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Mestrado em Gestão de Informação  
Master Program in Information Management

## **Facebook Sponsored Ads and Likelihood to Purchase**

**Stefani Paunoska**

Dissertation presented as partial requirement for obtaining the  
Master's degree in Information Management

NOVA Information Management School  
Instituto Superior de Estatística e Gestão de Informação  
Universidade Nova de Lisboa

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by

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## **ABSTRACT**

The changes in the technological environment have been reshaping the marketing industry. Sailing through ‘newborn’ opportunities, businesses have options which can lead them to a new dimension of success, whether it is a small, unknown, or very famous business. Companies are being forced to consider another form of marketing and discover new strategies to gain better competitive positioning in the market. One of the newest marketing tools is the Social Media Advertising (Sponsored Ads) which is cost-effective and affordable approach to extend their target market. With limited empirical research in this field, there is a need for further exploring of the Social Media Advertising. Based on the review of the literature and different sources, an online survey was disrupted to current users of Facebook. This paper investigates some of the variables that affect likelihood to purchase. Likewise, the analysis of the responses demonstrates the ad receptiveness of sponsored ads based on content and industry preferences. Based on the marketing literature, this thesis explore already proposed factors that affect motives for using SM and components that encourage content engagement and opening ads. It provides suggestions for developing strategy which can have a powerful impact within rapidly changing consumer environment.

## **KEYWORDS**

Social Media Marketing; Sponsored Ads; Likelihood to Purchase; Industry Preferences; Content Preferences;

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# 1. INTRODUCTION

According to Saravanakumar & SuganthaLakshmi (2012) social media has become the main way of social communication in the 21<sup>st</sup> century, where people can express their own beliefs, ideas, and manners in new ways. These messages have had a huge impact in the business world, where they have realized that synchronization with social media and customer interaction is necessary in order to stand out in the rapidly changing freedom (Saravanakumar & SuganthaLakshmi, 2012). In order to survive in today's fast-changing and very competitive world, businesses should seek new innovative ways to gain more customers and succeed. According to Bond et al., (2010) consumers manifest desires for entertainment, information, social interaction, a convenience that can be provided by various social networks by marketers. These desires can be provided by marketers on different social media platforms where they have the opportunity to create innovative and engaging content for their current and potential consumers (Bond, Ferraro, Luxton, & Sands, 2010). To guarantee successful attendance on social media, businesses should take different marketing strategies into consideration in order to boost their brand in different aspects (Saravanakumar & SuganthaLakshmi, 2012). One of the ways is to create a two-way exchange of information with the audience (Nadaraja & Yazdanifard, 2013), where both, companies and consumers would have collective interaction and share information regarding recommendations, preferences, and experiences (Chen, Fay, & Wang, 2011). Nowadays, social media is one of the most common methods for connecting people in order to share information, ideas, beliefs, and even emotions. (Alavi, Mehdinezhad, & Kahshidinia, 2019)

As reported by Shareef et al., (2019) most of the fast-growing companies tend to promote their product attention and gain favorable perception through viral marketing and social networks. The authors stated that around 70% of the active users of social networks visit social media platforms for additional product information prior to buying it (Shareef, Mukerji, Dwivedi, Rana, & Islam, 2019). According to Business Insider, Amazon is one of the most spending companies in sponsored ads. (De Luce, 2019) Therefore, Amazon's annual advertising costs are 8.2 billion USD in 2018, from which approximately 1.84 billion USD were spent on media advertising (Clement J. , Worldwide Amazon marketing expenditure 2010-2018, 2019). By investing such a huge

amount in media advertising, it had resulted by a 3.5% increase in sales. (Johnson, 2019) However, by the end of 2019 social media will own 13% of the global ad spend, which makes the third-largest advertising channel, after TV and paid search (Gesenhues, 2019).

Social media is about finding creative new ways to bring users' voices together to get what they want (Saravanakumar & SuganthaLakshmi, 2012). At this point, the companies are surrounded by various opportunities and strategies by the social media platforms, which can bring them better competitive positioning in the market place. (Constantinides, 2014) Social media marketing triggers viral communications from customers by using online websites, communities, brand fan pages, as well as, promotion-related content initiated by businesses on the popular social network platforms such as Facebook, Twitter, Instagram, etc. (Dwivedi, Kapoor, & Chen, 2015). Furthermore, according to Chen et al., (2011) the customers can reach different sources of shared information from other customers regarding their recommendations and experiences for certain products/services. Nowadays, many people trust word-of-mouth based on the reviews of other people, which significantly influences their purchasing decisions. For instance, based on a survey published by Wall Street Journal, it was reported that 71% of online U.S. adults use the customers' reviews for their purchasing decision, and about 42% of them trust such a source (Chen, Fay, & Wang, 2011). Along with technology changes, new ways of advertising were introduced (Curran, Graham, & Temple, 2011). There are two ways for businesses to interact with the audience, paid and unpaid. Unpaid is also known as an organic approach, and by the term paid advertising marketers associated with sponsored ads (Sanne & Wiese, 2018). Nowadays, this type of advertising is very popular on social media like Facebook, Instagram, Twitter, etc. Facebook has opened up an excellent platform for advertisers, which offers a connection with over 2 billion people worldwide (Shareef, Mukerji, Dwivedi, Rana, & Islam, 2019). According to Curran et al., (2011) Facebook offers a new model to advertise where businesses can engage with consumers. The platform of Facebook allows advertisers to target their audience precisely at very low cost, which can be used even by small and unknown businesses (Curran, Graham, & Temple, 2011). As reported by Forbes, businesses have to catch the opportunity to be on social media. There are numerous things advertisers can do on social media even without paying anything (Patel, 2015).

