

Preliminary Master Thesis Report at BI Norwegian Business School

Consumer's engagement in social media and its impact on brand and sales

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Summary

In this preliminary thesis report, we present our research topic of the impact of consumer engagement on a company's brand and sales. On the basis of a relevant literature review and its gaps, we propose the following problem statement:

To what extent does consumer engagement in social media affect a company's brand and sales?

Through the introduction we lay the foundation of our topic and define what we mean with “brand” and “sales”, before moving into the literature review where we discuss around the topic of consumer engagement, electronic word of mouth, online behavior and attitude towards brands, and personalization.

On the basis of the presented literature review and problem statement, five hypotheses about the relationship between consumer engagement and brand and sales are presented. Through our research framework we suggest that the consumer engagement overall will lead to an effect in a company's brand and sales. We acknowledge that our research question and framework needs to be further developed in order to differentiate our thesis from previous literature.

Lastly, a plan for the methodology of our study is presented, where we plan a collaboration with one or two companies to get further insight on consumer engagement. Additionally, two surveys targeting consumers, where one is experimental, will be created.

1.0 Introduction

The Internet, the web, and social media has changed and transformed marketing and businesses over the last three decades. Over 3 billion people all over the world are regularly using the web today to find and discuss products and experiences (Chaffey & Ellis-Chadwick, 2016). Mangold and Faulds (2009) define social media as “a variety of new sources of online information that are created, initiated, circulated and used by consumers intent on educating each other about products, brands, and services”. With the emergence of social media, an increasing share of communication occurs, and has significantly changed the tools and strategies for how to communicate (Mangold & Faulds, 2009). This means that exposure to marketing campaigns increasingly take place within social media, transforming consumers from being passive participants to active creators and influencers, further giving consumers more power (Advincula, Austin, Graiko & Powers, 2012).

Social media is represented on different platforms such as; *social networks (SNSs), blogs, wiki, podcasts, forums, content communities, and microblogging* (Mayfield, 2008). The different platforms have become a major factor in influencing various aspects of consumer behavior such as awareness, information acquisition, opinions, attitude, purchase behavior, and post-purchase communication and evaluation (Mangold & Faulds, 2009). Research suggests that SNSs can be an interesting platform for companies to use as they are able to target specific consumer groups at lower cost and with higher speed (Mangold & Faulds, 2009).

As purchase decisions are increasingly influenced by social media interactions and people rely more than ever on their social networks when doing so, the new way of communicating presents new challenges and opportunities for companies. Nevertheless, outcomes of social media activities are still a big discussion among practitioners and managers (Ismagilova, Dwivedi, Slade, & Williams, 2017), and the effect of consumer engagement in social media on

brand and sales have yet to be understood.

As products and services play an important role in people's life, they are natural subjects of discussion. Social media, SNSs in particular, have become a major informational source for consumers. With the large increase in consumer engagement on SNSs, and its impact on different aspects of consumer behavior, there is a need to better understand the effects of consumer engagement against a company's brand and sales. Our study examines how consumer engagement in social media, more specifically Facebook, influence a firm's brand and sales. With brand, we mean what consumer engagement can do to a company's brand in terms of e.g. reputation. With sales, we mean whether consumer engagement can change a company's sales in terms of increase or decrease, and if it has a long-lasting effect. Following, we present our research question and theoretical and managerial contributions.

1.1 Research question

Based on the introduction above, we present the following research question:
To what extent does consumer engagement in social media affect a company's brand and sales?

1.2 Theoretical and managerial contributions

The results of the study can be both theoretical and practical. From a managerial perspective, the results will increase their behavioral knowledge about their customers engagement on social media and how it affects their company. From a theoretical standpoint, the results of this study can contribute to our understanding of the value-enhancing potential of social media campaigns, and demonstrate the extent to which customer engagement has an impact.

