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Does social media help create brand loyalty?

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Are Companies Using Ads Correctly on Social Media?

Honors Thesis: December, 2015

Ali Russo

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Introduction

Theory:

Throughout my time at Haworth College of Business, Social Media has been a big topic of discussion. The issue has not been if companies should use it as a tool to reach consumers but how do companies effectively utilize Social Media sites. Companies have two important ways to utilize these sites: the first is to collect data from users, and the second is to create a platform where they can interact and influence purchasing decisions. I wanted to create a thesis that focused on the interaction side of Social Media. Initially, I wanted to see if Social Media would create brand loyalty among consumers using Social Media sites. A study done by Irem Erdogmus and Mesut Cicek, *The impact of social media marketing on brand loyalty*, was the starting foundation for my thesis. The study found that there are four factors contribution to brand loyalty on social media: relevancy of content, popularity of the content among friends, appearance on different Social Media sites, and delivery of applications (Erdogmus and Cicek 2015). Noticing that these themes could have a possible overlap to consumer's viewpoints on ads on Social Media, I decided to change my topic to encompass consumers' viewpoints on ads.

To get more information about ads I reached out to two industry professionals, John Kochmanski, Senior Channel Manger for VML and Keith Boswell, Director of Social Strategy for Meijer. Mr. Kochmanski, who works for an advertising agency, expressed the importance of personalization. On the other hand, Mr. Boswell, who works for a retailer, emphasized the importance of creating a space where Meijer can market their product, provide customer service, and create engagement with consumers. Both stated that consumers want a customized experience, with the crucial problem being how to use all this consumer data to find out how to personalize their companies' communications to reach consumers. Companies today cannot send one generalized message to consumers. Consequently, I wanted to create a study that looked at how successfully companies personalize their messages to consumers.

Research Questions :

Before examining if consumers were aware of companies' emerging trend towards personalization in ads, I wanted to find out why consumers use Social Media. First, I asked foundational questions related to consumers' perceptions of personalization of ads. From there, I asked more specific questions about ads using the Erdogmus and Cicek (2015) findings for brand loyalty to investigate similar themes in consumers' viewpoints of good and bad ads.

- Why do consumers interact with Social Media?
- How do consumers view ads on Social Media?
- What factors are important to consumers when watching ads?
- What is personalization?

Propositions

- Social Media users will ignore ads because that are not relevant.
- Consumers will respond to ads that are entertaining and salient.
- Social Media users would define personalization as ads that are related to past purchases.

Methodology

Data Collection:

The data was collected from 12 interviews that were administered to undergraduate students who attend Western Michigan University and are of the Millennial Generation. The Millennial Generation are individuals born between 1982 and 2002. The data were collected from October 19 through November 17, 2015. The interviewees were contacted in person to participate in the study and were given the title of the study *Are Companies Using Ads Correctly on Social Media?*, as well as, a brief description. I interviewed those students who chose to participate in the study.

Data Collection and Analysts:

The 12 interviews lasted around 45 minutes. During this time interviewees were asked questions about how they interact with Social Media. There were a set of five questions that were mandatory in each interview but the rest of the questions were left to the interviewee and the topics they felt were important.

The number of interviews was based on “data saturation”—that is, I stopped conducting interviews when new ideas were no longer emerging through the interviews, and I was hearing similar ideas repeated. Once the interviews were completed, I transcribed the interviews and imported them into Excel. Once the text was in Excel, I searched the interviews for overall theme and then identified for corresponding quotes.

Interview Design:

The interview was designed in order to learn the following information from Social Media users:

- How and why do individuals interact with Social Media daily?
- How do Social Media users view ads?
- What platforms do Social Media users use to learn more about companies and their products?
- Would users of Social Media buy products from Social Media?
- What makes a consumer brand loyal?

Interview Layout:

Each interview format was different depending on the interviewees’ views about Social Media and how relevant the questions were to their personal interactions related to Social Media. Listed below are the major questions each interviewee was asked during their interview:

- What Social Media platforms do you use? Why?
- Would you consider yourself brand loyal? Why?
- What do you think about ads on Social Media? Annoying? Helpful? Informative? Explain.