However, by the research of Sanne & Wiese (2018) different industries are facing different limitations and challenges with advertising on social media. People are different ad receptive to

certain industries. (Sanne & Wiese, 2018) Different ad receptiveness reflects on different preferences, ideas, content, and indeed industries. Since technology is reshaping the marketing industry, marketers are being forced to consider new ways to promote their brand image, as well as, their products and services. Social media marketing and advertising strategies are quite unexplored and uncertain. Therefore, the purpose of the master's thesis is to gather valuable information from which certain companies can benefit and use it as a part of their marketing strategies.

This research analysis is based on marketing literature review and a survey. The literature review summarizes the factors that influence motives to use social media, factors that encourage engagement and opening ads and overview for ad receptiveness in different industries. On the other hand, the second part of the study was conducted to a survey that analyzes a regression model where the likelihood to purchase is the outcome variable. Besides that, ANOVA analysis was contributed to finding out if the likelihood to purchase is the same for different interested levels of people within different industries. The last part of the results presents the industry and content preferences of the survey participants. Finally, the discussion connects the findings of the survey and propose recommendations based on the literature review.

## 2. SOCIAL MEDIA MARKETING

*“Social media marketing is an integral element of 21st-century business”* (Felix, Rauschnabel, & Hinsch, 2016, p. 1). In this chapter, there will be an overview of what the meaning of social media marketing is, what are the purposes and objectives and how businesses implement it as their new marketing tool. Furthermore, it differentiates the terms paid from unpaid marketing. As well as, suggests how businesses should use social media and what their benefits would be.

### 2.1 Viral Marketing

According to Porter & Goldan (2006) the term viral marketing initially appears in 1996 by the owners of a venture capital firm Draper Fisher Jutvetson. They have described their marketing strategy as using free email service Hotmail. They encouraged people to spread the usage of Hotmail accounts by passing a link to create an account from user to user. This strategy brought

them 10 million Hotmail users in only 7 months. Therefore, this case was used to interpret viral marketing as a marketing strategy and distribution. As the authors stated, it was described as a communication and distribution concept, which encouraged the customers to transmit digital products via electronic mail in order to reach more potential customers. In other words, it was described as “viral communication” and as an easy and cost reduced way of transmitting messages. By choosing truly compelling content for their products and services, marketers could use this strategy for ‘spreading the message’ and drastically increasing the number of consumers (Porter & Goldan, 2006).

Based on the research of Bhattacharya et al., (2018) other marketers describe viral marketing as a way of communicating with customers, which can potentially reach a large audience in a very short period. VM differentiates from traditional marketing by having the ability to reach the customer group with common interests. In many cases, this can be a friendship network that arise with common opinions and interests. In terms of endorsement and recommendation, this type of communication has shown better impact and acceptability than third-part advertising. There are many examples of companies (such as Amazon, Google, Microsoft, BMW, Samsung) that have succeeded virtually, with consumer-driven communications. This approach in marketing is also known as an epidemic model, which works based on contagion through interaction among people, where the whole population is categorized. (Bhattacharya, Gaurav, & Ghosh, 2018)

By some marketers, viral advertising is defined as a way of influencing and encouraging audience to pass along the information to others. It is known as an unpaid peer-to-peer approach where the consumers spread information about brands, to potential consumers, and in that way, the information is passed by rapidly. (Shu-Chuan, 2011)

According to some researchers VM is also known as word-of-mouth (WoM), which is described as a marketing mode where the information can be rapidly copied at a low cost. This indeed, uses certain social network platforms (such as Facebook), where the scale of the pre-existing platforms is believed to be large and random. VM differentiates from traditional marketing methods by spreading the information through WOM marketing, which turns out to be considered as more trustful for many consumers. (Yanga, Yaoa, Maa, & Chenb, 2010)

Bhattacharya et al., (2018) have stated that VM is one of the recent marketing strategies which is also known as word-of-mouth marketing. Therefore, this marketing strategy encourages the

audience to share information about their preferences, product/service specifications, likes, dislikes. As a reward of sharing this information with their friends on social media and email, it brings benefits to them, such as credit points, extra discounts, cashback, promo codes, etc. Because of the very active social media, nowadays, creating a viral ad campaign is a very cost-effective and fast way of spreading the word. The internet word-of-mouth tool is one of the most influential factors for today's marketing revolution. (Bhattacharya, Gaurav, & Ghosh, 2018)

As stated by Shu-Chuan (2011), nowadays, Facebook advertising has a tremendous influence on peoples' behavior and preferences. Consequently, the foundation of viral advertising comes from the idea the consumers to pass along the information to others regarding a product/service. This approach represents a revolutionary trend for advertisers that hope to encourage consumers to share information as much as possible. As consumers turn SM platforms (especially Facebook) as a trusted source for information and opinions, new opportunities for businesses arise to create consumer-brand relationships and viral marketing platforms. (Shu-Chuan, 2011)

## **2.2 Social Media Marketing**

In order to clearly define what social media is we need to rely on the data that presently exist. The reason for this is the constantly changing social media platforms and adapting to the requirements of the society. Very important factor that influence on the broad definition is that some of the platforms have scaled down from public broadcasting, while others have scaled up from private communication. Also, important influence creates the level of how private or public the platform is. Therefore, according to Miller, et al., (2016) 'social media can be defined as the colonization of the space between traditional broadcast and private dyadic communication, providing people with a scale of group size and degrees of privacy which is termed as scalable sociality'.<sup>1</sup> (Miller, Haynes, & McDonald, 2016). While, Kaplan & Haenlein (2010) associate social media with digital technology and define SM as 'a group of Internet-based applications that build on the technological

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<sup>1</sup> Scalable sociality- The term sociality in the book is described as study of how people associate with each other. While, scalable sociality refers to the level of privacy/publically of the social media platform.

foundations of Web 2.0<sup>2</sup>, and allows the creation and exchange of user-generated content'. (Kaplan & Haenlein, 2010).

