THE INFLUENCE OF FACEBOOK FRIENDS TOWARDS CONSUMER PURCHASE INTENTION

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ABSTRACT

THE INFLUENCE OF FACEBOOK’S FRIENDS ON CONSUMER PURCHASE INTENTION

BY

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The main objective of this thesis is to study the influence of Facebook’s friends on consumer purchase intention. The study takes into account the increasing use of Facebook nowadays and the influence of Facebook friends towards consumer purchase intention. The focused factors include the perceived usefulness, perceived ease of use, perceived enjoyment and perceived ability of the product recommendation from Facebook friends. The framework used for this thesis is adapted based on the work by Mohamed (2012). Questionnaires are posted on Facebook using Google’s online survey and 300 questionnaires are distributed to undergraduate students of Universiti Malaysia Sarawak (UNIMAS). 439 questionnaires are returned and have been used for analysis purpose. Data collected are being analyzed using exploratory factor analysis, Pearson correlation analysis, regression analysis and also the Cronbach’s alpha for reliability test. The study found that among the five independent factors being tested, perceived usefulness and perceived trust of product recommendations from Facebook friends has direct impact towards consumer’s intention to seek product information from Facebook friends. The study also shows that product recommendations from Facebook friends are positively related to consumer purchase intention.
ABSTRAK

PENDARUH RAKAN FACEBOOK TERHADAP KEINGINAN PEMBELIAN PENGGUNA

OLEH

Queenie Chua Nam Sie

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CHAPTER 1

INTRODUCTION

1.0 Introduction

This chapter provides a detailed scope and outline of this study. Firstly, the background of the research will be discussed; followed by theoretical framework; problem statement of the study; research objectives consist of both general and specific objectives; research questions; scope of study and lastly definition of terms.

The use of social networking sites has become more consistent nowadays (Johnson, 2012). Most of the social networking sites have been used for communication between peers and family members on various topics while there are many other medium of communication such as instant messaging, blog forums, email and so on in this computer era (Goldsmith and Horowitz, 2006). Marketers on the other hand see the chance for business and thus make use of the social networking sites for business purpose. Many researchers had carried out research on how social networking sites influence individuals in term of their purchasing behaviour (Johnson, 2012; Mohamed, 2012; Mehmood and Muhammad, 2011; Nielsen, 2012).

Consumers tend to have more confident and trust on their friends than paid parties who are responsible for product promotion (Bickart and Schindler, 2001). Their decisions are more towards the recommendations provided by their friends. Even the
effect of advertisement is not as influential as the recommendations from friends. Consumers tend to trust the knowledge and information provided especially by preferred or closed peers (Smith et al., 2005). This is understandable mainly because of the amount of time an individual spent with these groups of peers. Furthermore the social networking sites allow more communication among them and thus develop higher level of trust and confident towards each other (Johnson, 2012).

Before the era of social network sites (SNSs), closed peer and family members were the party for consumer to turn for advice and opinion before they make purchase in bricks-and-mortar stores (Barber et al., 2009). Many companies especially multilevel marketing companies such as Tupperware used the method of parties that brought group of friends and families together to introduce their products. This means that the process of seeking for opinion had been practiced by consumers but through different channel whereby face-to-face communication was held instead of using social network sites.

Social networking sites are no longer in their infancy (Nielsen, 2012). The emerging use of social network sites throughout the world has linked online communities from different countries to gather online (Sinclaire and Vögus, 2011). These websites are able to attract internet users worldwide and even become part of many people’s daily lives (Boyd and Ellison, 2007). The social network sites users are able to interact with each other through various functions available on the websites. Examples of the functions are creating personal pages, invite other users to join or access these pages,
sharing of information via posts or comments on these pages, online forum and so on (Kaplan and Haenlein, 2010).