2.0 Literature review

One can describe a customer's purchase process as a customer journey. This is a term commonly used by marketers to describe touch points or different types of paid, owned and earned media that influence consumers as they access different types of websites when selecting products and services (Chaffey & Ellis-Chadwick, 2016, p. 61). Edelman and Singer (2015) state that digital tools have put shoppers in the driving seat by letting them easily research and compare products and services online and further place orders delivered to their doorstep. Hence, consumers have become more demanding and empowered in the way that they can get what they want whenever they want it.

However, the new technology opens up for new opportunities and organizational structures for companies as well. Today, companies compete in designing and refining journeys to attract shoppers and create customized experiences, shifting from primarily reactive to an aggressively proactive company strategy. Customer journeys are thus becoming as central in the customer experience of a brand as the products or services themselves (Edelman & Singer, 2015). With this, customer journey is used as a framework when presenting previous research of consumers behavior and engagement online. This to explain the gaps extensively and to further understand the extent of customer engagement impact on a company's brand and sales.

2.1 Consumer engagement

With today's intense competitive market, where technology and social media has made the world a unified market, interactions among customers have increased. It is shown that customers who have an overall positive experience with a firm, not only purchase more, but additionally interacts, provide feedback and spread positive word-of-mouth (WOM) of the firm. Since products and services are homogeneous, competition is hard, and with new technology available, it is not enough to satisfy customers or create positive experiences just by selling the right product or service. A firm must engage customers in various ways at all possible touch points (Kumar & Pansari, 2016).

Customer engagement can be explained as an approach to create, build and enhance customer relationship (Islam & Rahman, 2016). Further, Christodoulides, Dabrowski and Schivinski (2016) suggest that consumers engage with digital and social media in three ways: *by consuming*, *by participating* and *by producing* brand-related media. Many studies have previously focused on consumer engagement and concluded with consumers are more likely to be responsive to an advertisement the more engaged they are with a media (Calder, Malthouse & Schaedel, 2009). However, there is limited research on the effect of the response on sales, and we therefore perceive this as a gap in previous research we wish to study further.

Kumar and Pensari (2016) define engagement as attitude, behavior and the level of connectedness. The level of connectedness covers both the connectedness among customers, between customers and employees and of customers and employees within a firm. Hence, the more positive attitude and behavior, and higher connectedness, the higher level of engagement. Their research shows that companies that ensure that both their customers and employees are well-engaged, will gain the company in terms of company performance. Kumar and Pensari (2016) present both employee engagement (EE) and customer engagement (CE) as equally important when defining engagement. Employee engagement (EE) covers the connectedness between employees and customers, and the attitude and behavior of employees towards the firm. On the other hand, customer engagement (CE) is more focused on customer purchases, referrals, influence and knowledge. Additionally, how to create feedback, communication and interaction within social media, which is possible to reach by being orientated in the market and by knowing what their customers want (Kumar & Pensari, 2016). A lot of research has been done on how to create and keep consumer engagement. However, there is limited research on what high or low consumer engagement can mean for a company in terms of their brand and/or sales. We therefore find this as a gap in literature.

2.2 Electronic word of mouth

The Internet has led to the development of new forms of communication channels and platforms, further providing opportunities to create and share

user-generated content (Ismagilova et al., 2017). With the growth of Internet technologies, more and more consumers are using it as a tool for information seeking about a product or a company, which further has led to the emergence of electronic word of mouth (eWOM). Hennig-Thurau, Gwinner, Walsh and Gremler (2004) define eWOM as “any positive or negative statement made by potential, actual, or former customers about a product or company, which is made available to a multitude of people and institutions via the Internet”. eWOM can take place in different settings such as blogs, social networking sites (SNSs), discussion forums, and review websites. Due to its significant reach and public availability, eWOM is perceived as more powerful and credible by consumers (Hennig-Thurau et al., 2004).