The main objectives for social media marketing are to improve brand awareness and brand image, stimulate sales, reducing marketing costs, generating traffic to online platforms, as well as, creating user interactivity on platforms by stimulating the audience to post and share content. (Felix, Rauschnabel, & Hinsch, 2016)

The social media platforms are important forms of virtual communication where participants share knowledge, information and maintain social ties. (Coelho, Oliveira, & Almeida, 2016)

Social media marketing is a marketing strategy engaging through social media platforms to encourage and simplify a two-way communication with consumers. It is a new generation marketing tool that encourages higher attention and participation from the audience by using certain social networks. (Dwivedi, Kapoor, & Chen, 2015)

### **2.2.1 Paid and Unpaid Marketing on Social Media**

As reported by Stephen & Galak (2012) the marketers distinguish three types of media marketing: paid, owned and earned. Paid media refers to advertising, which is also known as sponsored advertising, while owned media is explained as a tool owned by the company (for instance their website). On the other hand, earned media is correlated with the publicity, which is known as traditional (e.g. publicity and press mentions) and social (e.g. using the social media platforms). (Stephen & Galak, 2012).

Sanne & Wiese (2018) stated that there are two ways for businesses to interact with Facebook users. The first is organic (unpaid), which counts brand pages that can be shared and liked, and the content posts (text, pictures, videos) on their brand pages. This allows engagement and constant interaction between the brand and its target group. The second way to interact with consumers is through paid advertising. This includes sponsored posts (promoting pages and boosting posts), click-to-site advertisements, pay-per-click ads, carousel advertisements, sponsored stories, and social plugins or applications. (Sanne & Wiese, 2018)

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<sup>2</sup> Web 2.0- the second stage of development of the Internet, characterized especially by the change from static web pages to dynamic or user-generated content and the growth of social media

Facebook ads are designed to look like a typical post, and “*blurring the lines for the users between paid and unpaid advertising*” (Sanne & Wiese, 2018, p. 1). However, there is a shortage of research that focuses on unpaid (organic) and paid advertising. (Sanne & Wiese, 2018)

### **2.2.2 Social Media Marketing in Businesses**

*“The social media are also defined as spaces where users create profiles, articulate themselves and interact in different levels with other people, brands and companies”* (Coelho, Oliveira, & Almeida, 2016, p. 458).

In the last two decades, the internet innovations have been an important factor that influences the business performances and reshaping every existing industry. Therefore, the 2.0 applications provide easier interactions between individuals by using social media. (Tajvidi & Karami, 2017). Many authors see social media as effective cyberspace where people are sharing and accessing reliable information, as well as, communicate without any need to physical presence (Zhang, Guo, Hu, & Liu, 2017). Thus, many companies see social media as an effective billboard that is going to help them to improve business effectiveness, as well as, branding strategies and positive eWOM (electronic word of mouth). (Tajvidi & Karami, 2017).

According to Constantinides (2014) the companies are surrounded by numerous new opportunities and strategies provided by the social media platforms, which can bring them better competitive position on the market and creating new and strong relationships with the customers. There are two main ways to use the social media in the business: Passive and Active approach. (Constantinides, 2014)

The passive approach aims to use social media as a potential source of customer’s voice by making a collaborative workspace where ‘everything is linked to everything as a single-global information’ (Andersen, 2007). As stated by Constantinides (2014) it provides information about the needs, customer experiences, competitive trends and movements, which can help businesses to track their problems and see potential opportunities. Thus, the traditional marketers in order to gain new and valuable information are using surveys, focus groups, and data mining and other conventional market research which consumes a lot of time and it can be very costly. While, the new-era marketers see on this approach as a high-quality information source that depicts the current marketplace situation, provided for a very low price. In this way, the businesses are able

to listen to the customer's opinion and instantly react to certain situations, or even participating in online conversations (Constantinides, 2014).

On the other hand, the active approach connects the social media with direct marketing and PR channels, and direct interaction with customers. This is an important opportunity for businesses, for customer acquisition and retention, as well as, product/service innovation and brand advocate. This approach can boost customer loyalty by providing a possibility to personalize and customize the products they buy. (Constantinides, 2014).

By the research of Sanne & Wiese (2018) Facebook offers a unique opportunity for businesses to engage with their target group and create targeted advertising campaigns. The brand pages of Facebook provide direct interaction between the businesses and their target market. By constantly communicating and sharing information the brands have a huge advantage and possibility to understand the needs and sentiments of their target group. (Sanne & Wiese, 2018)

As declared by Kwon et al., (2017) nowadays one of the newest trends in the marketplace is the online self-customization (OSC), which is an opportunity for the customers to create their own products based on their preferences. With the advancements in today's technology and 3D digital modeling, OSC is no more limited to provide the preferred product visualization with the required characteristics (such as color, materials, size, etc.). Many companies already use OSC as an influential tool for value creation and for gaining competitive advantage (e.g. Nike's NikeID, Louis Vuitton's Mon Monogram) (Kwon, Ha, & Kowal, 2017).

However, the developing relationships and trust with customers, and reaching potential partners should be a significant consideration taken by the companies. Also, the involvement in social media may play an important role for creating the business value, sales growth, e-commerce, and social commerce, customer trust, CRM, innovation and new product development and e-WOM (Tajvidi & Karami, 2017).

