Chapter 13
Mobile Phone Purchases and the Consumer Decision-Making Process: The Role of Facebook Online Advertising

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ABSTRACT
Facebook has been one of the popular Social Networking Sites (SNS) in recent years. With an increasing number of consumer groups using SNS, an understanding of consumer attitudes and behaviour towards its advertising becomes useful for businesses, in particular for those mobile phone companies that encounter consumer tastes in favouring technologically innovative products. Furthermore, greater attention needs to be paid to the function of online advertising in influencing the purchasing process. The study in this chapter contributes to our understanding of consumer behaviour towards SNS advertising. The differing behavioural segments identified show that Facebook advertising impacts the pre-purchase stages of the consumer decision-making process in mobile phone purchasing. Furthermore, the findings show that whilst social networking amongst peers is recognized as a key determinant of online engagement formal networking enabled by technical mechanisms on Facebook can be another key reason for using the site.

INTRODUCTION
Social network websites (SNS), defined as website-based services that allow individuals to (1) create 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 (Boyd and Ellison, 2008, p.211), have attracted millions of consumers and have changed ways of people communicating and connecting to each other (Rutledge, 2008, p.6). In October 2011, online social networking ranked at the top of the popularity of website engagement worldwide.

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Today, a significant number of people in the UK are SNS users; they spend 25% of their time on SNS (Fenton, 2011). These websites have become ‘gold mines’ for businesses, e.g. mobile phone companies, advertising their products in order to reach specific targets (Dembosky, 2012). Online social networks provide opportunities for advertising, word-of-mouth and influential endorsement, ranging from direct advertisements (ads, e.g. banners, videos), fan pages and business profiles to discussions through comments or mini-forums. In 2011, online advertisement spending represented 27% of the overall UK advertising market, making the Internet the “dominant platform for advertisers” (Fenton, 2011).

Facebook appears to be the most popular SNS in the globe today (Price, 2012) with 727 million daily active users, approximately 80% are outside of the U.S and Canada, (Facebook, 2014). In the UK, 24 million people visit the site daily (Glenday, 2013). Indeed, Facebook recently reported that it had made about $2.02 billion revenue in the third quarter of 2013, and from advertising, that was around $1.8 billion which equalled to 89% of the total revenue. A majority of its revenue is based on selling advertising attached to businesses from which a ROI (Return on Investment) is sometimes calculated (Facebook-Investor-Relations, 2012). Its revenue resulted from advertising has been increasing over the years, in particular at $2.02 billion with an increase of 60% over year (Sterling, 2013). This demonstrates the particular interest businesses have towards Facebook.

Opinions on the results of Facebook advertising are controversial. While a study in 2012 revealed that companies such as Starbucks actually witnessed an increase in sales after having communicated on Facebook (Polites, 2013), General Motors stated that it was to stop paying advertising on the social network because of a lack of “big impact on consumers” (Muller, 2012). Although reports state that Facebook advertising has positive or negative results (e.g. Brustein, 2013; Manjoo, 2011), there is a lack of empirical research on how advertising through the social network affects consumer behaviour in purchases.

A closer look at the mobile phone market shows that its audience is extremely large with 94% of the UK adult population owning a mobile phone at the end of 2012 (Ofcom, 2013). Since the arrival of Smartphones, the sales have been twice as much as iPads (Elmer-DeWitt, 2013); however, the competition in the market has been even tougher, for example, Android remained to dominant No. 1 OS spot in the UK with 58.4% of the market in the first quarter, 2013, Apple iOS listed as the second with 28.7%, but it dropped down by 1.4% from quarter one 2012. At the end of March 2013, Samsung had half of the ten best-selling smartphone models (Withers, 2013).

To perform companies have had to find new ways of competing and communicating with their customers (Euromonitor-International, 2012). One of the new ways of communicating is via Facebook. Indeed, one can easily witness that today many mobile phone companies advertise on Facebook and create Fan Pages according to the countries of their businesses in adapting their communication (i.e. Samsung UK, Samsung US). On the social network, they constantly post images of their new products, organise competitions and events, giveaway promotional codes or any offers, allowing them to remind themselves in the news feed of the consumers who subscribed to the Fan Page (Facebook, 2013). With a massive audience and an extremely competitive environment, it would be of importance for the whole industry to understand how Facebook actually helps mobile phone companies to influence consumers’ attitudes and behaviour.

Studies on Facebook have been on brand-related word-of-mouth and its effects on consumers’ interests towards a brand (Reynolds-McIlnay and Taran, 2010), on the virtual brand communities
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