Further, research has found different motivations for consumers to engage in eWOM communications, and can influence the way consumers evaluate the persuasiveness of eWOM, and further determine how often they visit an online platform (Hennig-Thurau et al. 2004). Mangold and Faulds (2009) present that when a message is considered persuasive by consumers, it will lead to information adoption, change in consumer attitude, purchase intention and sales. Additionally, eWOM influences other aspects of consumer behavior as well, such as, awareness, information acquisition, and opinions (Mangold & Faulds, 2009). However, there is limited research on the effect of eWOM on a company brand.

2.3 Online behavior and attitude towards brands

Digital content and social media have become a huge part of people's daily life, thus influencing their decisions and opinions. It is therefore crucial for marketers and firms to understand how digital and social media are used in the purchase-decision process in order to succeed in a competitive market. They need to know in which way, and when, consumers turn to social media as a tool for helping them decide which product or service. However, online purchase behavior differs by audience and purchase category. Consumers today enter the purchase path at various touch points, depending on if they first research a product, hear about a product from their social network or engage

with a brand. Hence, marketers need to know their customers in order to interact with them in the right way (Advincula et al., 2012).

By constantly considering potential purchases of products or services and evaluating the various providers in different markets, Advincula et al. (2012) argue that consumers are *always on*. Whilst social network users primarily use SNSs e.g. Facebook to pass time and for amusement (De Keyzer, Dens & De Pelsmacker, 2015), websites are primarily visited to gather information (Hongsohuang & Kannan, 2014). However, with the emergence of social media, an increasing share of communication occurs within this environment today (Mangold & Faulds, 2009). As such, hedonic product advertisements in SNSs may be more congruent with consumers' motives as they are not looking for information, and thus they can perceive it as more relevant (De Keyzer et al., 2015). Advincula et al. (2012) separate between passive and active consumers, where active consumers are purposefully seeking assistance to make the best purchase decisions, and passive consumers wait for the information to come to them. However, Advincula et al. (2012) also state that active consumers can be exposed to too much information, and that they do not need more information, but rather need help in making sense of it all. Brands can here play an important role, where marketers can optimize their brand by engaging consumers that are in both passive and active shopping mode.

An interesting finding in Advincula et al. (2012) research is *the role of brands*, which explains how digital and social media raise consumers expectations towards brands and change the optimal brand experience. Today, brands not only need to be available to consumers at any time, everywhere, but also be available to communicate and interact with consumers, and help them understand complex information. Because of the many opportunities with networking through digital and social media, consumers have much power and can demand more from brands than before (Advincula et al., 2012). Based on this, we wish to test whether consumer's behavior in social media (how they use Facebook) influences a company's brand.

Macdonald and Sharp (2000) argue that consumers believe a well-known brand is more reliable, and therefore have a tendency to use brand awareness as a heuristic when selecting a product. Additionally, consumers often believe that deceptive marketing tactics are not used by marketers whose products have high brand awareness, emphasizing that consumers may have a better attitude toward such company's advertisements (Macdonald & Sharp, 2000). Arli and Dietrich (2017) argue that Tajfel and Turner's (1979) social identity theory can be applied in the context of social media where people categorize, identify, and compare social media messages and evaluate how a brand or company portrays themselves in social media. Here, consumers' identification with a campaign can influence their behavior and show their evaluation toward the ad through e.g. liking or sharing (Arli & Dietrich, 2017). Additionally, familiarity with a brand influences consumer's confidence toward the brand, which in turn affects the consumers' intention to buy the same brand (Arli & Dietrich, 2017). Based on this, we wish to test whether a consumer's identification with a company's Facebook post/advertisement influence the company's brand or sales.

2.4 Personalization of social media campaigns

As mentioned, the emergence of social media has increased the share of communication in social media, and has significantly changed the tools and strategies for marketing communication (Mangold & Faulds, 2009). SNSs such as Facebook is often used to advertise, and Facebook alone has an average of 1.37 billion daily active users worldwide (Facebook, 2017). As consumers share a great deal of personal information on SNSs, marketers can use this information to personalize their advertisements. Tam and Ho (2006) define personalization as "a customer-oriented marketing strategy that aims to deliver the right content to the right person at the right time". Such a strategy requires a minimum amount of engagement by the customer in terms of offering personal information about oneself, and is used with the intention to influence purchase decisions (Aguirre, Mahr, Grewal, de Ruyter & Wetzels, 2015).