- What information do you want companies to tell you about their products on Social Media?
- Do you use Amazon? Do you like Amazon? Why?

Findings

Finding 1: Why go on Social Media?

Why Social?

The question that needed to be answered first was, why do the interviewees go on Social Media? The theme that could be consistently found through their responses was: communication. Communication is defined as keeping in touch with family and friends, learning about events and news, and connecting with companies. Yet, while communication was the overall theme, each Social Media site was used for a different use. The major websites and their uses will be described as follows.

- Facebook is seen as the most trustworthy site. Many users see Facebook as a way to connect with friends and family, to be entertained, and to catch up on current events.
- Twitter, on the other hand, is viewed as a site where one can instantaneously find out what is happening in the world. Many users liked how they could directly interact with companies through promotions, and get up-to-date news on current trends or on the celebrities whom they were following.
- Instagram is a way to “show off your style” through photos, while not sharing everything about yourself.
- Other sites mentioned included Snapchat, which provides a means to communicate with friends; Tumbler as a source of news, and Pinterest as a site to get in touch with one’s crafty side.

Quotes:

- Male 22, “Again there are different functions for each social media so that’s kina a varied question.”
- Female, 22, “I’d go to Facebook first. I mean, I use all of them pretty much equally but I think of Facebook as being more reliable. Instagram you only have pictures, whereas, Facebook you have articles where you can receive information. Whereas Instagram or Twitter, you have a limit on pictures or words.”

Interaction With Companies

When asked directly how they interacted with companies on Social Media, only a few respondents said that they connected directly with companies, by following or liking them on Social Media sites. The majority of the interviewees said that they would never interact with a company on Social Media. When the question was rephrased to “how do you interact with you favorite products on Social Media?” or “how do you interact with ads?” the story changed. Many users of Social Media do not consider their actions to be supporting a company when they actually are. Consumers only view interactions with companies as following them on Social Media. When the question was narrowed down to ask specifically about products

interaction on Social Media, there was a variety of responses. These responses will be discussed in the next section “Interaction with Products.”

Quotes:

- Male, 22, “Absolutely not.”
- Male, 22, “Ah, not so ,I mean that I follow them on LinkedIn and even Twitter. But, I don’t really interact with them or like comment on their stuff.”

Interaction with Products

When the pressure was off of interviewees by not having to think at the top level and could focus on individual items they liked, responses came flooding in. Respondents said they would be inclined to explore a product or company based on a friend’s recommendation, if the product was relevant to them, and if they considered that friend a close friend. Interviewees also openly stated that they would share posts regularly about upcoming events and product innovations that they found interesting. Lastly, users stated that if a company posted promotional activity including giveaways, price updates, sales, new products, and recipe ideas they would interact with that company. A few users who used Social Media heavily said they would also use Social Media as a way to communicate directly with companies about bad service or products. Even with all these interactions, the interviewees repeated they would only follow or interact with the company if the product or company was relevant.

- **Quote:** Female, 20, “I love Pitch Perfect, and Pitch Perfect 2 is coming out and I would follow them on Snapchat, and on Facebook and anytime they would post something, I would be the first one to share it and I would let everyone know. They were doing give a ways and I would try to enter that, so I guess I interact in the way that give and take, I’m not the one that necessarily say I love Hidden Valley Ranch like it’s the best ranch. If they were doing a give away or pick your own flavors I might go and do it that way but they have to reach to me first. And for brand loyalty but on the opposite end of that, if I don’t like a brand I might post a negative review here and there. Just like it is really bad, that is usually with experience in customer service.”

Finding 2: User Profiles

With communication being the overall theme for Social Media usage, there are many different types of users who have different expectations for their Social Media experience. This section categorizes groups of users, based on their expectations for Social Media.

There were four distinct groups of users that were characterized in the interview:

- Heavy Social Media Users
- Older Millennial Generation
- Anti-Social Media
- News Group

Heavy Social Media User:

Heavy Social Media Users consists of users who use as many Social Media sites as possible. They are influenced by what is trending and popular. These interviewees like to interact with companies if the companies ask them to interact with them through Social Media and are not afraid to share their experiences online if they are not happy. These users want ads that are trendy, personalized, and do not take away from their Social Media experience by having flashy ads on the side or ads that a user can't exit out of instantly if they are not interested.