## **2.3 Social Media Advertising**

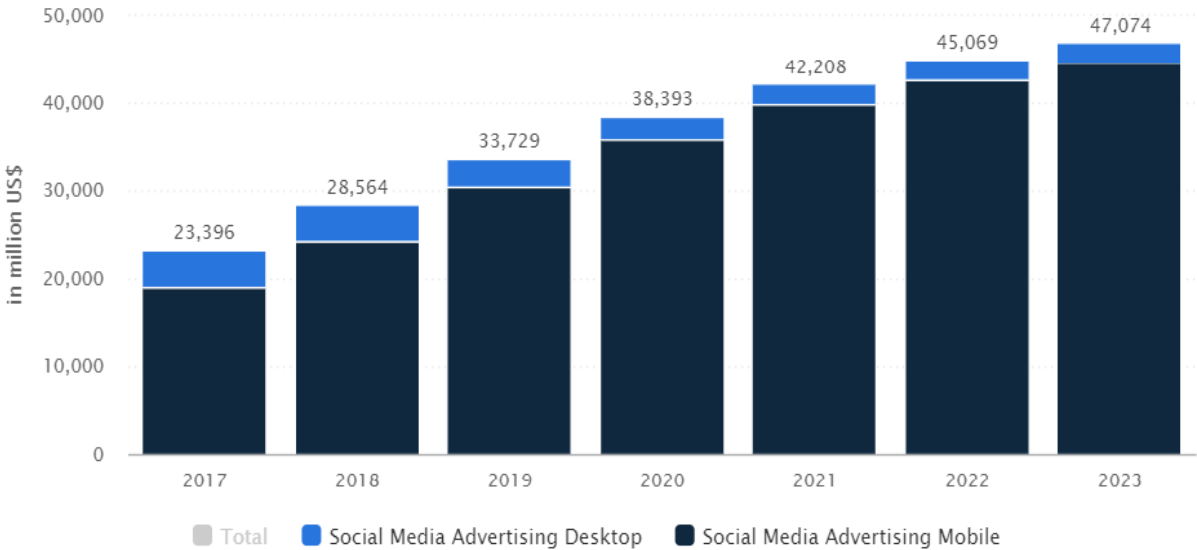
Adilson (2018) indicated that social media advertising is an extension of social media marketing. This is a tool to promote a certain product/service. SMM is the online personification of the brand and its purpose is to win more customers and followers, while SMA has to fulfill customers' needs



and provide a product/service (Adilson, 2018). Advertising on social media and monitoring the user-advert interaction has shown as very effective, especially for small businesses. Therefore, for the amount of small businesses that would invest in SMA, this approach could substantially improve their visibility and easily direct consumer traffic to the advertised business page (Dwivedi, Kapoor, & Chen, 2015).

The Figure below represents the overall estimation of ad spending in social media advertising (SMA). It takes into consideration both mobile SMA and desktop SMA<sup>3</sup>. In 2019 there would be around 33,729 million USD spent on sponsored ads, which since 2017 has increased to around 15 million USD. However, ad spending is expected to show an annual growth rate (2019-2023) of 8.7%, which projects a market volume of 47,074 million USD by 2023. *‘‘Besides the growth potential in the field of social networks, an integration or proliferation of advertising spaces within messenger apps such as WhatsApp or Instagram will rapidly increase the revenue potential of current market key players like Facebook’’* (Statista, 2019).

Figure 1. Ad spending in the Social Media Advertising Annually, Statista, (2019)



<sup>3</sup> Mobile advertising- when users see ads only on tablets and mobile devices. While, Desktop advertising, when users see ads on bigger screen space such as computers.

### **3. SPONSORED ADS**

In this chapter, the term Sponsored ad is introduced along with types of Sponsored ads offered by Facebook that businesses and individual advertisers can use. Also, it describes the way of how Facebook estimates the cost of ads and the number of potential people reached as a result of sponsored ads based on certain characteristics. Likewise, the advantages and disadvantages of social media advertising have been gathered.

#### **3.1 Sponsored Ads on Social Media**

Carolyn & Tonghoon (2016) have defined that social media platforms are the new promising tool for digital advertising. The usage of these social networks is constantly increasing. For instance, 65% of the adult population in the US is actively using FB. Also, FB claimed to have over a billion users a day. This has brought a rapid increase in Facebook's revenue, which was estimated at around 9 billion USD in 2015. Therefore, the Facebook sponsored ads are providing marketing message dissemination through a direct "bridge" between consumers, producers, and brands. (Carolyn & Tonghoon, 2016)

According to Sanne & Wiese (2018) Facebook is also known as an advertising platform that provides targeting to global markets and comprehensive demographic data, which are available for targeted advertising. It allows businesses to set up targeted advertisements, based on the extensive demographic data provided by the social media platform (Sanne & Wiese, 2018). Sponsored ads have a unique pricing model, which ensured the advertiser's message not only to be seen but that the advertiser only pays when the user arrives at their website. (Curran, Graham, & Temple, 2011)

Carolyn & Tonghoon (2016) stated that the sponsored ads that appear on social networks such as Facebook and Instagram, can be customized based on users' web search history and interests. On Facebook, very popular sponsored advertising is a sponsored story which is integrated as storylines from other users. Usually, it appears as a friend's story in the newsfeed by uploading the person's experience and opinion with a product. This encourages the social network service (SNS) followers to be involved in sharing, reading and exchanging experiences about a product or brand. (Carolyn & Tonghoon, 2016)

### **3.1.1 Types of Sponsored Ads on Facebook**

There are many different features on the social media platforms that can be used to promote business. Advertisers can post promote their product/service or brand by using links, pictures, videos, fan groups and ads (Curran, Graham, & Temple, 2011). There are different types of sponsored ads on Facebook, and businesses should use it based on the advertising objectives. The objective can also affect the placements where the ads can appear besides Facebook, such as Instagram, Messenger, and other audience networks. There are few ad options for businesses that are promoting on Facebook, such as Image ad, Video ad, Slideshow, Carousel, Instant experience, and Collection. These types of ads are briefly described below. (Facebook, Types of Facebook Ad Formats, 2019)

