An Exploration of Consumer Reactions to Social Network Advertising

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Consumers today are more social online than ever before. As a result, brands increasingly look to social networks and social media to communicate with consumers with advertising. However, in order to capitalize on social media advertising investments, knowledge of consumer interaction within the medium is first necessary. Research has explored many issues related to consumers and social media, with influence being a key concern. This paper considers how consumers engage with advertising through this channel by segmenting consumers in terms of behavioral outcomes.

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An Exploration of Consumer Reactions to Social Network Advertising

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Consumers today are more social online than ever before. Nielsen’s (2011) report on social media uptake and usage provides a window into how today’s consumer interacts with the web: social networks and social media dominate time spent online; facebook is the top web brand; and social networking applications are the third most popular activity, following games and weather. At the heart of social network and social media campaigns is consumer engagement. In order to capitalize on social media advertising investments, knowledge of consumer interaction within the medium is first necessary. The rapid increase in online and social media advertising efforts is reflected in recent increased scholarly attention. Research has explored many issues related to consumers and social media, with influence being a key concern. Studies provide insight on influential users (Trusov, Bodapati, and Bucklin 2010), understanding how influence moves through a social network (De Bruyn and Lilien 2008; Katona, Zubcsek, Pal, and Miklos 2011; Kozinets, de Valck, Wojnicki, and Wilner 2010), and how influence affects consumer preferences (Narayan, Rao, and Saunders 2011; Taylor, Lewin, and Strutton 2011). Social media research also suggests that the online environment has changed how consumers interact with, talk about, and respond to advertisements and brands. However, new knowledge is necessary to aid in understanding the broader effects of social media as a consumer engagement tool.

Segmentation is a fundamental component of marketing and drives more precise targeting and positioning. Even through a non-strategic lens, segmentation can be a powerful descriptive tool (Wedel and Kamakura 2000). Researchers examining consumers’ online social behaviour have focused on general segmentation bases such as word-of-mouth behaviour (Foster, West, and Francescucci 2011; Riegener 2007), usage behaviour (Ip and Wagner 2000; Taylor, Lewin, and Strutton 2011), and motivations (Foster, West, and Francescucci 2011; Wasko and Faraj 2000; Wasko and Faraj 2005; Wiertz and DeRuyter 2007). This research is inherently valuable to understanding organic or natural consumer behaviour online, but provides only tangential knowledge of how consumers respond online to an organization’s social media advertising efforts.

This research extends the aforementioned literature by offering a more nuanced understanding of how consumers engage with social media by specifically examining response to social network advertising. Rather than focus on the extent to which consumers use social media, we focus on how consumers engage with social media. Likewise, instead of a single segmentation base, as is common to many studies, we employ three segmentation bases: brand engagement, purchase intention and word-of-mouth. We contribute through a unique segmentation analysis predicated on the behaviour social network advertising will engender. Our primary research goal is to explore whether segments of consumers exist based on their level of brand engagement, word-of-mouth behaviour, and purchase intentions – all following a social network advertisement. A secondary research objective is to profile the resulting consumer segments along dimensions of both theoretical and practical importance.

The data for this study was collected from a sample of respondents (n = 883) that was recruited from an online panel of consumers. We employ Latent Class Analysis (LCA) where the latent variable (consumer segments) is considered as a categorical taking on K possible values, corresponding to K segments – with a multinomial logit model used to express the probabilities. Our estimated model includes attitudinal variables as well as motivations and demographics as covariates. In terms of the attitudinal variables used for segmentation, we assess behavioural outcomes following a consumer engaging with a brand via social networks. Specifically, we consider resulting purchase, brand engagement, and word-of-mouth referral intentions all resulting from an individual engaging with a brand via a social network. These assessments are based on self-reported ratings along a seven-point Likert scales adapted from existing scales within the literature. Brand engagement measurement was adapted from Keller’s (2001) customer-based brand equity study. Word-of-mouth message effectiveness was adapted from Smith, Coyle, Lightfoot and Scott (2007). For the construct purchase intention, we developed a scale...
for intention to purchase following interaction with a social network. In line with past research considering online users’ motivations, and research segmenting shoppers in terms of their engagement with different channels, we investigate motivational variables as covariates which may inform consumer utility and their subsequent behaviour (Konuš, Verhoef and Neslin 2008; Korgaonkar and Wolin 1999). We adapted items measuring information, convenience and entertainment motivations from Ko, Cho and Roberts (2005). Finally, we include age, gender, education, and income as demographic covariates as these have been shown to impact consumer behaviour in an online context (i.e. multichannel behaviour), albeit with mixed results (Ansari, Mela, and Neslin 2008, Donthu and Garcia 1999; Gupta, Su, and Walter 2004; Inman, Shankar and Ferraro, 2004; Strebel, Erdem, and Swait 2004).