Quote: Female, 22, "It depends on what is considered cool. For example, I wouldn't mind seeing Fast Food on Social Media. I wouldn't mind seeing promotions for McDonald's, Taco Bell, Applebee's, or Outback. But I don't want to see ads on chairs and tables. Clothes I wouldn't mind seeing...Depends really on what the company is, and if it is considered trendy, I guess."

Older Millennial Generation:

Just like the name states Older Millennial Generation interviewees are those at the beginning of the Millennial age group between 28-33. They are more concerned about networking and finding deals when purchasing products on Social Media. These users are brand loyal to only a few items but will interact with the brands they like. They want to see deals from companies and will participate in promotional events for companies if it involves their feedback. These users don't mind ads but they want advertising that provides information about price or the innovation of their product. They agreed that they get annoyed with the oversaturation of ads.

Quote: Male, 31, "I want to hear about special releases. I want to hear about prices updates. I want to hear about, price is important to me and if there is a certain new item that they are coming out with or a certain new service that someone is going to offer, then I want to know about that too."

Anti-Social Media:

The Anti-Social Media group only uses Social Media when they are bored, or to keep in touch with friends and family. They feel that they are not swayed by the ads on

Social Media because they are not impulse shoppers. They believe heavily in past experiences and may interact occasionally with their favorite brands on Social Media by re-sharing posts of their favorite brand. They maintain that they are not influenced by ads and they find ads very annoying.

Quotes:

- Male, 22, "No, I am not really fooled by ads. I am a very frugal investor. I don't buy very many things. I buy food and that is about it. I will occasionally buy something else, but like a general product. I am not going to buy the new hottest clothing line."
- Male, 21, My opinion is my opinion."

The News Group:

The News group is active on Social Media but not as active as the heavy Social Media group. Their major reason for using Social Media is to get up to-date news or news that is trending on Social Media and for entertainment purposes. They use Social Media to look at images or videos while searching for creative ideas or current trends on Pinterest. This group likes ads that are entertaining but does not feel that they would purchase products after viewing the ad.

- **Quote:** Female, 21, "But if it is just a cute funny video or whatever, like just with Facebook when the videos start playing on your phone, I end up watching stuff. Like why am I watching this, but then I am oh that was nice, I am glad I watched. Otherwise I wouldn't have watched it."

Finding 3: What is a good Ad?

In response to the question , “How do you feel about ads on Social Media”, the interviewees stated that they accepted the fact that ads are a part of using Social Media. The challenge is having an ad that meets the needs of the platform on which they are shown. Many interviewees stated that they felt even though Social Media ads are a part of Social Media, they do not believe they belong on Social Media. Some of the factors that make ads unwelcome is when they take over the screen when one is on Social Media and distract attention from what one is doing, or if there is no way to stop or skip the ad. When asked about how often would buy a product that they interacted with on an ad, all respondents admitted that they have bought products they have seen or interacted with from an ad, with the average responder stating between one-fourth to half of the time! The interviewees indicated there are certain qualities they are looking for that they believe impelled them to make the purchase. These factors, price and quality of an item, will be discussed more in Finding 4.

Quotes To Support Findings:

- Male, 24, “Because I think is just, you know, the name of the game. It is the business world that we live in today. It is a twenty-four seven communication with consumers, so as long as it is not interfering with what I am currently doing I don’t consider it a hassle.”
- Male, 31, “When you were using Social Media you weren’t choosing to look at those ads. When you are watching TV, you are choosing to watch commercials. It is just part of it, that is a given when watching television is that there is going to be commercials. So I think that Social Media is probably coming around that way where it is going to be a given if you are using Social Media, you are going to see advertisements. You are going to eventually see commercials, you are going to have videos that start playing when you scroll by them.”
- Female, 21, “Depends on the ad. If it is a new brand or a brand I follow than I am interested. But again if it is something that is not relevant to my life, than my first thought it is annoying.”
- Male, 24, “The more I see it, the more likely I am probably to buy it. So if you include savings or store lines with it, it makes sense that I would probably buy it more. The more likely I am to buy the product.”