#### **Image ads**

Facebook (2019) recommends using images of the product or brand the businesses wants to promote. The image gives simple, clean format, which is a good way for engaging and to increase awareness. (Facebook, Types of Facebook Ad Formats, 2019)

#### **Video ads**

Video ad is a good way to show off a product or service. It can appear on Facebook news, feed, Instagram story or Messenger Inbox. It is recommended to use videos that are 15 seconds maximum to captivate the audience and tell a business story. (Facebook, Types of Facebook Ad Formats, 2019)

#### **Slideshow ads**

Combines multiple images or videos, text and sound. The advertiser can include 3-10 images or one video in a slideshow ad. This type of ad appears on Facebook, Messenger, Instagram and other audience networks. (Facebook, Types of Facebook Ad Formats, 2019)

#### **Carousel ads**

Carousel is an ad where users can scroll up to 10 images or videos by swiping on the ad framework. This is a good way to lead the users to links and call-to-action options. Also, it gives customers

more options and lead to increase the click-through rate. (Facebook, Types of Facebook Ad Formats, 2019)

### **Instant Experience ads**

Instant experience is an ad that shows a full screen experience that opens after clicking on the ad. It is a proper way to grab attention, as well as, highlight a brand, product or service. (Facebook, Types of Facebook Ad Formats, 2019)

### **Collection ads**

The collection format includes an Instant Experience ad and makes easier for users to browse, discover and purchase products/services. There is one ‘main’ picture or video that shows the Instant Experience and 4 smaller pictures of products below it. It gets interested consumers to continue and purchase the product through the business website or app. (Facebook, Types of Facebook Ad Formats, 2019)

### **Story ads**

Stories are video type of ads, where businesses can share their message with already engaged followers. This can make a certain product or brand more discoverable. (Facebook, Find beautiful, powerful ways to tell your business story, 2019)

### **Messenger ads**

Messenger ads can help users to start conversation with the business. In this was the businesses can get personal with current or potential consumers and start interaction with them. (Facebook, Find beautiful, powerful ways to tell your business story, 2019)

### **Playable ads**

The playable ad is an interactive video ad for Facebook and other audience networks, which is used for mobile app advertisers. This is also known as ‘try before you buy’ experience in order to drive higher interested users to install their apps. (Facebook, Find beautiful, powerful ways to tell your business story, 2019)

There is also another differentiation of the ads based on the purpose of the advertising campaign. Those are: Lead generation ads, Offers, Post engagement, Event responses and Page likes. (Facebook, Types of Facebook Ad Formats, 2019)

### **3.2 Cost of Ads**

Facebook earns approximately \$55 billion in advertising revenue per year, and Instagram earns \$14 billion annual revenue in advertising (Clement J. , Facebook's advertising revenue worldwide from 2009 to 2018 (in million U.S. dollars), 2019). The average ad spending per internet user in 2019 is \$120.09 (Statista, 2019).

According to Waller et al., (2014) Facebook advertising can come in few different forms, such as: sponsored stories, promoted posts, page post ads, external website (standard) ads, Facebook object (like) ads. The cost for a Facebook advertisement basically varies and depends on the advertiser's budget and whether he/she likes to pay cost-per-click or cost-per-thousand-impressions. Also, there is an option to target the business' audience based on the location, age, gender, relationship status, likes and interests, workplace and location, etc. It basically helps you to target the "right people" in order to have more successful advertisement (Waller, Noguti, & Singh, 2014).

There are two ways to define the cost of ads on Facebook. First, the overall amount spent through the advertiser's budget. Second, the cost of each result he/she gets through a bid strategy<sup>4</sup>. By given characteristics of the ad such as budget, bid, targeting, text, ad type, etc., Facebook estimates the number of people that can be reached (Facebook, How much it costs to advertise on Facebook, 2018).

There are a few types of ad benchmarks on Facebook. Those are Click-Through Rate (CTR), Cost per Click (CPC), Conversion Rate (CVR) and Cost per Action (CPA). (Irvine, Facebook Ad Benchmarks for Your Industry, 2019) However, there is no set price for advertising on Facebook and Instagram. The cost depends on the bid the advertiser is making for the ad's placement. Also depends if the advertiser is running the ads on a cost per mile basis (CPM) or cost per click (CPC). For instance, on Instagram, you can expect to pay somewhere between 20 cents and 2 USD per

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<sup>4</sup> Bid strategy- is overall approach to spending budget and getting results.

click (CPC) for one Instagram campaign. Focusing on impressions it is likely to pay around 5 USD per 1000 visitors on average. (Influencer Marketing, 2019)

Instagram and Facebook are very similar in terms of advertising. Based on a survey in 2016 for comparing costs, Instagram had a click-through-rate (CTR) was 0.8%, and on Facebook 0.6%. While cost-per-mile (CPM) on average for Instagram was 5.14 USD and on Facebook 5.12 USD. The cost-per-click (CPC) on Instagram was lower with 0.61 USD, and on Facebook 0.80 USD. (Influencer Marketing, 2019)

### **3.3 Advantages and Disadvantages of Sponsored Ads**

The online marketing environment brings numerous opportunities for the companies with which companies can succeed in SMM, as well as, brings many challenges and barriers that may influence their brand image and their marketing campaigns. (Gurau, 2008)