Latent GOLD software was used to estimate latent class clusters (Vermunt and Magidson 2005). We estimate our model for solutions with one to eight clusters and employ four criteria for model selection: comparison of the Bayesian information criterion (BIC) statistic (Vermunt and Magidson 2005; Zhang 2004), comparison of classification error (Vermunt and Magidson 2005), verification of our interpretation of the derived segments (Wedel and Kamakura 1999), and finally use of the conditional bootstrap procedure to test whether the selected model provides a significant improvement over the previous model (Vermunt and Magidson 2003).

We find clear segments of consumers exist based on the key behavioural outcomes: brand engagement, word-of-mouth behaviour, and purchase intentions. Specifically, we identify five segments. The first, we term socially-neutral shoppers, represent 29% of our sample. This segment finds social networks insignificant in terms of behavioural outcomes investigated. Further, the segment is characterised by relatively high entertainment motivation and a low convenience motivation. They are more likely to be male. Our second segment, social-enthusiast shoppers, represents 28%. This segment reveals strong ratings on the behavioural outcomes of brand engagement and word-of-mouth as a result of interacting with brands via social networking sites (and somewhat lower in terms of purchase intentions). Further, this segment is characterized by a high information motivation – a likely driver of their desire to engage with brands in this way. The third segment is socially-unengaged shoppers, representing 24%. This segment reveals relatively low levels across all behavioural outcomes and is further characterised by low information motivation. In terms of their demographic profile, this segment is most likely older and also more likely to be male. In essence, it appears that this segment does not particularly care for engaging with brands via social networking sites, likely related to their low level of desire for information. Our fourth segment, labelled social-activist shoppers, accounts for 10%. This segment displays the highest ratings on all behavioural outcomes. Interaction via social networks seems to play a vital role in this segment’s offline purchase decision making, similar to previous interactions found between online and offline behaviour (Yellavali, Holt, and Jandial 2004). These shoppers display high levels of information motivation, shopping enjoyment and a desire for convenience. In terms of the demographics, this segment is largely younger and female. Finally, we find a group of consumers we label anti-social shoppers, representing 9%, who display extremely low ratings on all behavioural outcomes and are not at all motivated by interactions via social networks.

In comparing these shoppers to segments found in multichannel research, they are most similar to store-focused shoppers who display a greater tendency to use traditional formats (Konuš, Verhoef, and Neslin, 2008), rather than new and emerging technologies. These consumers do desire convenience; however it is obvious that this convenience is derived from other sources. Further, these shoppers are not defined in terms of their information motivation. In terms of age, those in this segment are most likely between 25 and 34 years of age.

Our results show the existence of several consumer segments based on their level of brand engagement, word-of-mouth behaviour, and purchase intentions following exposure to social network advertising. We find two segments, representing 38% of the population that are highly engaged with, and responsive to, social network marketing and communication. This group are most likely to form relationships with brands, talk to their peers and consider purchasing as a result of exposure to advertising in the social space. A third segment, representing 29%, expressed a relative level of indifference in terms of their social media brand engagement across all behavioural outcomes. Almost two thirds of the population reported low levels of willingness to engage in this way, and subsequently low levels of behavioural response. Our research
therefore demonstrates that differences exist in the consumer population based on their willingness to engage with advertising via social platforms, as well as their subsequent behavioural response. This research provides an initial view into social media advertising effectiveness and segmentation based on these effects. These insights are particularly useful to managers at a time when many brands are striving to develop social media strategies and account for, as well and better understand such investments.

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