Bad Ads:

- No Interest/Not Relevant
- Not Personalized
- Over Exposure
- Takes away from user’s experience:
 - Popup ads, Flashing ads, No Skip ads

Quote: Male, 21, “Cause they look like every other one. They just don’t, they don’t pertain information that is interesting to me. Like I am not very interested in running shoes, so I don’t really like Nike’s ones.”

Good Ads:

- Interesting/Relevant
- Personalized
- Have a benefit
- Emotional/Inspiring
- Informational
- Blends in

Quote: Female, 22, “I think that both has its part, personally I would be more of the emotional part like you see an inspirational commercial that would increase my likelihood to buy that brand, but on the second hand, there is sometimes there is knowledge that you don’t have... Usually I’d see those, with information, with not so much emotional. Also, for a new product, something that I didn’t know anything about.”

Amazon:

Amazon merits a separate discussion because all of the interviewees talked about how they liked Amazon’s strategy for advertising, even though only about half of the interviewees had actually used Amazon. The interviewees indicated that Amazon’s site was easy to use and was not overwhelmed, with ads. When a person is looking at items on Amazon, the only advertising done is a suggestion of other similar products that others consumers had purchased and others items that other consumers bought along with the product. Many interviewees felt this is a great strategy because the ads were subtle and, depending on the item, acts as a reminder or an easy way to buy items that are needed for the item you just purchases. The similar items are relevant to what the consumer is looking for so it not seen as an annoyance to the consumer.

- **Quote:** Male, 24, “Yeah, I think I would have to go back to Amazon. Just the surfing Amazon, I think they do a really good job based on past shopping history. They bring you sales and categories that you would be interested in.”

Finding 4: Factors that Inhibit and Support Purchases

Factors:

- Price
- Quality

The fourth finding related to external factors that influence a consumer's purchase outside of how effective an ad is. It should be cautioned that these factors might only have to do with the Millennial age group that was interviewed for this study. When asked if they were brand loyal to a company or products, all responded that they don't consider themselves brand loyal, although there were a few products with which they are brand loyal. Many interviewees stated that the quality of a product was the main factor for buying an item and the main reason they stay loyal to it. Since the interviewees were Millennial college students, their incomes were not that high, and many purchase decisions were influenced heavily by price. If they were purchasing technology products, they were less influenced by price if they had a past history with the product. I found that purchases in the food industry were highly influenced by price rather than brand loyalty. It should be noted that innovation of products is considered when the interviewees talked about quality. Innovation is a key component of an interviewee's purchase or desire of an item.

Quotes To Support Findings:

- Female, 20, "But right now, I'm in the point of my life where price is the biggest factor for me. Specifically with groceries and going out to eat and stuff like that. I'm starting to lean more to quality, especially with my health. I need to spend a little bit more by getting fresher foods so I can stay healthy. For example, Hidden Valley Ranch, I will not consume any other dressing because I love the taste of Hidden Valley. And there are certain meat like hamburger, 90.10 hamburger, that is quality. I guess that isn't brand loyalty because if it is over my budget then price will overcome."
- Female, 21, "Innovation, I guess, because if I have already seen the product a million times, what is new about the product that they are selling now."

Key Take Away: Consumers want an ad that reflects who they are as a person!

Even with each group having their own personality and usage for Social Media, each individual within the groups only seemed to purchase an item if it resonated with who they are as person. All four groups agreed that cost and quality were major factors in a purchase. Each group stated that the ad needed to be relevant and innovative, while not taking away from their Social Media experience since the main reason to use Social Media is for communication and entertainment purposes.

From the examples and descriptions that each individual described about their Social Media experiences, I believe that not only does the product need to be relevant, innovative or beneficial to the consumer, but it has to fit their lifestyle and make a connection with their life experiences. The product has to accentuate who they are as a person. That connection can be made through being relevant, making life easier, or the being right price. A person will not buy an item unless it highlights how they want to be seen or has an emotional tie reminding them of an experience they went through.