#### **3.3.1 Advantages**

##### **1. Cost-Related**

According to Nadaraja & Yazdanifard (2013) one of the main advantages of social media marketing and sponsored ads is cost-related. There are almost non-financial barriers to SMM, where the majority of social media sites are free to access, create a profile and share information. Traditional marketing might cost thousands and millions of dollars, while on social media businesses can run successful campaigns for a limited budget. Businesses can reach their target market for little or no cash investments, where the audience has a choice to further follow them. (Nadaraja & Yazdanifard, 2013)

##### **2. Social Interaction**

People tend to use social media for most of their leisure and entertainment time than before. They also have increased social interaction with other known and unknown users. Therefore, users have become more receptive for advice and information sharing online, which can directly influence their buying decisions. (Nadaraja & Yazdanifard, 2013)

### **3. Interactivity**

The term Interactivity refers to *“the degree to which two or more communication parties can act on each other, on the communication medium, and on the messages and the degree to which such influences are synchronized”* (Liu & Shrum, 2002, p. 54). Users can interact through messages with other users and companies. The user interactivity enables customers to participate in personal social networking by selecting the time, content and be in control of the communication. This can increase the levels of interactivity, higher involvement, and more positive attitudes towards websites (Nadaraja & Yazdanifard, 2013).

### **4. Targeted Market**

As stated by Nadaraja & Yazdanifard (2013) the social media platforms have an option to target audiences based on their interests and what their friends like. With such a ‘‘smart’’ marketing tool, the advertisers effectively reach the most interested audience in what they have to offer. Also, social networking encourages word of mouth, which promotes brands and products beyond what advertising alone does (Nadaraja & Yazdanifard, 2013).

### **5. Ads performance**

According to Sanne & Wiese (2018) with traditional marketing is almost impossible to know how many people have seen the ad, liked or disliked. While, on social media such as Facebook, provides insights into how well campaigns are doing and how well business pages are performing. This includes data of how many times a post of an ad has been viewed, number of likes, comments and shares and click-through-rates (Sanne & Wiese, 2018).

### **6. Customer Service**

Sometimes is impossible to avoid a certain degree of complexity in the buying process or in the architecture of a website. Therefore, it is necessary to have a good customer service system with online representatives, which can help not only the consumers but also the businesses to avoid some misunderstandings. Also, it’s crucial to minimize insecurities users have towards the online shopping spaces (Nadaraja & Yazdanifard, 2013).

### **3.3.2 Disadvantages**

#### **1. Time intensive**

Due to high interactivity on the media platforms, a two-way exchange of information takes commitment and time. Somebody has to be responsible for monitoring the social media networks, respond to questions, comments and post valuable information. This indeed requires a good time investment and dedication (Nadaraja & Yazdanifard, 2013).

#### **2. Trademark and Copyright Issues**

As reported by Steinman & Hawkins (2010) the company's brands, values and other intellectual properties should be as valuable as their products and services. Therefore, companies should protect their own trademarks and copyrights from third-party abuse on social media networks. Businesses should monitor not only their social media accounts but also third-party platforms in order to double-check that nobody is misusing their intellectual property. Otherwise, a business impersonation can damage the company's reputation and brand image (Steinman & Hawkins, 2010).

#### **3. Trust, Privacy and Security Issues**

According to some researchers, many Facebook users are concerned about their privacy and they have a negative effect on user attitudes towards sponsored ads. Also, by increasing the usage of sponsored ads, the consumer privacy and intrusiveness concerns of the users could also increase (Carolyn & Tonghoon, 2016).

Waller et al., (2014) have stated that despite the large audience and the positive effects of advertising on the social sites, one of the biggest concerns is that advertising will overly commercialize the SM platforms and will "turn off" their members. Consequently, many users are already irritated by advertising and have developed a dislike so they will constantly avoid advertising. Also, since the SM sites allow advertising messages and access to advertising to everybody, they have very little control over the content of links to which their users are being sent. There have been many cases of invasion of privacy, fraud, and deception. This is the reason why online security has become an important issue and constant concern among internet users (Waller, Noguti, & Singh, 2014). The internet market place could be a dishonest, unsafe and



unreliable marketplace and these perceptions are still stopping some potential customers to purchase. In this case ‘‘third party approval’’ is necessary as a tool to generate trust. (Nadaraja & Yazdanifard, 2013) Despite these concerns online purchasing is a multi-billion dollar business and online advertising is still growing (Waller, Noguti, & Singh, 2014).

#### **4. User-Generate Content (UGC)**

Users are constantly sharing thoughts, information and opinions with each other via the Internet. Therefore, numerous companies are making marketing strategies based on user-generated content. User-generated content in combination with marketing strategy might be a risk of incurring legal liability for content created by users (Nadaraja & Yazdanifard, 2013).

#### **5. Negative Feedbacks**

As reported by Nasaraja & Yazdanifard (2013) consumers are can positively or negatively influence a company’s image, and its products or services, depending on how the company is initially presenting the quality of its products/services and how they are presented to the consumer. Negative posts such as images, tags, reviews can damage the company’s marketing campaigns. Even though, negative responses cannot be ignored. Instead they need to be managed efficiently enough in order to neutralize their effect on other potential customers (Nadaraja & Yazdanifard, 2013).

## **4. ENGAGEMENT TO SOCIAL MEDIA AND LIKELIHOOD TO PURCHASE**

This chapter looks to provide information about eWOM<sup>5</sup> engagement model which shows the relationship between Purchase Intentions and Consumer Behavior, Information Characteristics, Technological and Social Factors. It also looks to explain the likelihood to purchase probability based on few different academic papers.

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<sup>5</sup> Electronic Word of Mouth

## 4.1 Engagement to Social Media

According to Sanne & Wiese (2018) Facebook is a collective network based on information and connection. This is also called as 'Frienvertising' when one SM user inform others of what they like and prefer, by 'liking', 'commenting' and 'sharing' on brand ad or post (paid or unpaid). This encourages other users to engage with the ads that were not initially intended to interact with. What encourages people to engage and influence our behavior, is basically the other users' (friends and people we follow) opinions, expectations and interactions (Sanne & Wiese, 2018).