Various activities available on social network sites have created a new communication channel among users. Many retailers recognized the significant use of social network sites among internet users and thus also participate in these websites (Johnson, 2012). The Thought-leadership report (2011) showed that 85 percent of retailers involve themselves in the social networking sites in order to connect with existing customers and also to attract new customers through the websites. Nielsen (2009) stated that approximately two-third of internet users browse through social network sites or blogging sites. Large amount of time is spent by internet users on these websites. Retailers and e-commerce businesses can thus benefit from these websites because of wide exposure to both existing and new consumers who are internet users.

Currently there are many examples of social network sites, Facebook remains the top ranked social network sites, followed by Twitter, Google Plus, LinkIn and so on (Nielson, 2012). Among the social network sites, Facebook is currently the most well-known and most popular website (eBizMBA, 2012), that had reached one billion monthly active users by October 2012 (Zuckerberg, 2012). Facebook users come from worldwide as it is available in 70 languages, which has overcome the language barrier in many countries.
Facebook was established on 2004 by Mark Zuckerberg, who is currently the Chief Executive Officer of Facebook Inc and his friends namely Eduardo Saverin, Andrew McCollum, Dustin Moskovitz and Chris Hughes. The social network site was first launched in February of 2004 for the purpose of communication between the students studying in Harvard University. However, the website was then being spread from Harvard University to other universities in United States, and to the public worldwide (Nicholas, 2010). From only 100 million active users in 2008, the number of active users of Facebook increased significantly from year to year and finally reached a milestone of one billion monthly active users worldwide during October of 2012 (Zuckerberg, 2012).

This research explores the impact of the online interaction of one of the social network sites, which is Facebook towards consumer’s purchasing intention in Malaysia. Understanding the impact of Facebook friends towards consumer purchasing intention could make Facebook an effective promotional marketing tool for marketers or retailers to reach consumers worldwide (Morpace, 2010). The following chapters include literature review, methodology of the study and its finding, finally the recommendations, limitations and the areas for future research.

1.1 Scenario in Malaysia

Facebook allows users to use many functions available on the sites to communicate with others. Users are able to create their own accounts, exchange message with
other Facebook users, post on the walls, comment, share of photos or information and so on (Nicholas, 2010). These fixtures created a new communication and interaction channel for internet users, which has overwhelmed the initial purpose for communication between students from universities.

Another reason that led to rapid growth of Facebook users is because of its multi-languages availability. Users who are non-English literate can also access the websites in their languages as Facebook is available in 70 different languages (Nicholas, 2010). Language is no longer a barrier for those who cannot understand English as they can set up their Facebook account using the language they are common and familiar with. Furthermore, the website can be easily access from laptops and mobile phones applications. Meaning that, Facebook users can access to their account no matter where they are as long as they have their mobile phones with them.

The Malaysian government encourage the use of internet and mobile phone. As a result, the number of both service providers and internet users grow steadily over the years (Freehouse, 2012). Based on the latest data from Malaysian Statistical Department (2012), total population in Malaysia is 26974100. Among these 27 million of Malaysian population, 63 percent of them are internet users (Freedom House, 2011). In term of the internet penetration, Malaysia has the highest internet penetration compared to any other countries in Asia. The ability to access internet
through many channels such as home internet, mobile phones and cybercafés boosted the number of internet users in Malaysia (Freedom House, 2012).

Malaysian Facebook users are 78.12 percent of the internet users, which equals to 13 million users (Socialbakers, 2012). The number ranks Malaysia as the world’s top 18 country in term of Facebook users. Statistics showed that the total number of Facebook users in Malaysia has been increasing significantly. This showed how popular Facebook is in the country and the number of Facebook users can actually grow very fast in the country.

In term of the user age distribution on Facebook in Malaysia, the largest age group is 18 to 24 years old, which recorded the biggest growth in term of number of users. This age group makes up 34 percent of the total Facebook users in Malaysia. This is then followed by the age group of 25 to 34 years old, with 29 percent. Compared to other countries such as Japan and Taiwan, Malaysia has more male users than female users. Among the 13 million Facebook users in Malaysia, 54 percent are male users while the remaining 46 percent are female users. Japan and Taiwan on the other hand have more female users than male users (Socialbakers, 2012).