Current research focus on consumers' reactions to personalized services (Tam & Ho, 2006), whether they are fine with their information being collected

(often being unaware) to get personalized advertisements. Further, it is found that use of personalization in other digital media than SNSs can signal greater relevance and thus increase customer adoption. However, research on personalization on SNSs is limited (Aguirre et al., 2015). As consumers value proactive brand communications on brand-generated platforms rather than on consumer-generated platforms (Aguirre et al., 2015), one can argue that users can react more negatively the higher degree of personalization on advertisements on SNSs. This because consumers might perceive it as invasive as the advertisements are presented on a platform considered as personal space (Aguirre et al., 2015), thus more irrelevant than advertising in other online platforms. Based on this, we test whether personalization and the degree of personalization on SNSs can affect consumers attitude/response toward the company brand and sales. Here, we will include measures of consumers actual behavior through their engagement such as like, sharing, comments and eWOM.

3.0 Research model and statement of hypothesis

In the following section, we will summarize our research question and hypothesis into a research framework to clarify the relationship and interaction between the constructs.

3.1 Hypothesis

As discussed in the literature review, a competitive, unified market with increased use of technology and social media, has pushed firms to interact and communicate with consumers in a larger sense than before. A firm must engage customers at all possible touch points today in order to succeed. Christodoulides et al. (2016) suggest that consumers engage with digital and social media in three ways: *by consuming*, *by participating* and *by producing* brand-related media. Kumar and Pensari (2016) state that if both customers and employees are well-engaged, it will gain the company in terms of company performance. A lot of research have been done around how to create and keep consumer engagement. However, there is limited research on what high or low consumer engagement can mean for a company in terms of their brand and

sales. We therefore find this as a gap in literature and propose the following hypothesis:

H1) The higher consumer engagement on a company's Facebook campaign, the more likely the company will experience a strengthen in their brand reputation and increase in sales.

It is found that eWOM has an impact on consumers' purchase intention, consumer attitudes, information acceptance, information overload, and sales (Mangold & Faulds, 2009). However, there is limited research on what eWOM does to a company brand. Based on this, we propose the following hypothesis:

H2) When there is high level of positive eWOM on a campaign on Facebook, it strengthens a company's brand.

Research states that consumers today are using social media as a helping tool within the purchase-decision process, but in different ways (Advincula et al., 2012). Some argue that SNSs users are not looking for information (De Keyzer et al., 2015), but rather for amusement. However, there is little research on the effect of using social media networks in the purchase-decision process.

Building on these findings, the following hypothesis is formulated:

H3) When consumers use Facebook-posts and advertisements to gather information about a product/company, it will strengthen a company's brand and/or sales.

It is argued that Tajfel and Turner's (1979) social identity theory can be applied in the context of social media where people categorize, identify, and compare various social media messages and evaluate how a brand or company portrays themselves in social media. Hence, consumers identification with the campaign can influence their behavior in terms of their engagement (Arli & Dietrich, 2017). However, there is limited research what this behavior can further lead to, and we therefore present the following hypothesis:

H4) When a consumer identifies with a company's Facebook post/advertisement, it will have a positive effect on consumer engagement, and further strengthen the company brand and/or sales.

Although previous studies show that use of personalization in digital media signal greater relevance and increase customer adoption since it increases the personal relevance of an ad, research on personalization on SNSs is limited (Aguirre et al., 2015). Additionally, users can react more negatively the higher degree of personalization on advertisements on SNSs, as they might perceive it as invasive as the advertisements are presented on a platform considered as personal space (Aguirre et al., 2015). Building on these findings, we propose the following hypothesis:

H5) When a company's Facebook advertisement includes high level of personalization, customers will have higher level of engagement, and further strengthen the company brand or sales.