Engagement on Facebook can be recognized in various ways. The users can show interest in a Facebook post or a brand page by 'liking' it, 'commenting' and 'sharing' the post to their own profile 'wall'. Sharing the post allows being seen by other Facebook users to their 'News Feed' and by commenting people can express their attitude towards the content they see, which indeed would be seen from other users that see the post (Sanne & Wiese, 2018).

As stated by Sahabi et al., (2018), nowadays, the marketers are trying to engage with their consumers through the Internet to provide and obtain information about their products. These engagement marks are also called s-commerce (social commerce). S-commerce is known as a new stream of e-commerce where the consumers are entrusted for generating information on social media by using forums, communities, recommendations and ratings. (Sahabi, Razak, & Abdelsalam, 2018)

SM platform users can click on a paid advertisement and be redirected to the website or their Facebook brand page. Users' attitudes towards engagement with SM advertising can be evaluated as positive and negative. (Sanne & Wiese, 2018)

According to Sahabi et al., (2018) consumer behavior and eWOM information (information credibility and information quality) are important influential factors of eWOM engagement and consumer purchase intentions. They have proposed a model that considers consumer behavior, information characteristics, technological and social factors. The model integrates the other three models proposed by previous researchers. Those are TRA (Theory of reasoned action), ELM (Elaboration likelihood model) and SST (Social support theory). There are several components the authors have taken into consideration. Those components are: Information quality, Information

credibility, Website quality, Innovativeness, Social support, and Attitude towards eWOM (Figure 1). The purpose of their research was to find out if there is a positive relationship between these factors towards eWOM engagement and towards customers' purchase intentions. (Sahabi, Razak, & Abdelsalam, 2018)

### **1.) Information quality**

By some researcher's information quality is considered as a persuasive strength of eWOM message. Since the customers are flooded with a massive amounts of information on a daily base, they attempt to process the information to verify the veracity of any given message. When a customer considers the argument to be valid, they believe in the usefulness of the message (Sahabi, Razak, & Abdelsalam, 2018).

### **2.) Information credibility**

According to Sahabi et al., (2018) information credibility is a very important factor that affects receivers' perception. If the consumers determine the information to be credible, they are more willing to engage in any form of communication. Consequently, the information credibility influence individuals' decision making and according to some researchers on consumers' purchase intention. Information credibility is a significant determinant of eWOM engagement in s-commerce. Consumers tend to engage in eWOM (such as sharing or seeking information) in cases when they consider information to be credible (Sahabi, Razak, & Abdelsalam, 2018). Likewise, in order to have a rapid growth the businesses need to provide information and brand credibility (Bond, Ferraro, Luxton, & Sands, 2010).

### **3.) Website quality**

As referred by Sahabi et al., (2018) another customer perception influential factor is website quality, which refers to a website's performance in information retrieval and delivery. The website quality is measured based on their service quality. The good quality website may convince users to keep using it, especially for exchanging information. This would lead to better customer interaction with firms. Based on the research, website quality has been the most significant factor that influences eWOM engagement. When consumers have a strong affinity toward the quality of a website, they are more likely to engage in eWOM (Sahabi, Razak, & Abdelsalam, 2018). Also, as stated by Sung-Eon et al., (2003) poorly-designed website may hurt a business rather than help

it. Initially, the businesses should carefully evaluate the target market and the purpose of their website before investing in e-commerce (Sung-Eon, Shaw, & Schneider, 2003)

#### **4.) Innovativeness**

As stated by Sahabi et al., (2018) it is considered that innovativeness occurs when an individual is relatively earlier in adopting an innovation compared to the others in his social system. Innovative customers are more likely to share their experience and continue to seek new information about new products. Also, innovativeness has been shown that has a positive impact on opinion leadership. Based on the research, innovativeness appeared to have a positive impact on eWOM engagement. Also, they have shown that innovative customers are willing to try new ideas and share their experiences with products and services. Indeed, this may lead the firms to recruit innovative consumers into their value creation process (Sahabi, Razak, & Abdelsalam, 2018).

#### **5.) Social support**

As declared by Sahabi et al. the social media platforms are used to acquire information through interaction with other users and friends, which may lead to positive emotional responses. It is considered that users have informational and emotional support through their interaction. The information support provides guidance, advice and useful information, while emotional support is focused on love, understanding, concern, caring, empathy and encouragement. In short, if individuals experience the feeling of being valued in the online group, they also feel the need to share information as well (Sahabi, Razak, & Abdelsalam, 2018). By using interactive marketing communications consumers can learn and teach others about a certain brand or product, as well as express their commitment and observe the brand loyalty of others (Bond, Ferraro, Luxton, & Sands, 2010).

