>neutral</th>
<th>high</th>
<th>very high</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facebook</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>Twitter</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>Discussion forums</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>Blogs</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>Others _________</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
</tbody>
</table>

17. Have you ever purchased a product or a service you have not tried before because of seeing its advertisement on web?

Yes □ No □

Part 2

18. Gender

Male □ Female □

19. Age

<20 □ 20-<30 □ 30-<40 □ 40-<50 □ 50-<60 □ >=60 □

20. Personal Monthly Income

<$10,000 □ $10,000-$20,000 □ $20,000-$30,000 □

$30,000-$40,000 □ >=$40,000 □

21. Education

Primary or below □ Secondary □ Matriculation □ AD/HD □

Bachelor degree □ Master or above □

-End -

Thank you very much!