Overall, I believe companies have the right idea on how to personalize ads but they need to make sure that their the ads blend in with the stories already on their user's feeds. Any ad that takes away from a user's experience will not be supported!

Limitations

The main limitation of the research is the small sample size with little diversity in ethnicity. Having a small sample size could mean that the sample is not representative of the population of Social Media Users. Of the sample of students, 10 were white, 1 was Hispanic, and 1 was African American. This could also affect findings based on different cultural usage of Social Media. To counteract these limitations I talked to Industry Professionals to see how companies use Social Media to promote their company and products. I also got industry professionals' viewpoint on how they define users' interactions with Social Media based as categorized according to behavior and demographics.

Future Research:

The following are questions arising from my research that merit further exploration:

- How does a user who has a Social Media page but does not post on that site process company and product data?
- How do other generations interact with Social Media? Is quality the only factor when purchasing an item or does price still play a major role?
- What type of personalized messages do consumers remember?
- What specific ads do consumers remember purchasing from? Why did they make the purchase?

I feel that as ads become more personalized it is going to be harder for companies to diversify their product. It would be interesting to do another study on specific ads to see if there are patterns within ad messages that creates a high consumer purchase and interaction rate. If that theme can be identified, a company will have an advantage moving forward because consumers might not be consciously aware of behavioral patterns in purchasing from ads. Maybe a consumer buys from ads because of price all the time or because of the message an ad contains. From my study I do not believe a consumer makes a purchase unless there is a benefit to them that also connects with how they want to be seen as a person. If a company can figure out where that connection point is and repeat it with any of their products, this could create a huge point of differentiation for companies.

Strategic Recommendations

All interviewees talk about how companies need to create ads to reach consumers. When asking them their viewpoint on how companies should use ads, all said they should personalize their ads to different sites depending on their message and target consumer. They believe there is a benefit to having ads on all platforms but the message has to stay relevant on platforms. Through my findings companies should have three types of ads:

- Generic Ads
- Excitement Ads
- Emotional Ads

Generic Ad

Generic ads are the typical ads that consumers encounter. They have no other purpose than to drive impulse sales. What needs to be emphasized is that these ads need to unlock something within the consumer's mindset to give themselves permission to make the purchase. Some of those unlocking points could be that the product is on sale, that the product has a benefit for the consumer. Or the advertising could just be a friendly reminder of a product that the consumer buys frequently

Excitement Ad

Excitement ads give consumers information about both existing and new products, aiming to create excitement and demand. With this type of ad, companies need to keep in mind what consumers say they want and what they actually want. Consumers say they want comparisons of attributes but in actuality consumers will research the strengths and weaknesses of the product on their own time. These ads need to highlight product innovations and features that the target consumers want and follow. Usually showing the benefit will be enough for innovation but it has to be done, in a relevant way.

Emotional Ad

Emotional ads target emotional ties through a message that resonates with consumer's lifestyle and perceptions. It has been proven (Sad Men) that an ad that just shows the benefit of an item does not get as many views as an ad that shows how the product is used. For example, when talking to an Industry Professional from Meijer, he shared that an ad they did for a vacuum featuring a puppy that made a mess that was cleaned up by the vacuum, got a lot more views than an ad that just advertised the vacuum's benefits. These ads should also be targeted to grab the consumer's attention so that they will make a mental note to watch the full ad later. These ads should not come off as traditional ads but as videos that share a message,

while promoting an item. Again the message does not have to be this big finding, it just has to be relatable to the consumers being targeted.

Final Conclusion

There is no guidebook to making an ad for Social Media. Consumer's desires are constantly changing and many interviewees were not sure what they want. The major finding that I want to stress is that an ad needs be personalized in away that highlights many of the traits listed in this paper by being relevant, funny, or informative. The bottom line is that an ad has to meet the needs of a consumer, either through providing a message with which the consumer can agree, or by featuring a product that will make the consumer's life easier. An ad will only be effective if it is targeted correctly, the message is clear, and it is not seen as distracting by the user during the consumers' Social Media experience.

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