3.2 Research framework

Based on our hypotheses we have developed a research framework that present the relationship between an independent variable (IV), consumer engagement in social media (eWOM, online behavior, personalization) and its effect on the two dependent variables (DVs), brand and sales. The framework is based on the belief that the variables within consumer engagement will affect a company brand and sales.

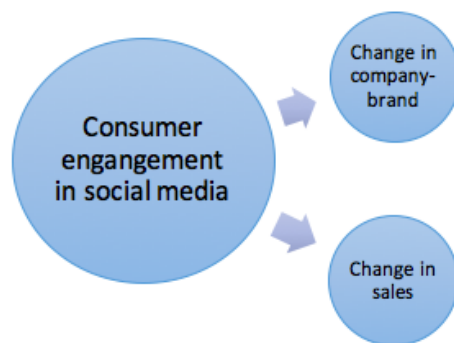


Figure 1 Research framework

4.0 Methodology

In the following section, we present a plan for the methodology of our study.

4.1 Design

For our study, we overall have an exploratory research design, where the objective is to explore a problem or situation to provide insights and understanding (Malhotra, 2010). For the time-being, our research model consists of one independent variable; *consumer engagement in social media*, and two dependent variables; *brand* and *sales*. However, our model will change when we develop a more detailed model later in our thesis (SEM model). Following for our study, we will use an experimental design with an online experiment, where the main purpose is to find and describe the relationship and correlations between the variables in our framework. Additionally, we plan to have a descriptive design with an online survey and gather data from one or two collaborative companies to gather data from their customers' Facebook engagement.

4.2 Manipulations

In our online experiment, we will manipulate the following variables; "personalization", "eWOM" and "level of consumer engagement". To manipulate personalization, the respondents to our online experiment through Qualtrics will be shown different social media campaigns with different degree of personalization. Further, respondents will also be shown campaigns with high degree of positive eWOM and high personalization, and vice versa. We also plan to manipulate the level of consumers engagement as well. To minimize suspicion of manipulations, subjects will not be given any information beforehand. The campaigns will be randomly assigned to respondents.

4.3 Sample

As we want our sample to be precise enough to strengthen the external validity and thereby make it generalizable (Malhotra, 2010), we want to cover a wide spread of consumers. Based on this, our sample for both surveys will be

Norwegian consumers from 18 years and above. Our minimum age is 18, since all the respondents need to be legal. As there might be differences in consumers online behavior and engagement, our sample will contain both male and female respondents. Further, we will stretch to achieve a large sample for our study as this further strengthens the study's external validity and will make us able to generalize our results (Easterby-Smith, Thorpe & Jackson, 2012).

4.4 Procedure

In order to carry out our study, it is crucial that we find firms to collaborate with. This to be able to receive data from their Facebook pages in social media we further can analyze. Further, we will conduct two surveys towards consumers; one experimental. Both will be conducted in Qualtrics and distributed online such as Facebook. The second survey will be, as mentioned, an online experiment, where different social media campaigns are manipulated. We also plan to ask the cooperative firms to share the survey on their websites and social network sites to receive a larger number of respondents. To minimize respondents discussing the experiment with others, the online experiment will only be available over a few days.

5.0 Thesis progression

A brief overview of the progression of our thesis is presented below.

January:

- Preliminary thesis hand in: January 15th
- Further work on literature review and research model
- Clarify research question with help from supervisor

February:

- Get a collaboration with suitable firm (s)?
- Preparation for data collection and research method

March:

- Data collection through online survey and experiment
- Gather data from company's Facebook

April:

- Work on analysis of results

May:

- Work on analysis of results

June:

- Work on analysis of results
- Correction of potential weaknesses

July:

- Correction of potential weaknesses
- Proofreading

August:

- Proofreading

September:

- Submission deadline: September 3rd

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