1.3 Theoretical Framework

Technology Acceptance Model (TAM) is the information system theory used in this study to examine how users accept and use a technology. It is the most widely used theory which is used to explain consumers’ acceptance behaviour towards the use of
technology. The original technology acceptance model consisted of six criteria to be fulfilled as follows: external variables, perceived usefulness, perceived ease of use, attitude towards the use of technology, behavioural intention to use the technology and lastly is the system usage (Davis, 1985).

The model suggest that a system can motivate users via three main factors namely, perceived ease of use, perceived usefulness and attitude towards using the system (Davis, 1985). A user’s attitude towards a particular system is the main factor that determines the user’s acceptance towards the system. Perceived ease of use and perceived usefulness are two beliefs that influence users’ attitude towards a system with perceived ease of use having the direct influence towards perceived usefulness (Ma and Liu, 2005). Previous research done by Hu (1999) showed that there were many factors that can influence consumers’ acceptance towards technology. However, perceived ease of use and perceived usefulness remain as the fundamental determinants that play a greater role than any other factors.

By developing and manipulating the two main factors which are perceived ease of use and perceived usefulness, system developers can actually take better control over users’ beliefs towards the system. This will subsequently lead to their behavioural intention and also usage of the system because a consumer centred design system tends to resonate closely to their perceptions of usage and motivation towards the particular system or technology (Shroff et al., 2011).
The key purpose of TAM is to provide a basis for tracing the impact of external factors on consumer attitude and intentions (Davis, Bagozzi and Warshaw, 1989). In this study, the external factor refers to the product recommendations provided by Facebook friends. Product recommendations from Facebook friends can have an impact on consumer purchase intention. The two main factors in the TAM are adopted into the current study as both factors are expected to have influences on consumer attitude of using Facebook as a source of product information. Perceived usefulness indicates the degree of usefulness that consumers experience from the product recommendations from Facebook friends. On the other hand, perceived ease of use refers to the level of convenience for consumer to obtain product recommendations.

1.4 Problem Statement

In view of the rapid growth of the number of internet users and Facebook users in Malaysia, this study is meant to examine the factors of Facebook that influence consumers' purchasing intention for products not only available on Facebook but also cover other daily used products. Facebook friends have been playing an important role in consumers' purchasing intention by providing recommendations and product information. The trend would become more significant because there is a continuous increase in the utilization of Facebook and other social network sites across all age groups and all generations in the coming years.
There were many researches done in many other countries to explore the relationship between seeking product recommendations and information from social networking site with consumer purchase intention. Expertise and experiences from the online communities are among the factors that created consumer's perceived trust towards certain product. The product information influences consumer choice and purchase intention (Senecal and Nantel, 2004). This information influences consumer when it is delivered through electronic words-of-mouth as consumer purchase intention is mostly influenced by positive words-of-mouth (Yadav and Arora, 2012). However, there is limited researches have been done in Malaysia. This study is thus intended to explore the influence of Facebook friends towards consumer purchase intention in Malaysia.

1.5 Research Objectives

The main objective of the research is to study the impact of Facebook friends towards consumers purchase intention. As the most famous social media site in Malaysia, consumers is believed to rely and seek for product information from their Facebook friends. The research also reflects the purchasing intention of Malaysian consumers upon receiving or seeking product information from Facebook friends.

Apart from the general objective, there are several specific objectives associated together with this research. The specific objectives include:

1. To identify the reasons of consumers seek for product information from Facebook friends.
II. To determine to what extent product information provided by Facebook friends influence consumers purchase intention.

III. To relate the perceived information quality to the degree of consumers seeking for information from Facebook friends.

1.6 Research Question

Before consumers make any purchase decision, there will be a perceived risk especially for first-time-buy products due to lack of expertise towards a product. Furthermore, perceived risk can be higher when consumer purchase online as they are unable to verify the products. The actual products they received may be different from the product they search online. In order to reduce the perceived risk, consumers tend to seek for product recommendations and information from someone who is more experienced towards a particular product before any decision has been made (Sha and Xie, 2009).

In this study, the relationship of recommendations from Facebook friends and consumer purchase intention is examined. This study is guided by the following research questions. The results from this study shall be able to answer the research questions below.

I. To what extent do consumers use Facebook to seek for product information from Facebook friends?

II. What are the major factors that influence consumers to rely on Facebook friends when they would like to seek for product information?
III. To what extend do these major factors influence consumers in seeking product information from Facebook friends?

IV. How much do product information provided by Facebook friends influence consumer purchase intention?

1.7 Scope of study

The study investigates the influence of Facebook friends towards consumer purchasing intention. Consumers' responses from the survey instrument were assessed to determine the reasons of consumers seeking product information and recommendations from Facebook friends. The study is also used to identify the relationship between seeking product recommendations with consumer purchasing intention. The study will be conducted in a non-Western country, specifically Malaysia, including both West Malaysia and East Malaysia.

Respondents of this study must meet two compulsory criteria. Firstly, the respondents must be a Malaysian. In order to ensure that only Malaysians feedback to this study, the respondents must insert their identity card number in the questionnaire. Secondly, the respondents must own a Facebook account since this study focuses on only one of many social networking sites, which is Facebook.
1.8 Definition of Terms

Online Communities – “A network of people who communicate with one another and with an organization through interactive tools such as emails, discussion boards, and chat systems” (Business Dictionary, 2012, p. 1).

Social Network Sites (SNSs) – “Web-based services that allow individuals 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” (Boyd and Ellison, 2007, p. 215).

Facebook – “A social network site that provides users with several features (functions) to facilitate social interaction between its members” (Lo, 2010, p. 257).

Facebook Friends – “A person added in a user’s Facebook account whereby the user may or may not have met or interact with them other than requesting to be added to the user’s network” (Shear, 2010, p. 1).

Words of Mouth – “Oral person-to-person communication between a receiver and a communicator who the receiver perceives as non-commercial, regarding a brand, product or service” (Arndt, 1967, p. 293).
Electronic Words of Mouth – “All informal communications directed at consumers through Internet-based technology related to the usage or characteristics of particular goods and services, or their sellers” (Westbrook, 1987, p. 261).

Perceived usefulness – “The degree to which a person believes that using a particular system would enhance his or her job performance” (Davis, 1989, p. 320).

Perceived ease of use – “The degree to which a person believes that using a particular system would be free from effort” (Davis, 1989, p. 320).

Perceived enjoyment – “A salient endogenous factor affecting consumer attitudes and intentions toward use” (Liao et al., 2008, p. 40).

Perceived ability – “An individual’s assessment of his or her own ability” (Ridings et al., 2002, p. 276).

Perceived trust – “The ability to structure contracts or rewards and punishments so that individuals behave in a pre-specified manner” (Cheung and Lee, 2004, p. 5).

Attitude towards usage – “The degree to which an individual evaluates and associates the target system with his or her job” (Davis, 1993, p. 479).
CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter reviews the relevant literature on word-of-mouth, electronic words-of-mouth, recommendation sources that affect consumers' decision making when doing online purchase. Other literature to be reviewed in the chapter includes the online communities, consumers' interaction in online communities, and the reasons for consumers to seek for electronic word-of-mouth. Also included in this chapter are the social network sites, Facebook friends and the impact of consumers' interaction on Facebook on purchase decisions.

Situated learning theory is closely related in this study which stated that learning process should not be viewed as the transmission of decontextualized knowledge from one individual to another. It is a social process whereby knowledge is co-structured and embedded within a particular social and physical environment (Lave and Wenger, 1991). Individual are able to learn through socialization, visualization and imitation (Mills, 2011). This type of learning practices in community and begins with problem solving. Eventually, people will tend to look for answers and solutions through communication with those people who are more experienced, more knowledgeable than themselves in order to solve the problem (Hung, 2002).