#### **6.) Attitude towards electronic word-of-mouth (eWOM)**

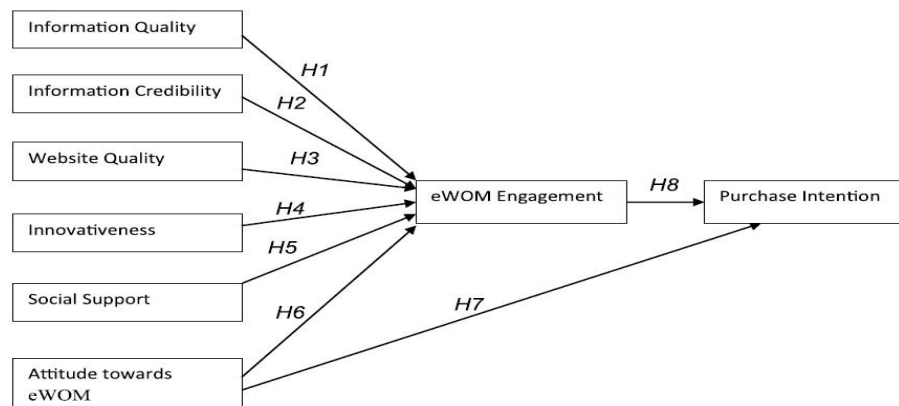
Sahabi et al., (2018) have indicated that the crucial factor affecting the eWOM intention is the attitude toward information. It is considered that users with a positive attitude towards eWOM in s-commerce, are more likely to engage in eWOM communication. As well as, when consumers express a positive attitude toward eWOM, it more likely to have a great intention to purchase in s-commerce. The study has shown that attitude towards eWOM has a significant impact on eWOM engagement and consumer purchase intention. (Sahabi, Razak, & Abdelsalam, 2018)

## 7.) Electronic word of mouth (eWOM) engagement

Customer engagement is encouraged by emotional reactions to situations and can be defined as behavior manifestation towards firms. This means, that an engaged customer tends to help other customers by writing recommendations, reviews, blogging, etc. While eWOM engagement is defined as the willingness to share or request eWOM information with other consumers. Consumers are more likely to develop purchase intention if they are engaged in eWOM communication. Based on the results, it is shown that eWOM engagement significantly affects the consumers' purchase intention in s-commerce (Sahabi, Razak, & Abdelsalam, 2018).

The figure below shows the engagement model for Electronic WOM and purchase intentions along with the engagement factors (Figure 2).

*Figure 2. E-WOM Engagement Model. Model which shows the relationship between Purchase Intentions and Consumer Behavior, Information Characteristics, Technological and Social Factors, Sahabi et al. (2018)*



As referred by Bond et al., (2010) brands should have a clear value proposition for consumers in order to have successful engagement. Therefore, the content on social media needs to be relevant, honest and entertaining. In order to improve consumer acceptance and attitudes for receiving communications from businesses, subscription content and permission-based communications should be improved in the first place. (Bond, Ferraro, Luxton, & Sands, 2010)

On the other hand, the study of Sanne & Wiese (2018) has shown that subjective norm<sup>6</sup> and attitude were significant influential factors of behavioral intent. And therefore, to engage with social media advertising (Sanne & Wiese, 2018).

Sanne & Wiese (2018) recommended that the SM marketers should focus on changing users' attitudes towards advertising by making them believe that SM advertising is a good, wise, pleasant, favorable and positive thing that is beneficial and useful to the user. Therefore, the more enjoyable and interactive features are created on the social media, the more users will develop a positive attitude towards social media platforms and the advertising on them. Consequently, the users would be more likely to accept the information that matches their interests and social context of the platform. The authors also stated that it is very difficult the SM marketers to influence subjective norms. The study recommended that SM marketers despite focusing on optimizing advertisements to increase engagement towards sponsored ads, but also to influence 'Friendvertising' in order to influence and change subjective norms for SM advertising. One of the most effective forms of influencing both 'Friendvertising' and attitude it to share the advertisement or by tagging other SM users. Also, the study shows that those Facebook advertisements that are entertaining and interactive by image, quiz or entertaining video, are more likely to change attitudes, influence 'Friendvertising' and increase engagement. (Sanne & Wiese, 2018)

## **4.2 Likelihood to Purchase from Sponsored Ads**

The study of Waller et al., (2014) has shown that the strongest impact for purchasing on Facebook has engagement, gender, seeking friends and seeking information. Therefore, increasing in post engagement increases the odds of purchase by 2.72 times. For consumers that are actively seeking information, the odds of purchase based on information obtained from Facebook increased by 1.1 times. Surprisingly, the probability of purchase for male users is higher for 3 times than female respondents. However, the authors have stated that the likeliness of purchase reduces for consumers that use social media to seek friends. In short, the study shows that the users that are highly engaged in social media are more likely to be potential buyers. Understanding the users'

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<sup>6</sup> Subjective norm- is the perceived social pressure to perform or not to perform the behavior.

habits and interests can help businesses for targeting audiences and along with the engagement are able to make good advertising strategies (Waller, Noguti, & Singh, 2014).

Likelihood to purchase and engagement are both closely related variables and the study of Burton et al., (2019) shows a comprehensive examination of the likelihood to purchase as a dependent variable. The study shows the relationship between purchase intentions and ad frequency of different levels. The study is based on two components affective and cognitive components of attitude towards advertisement variables for purchasing intentions. The affective component is regarding how humorous and entertaining the advertisement is, and cognitive of how believable and persuasive consumers rate the advertisement to be. The authors have declared that the consumers who have seen an advertisement from three to ten times, are usually influenced more by cognitive factors. These factors provide them information and alternative evaluation stages, which leads to the decision process. On the other hand, people who see advertisements more than ten times are more focused on the emotions of anticipation and joy. These users prefer summary evaluations to make purchases, rather than detailed information. As well as, they are looking to confirm their happiness and satisfaction with a purchasing decision. (Burton, Gollins, McNeely, & Walls, 2019)

According to Ho & Dempsey (2010) many studies have shown that the individuals who spend more time online, are more likely he or she to forward the information to another Internet user. As one of the main motivations to consume electronic content is curiosity, which is defined as a desire to know, learn and try. Many researchers show that people who are open to new experiences, are more likely to experience new products and to be opinion leaders. Therefore, in some research studies is mentioned that highly curious people tend to enjoy the experience of learning and are more likely to consume and forward online content (Ho & Dempsey, 2010).

## **5. FACEBOOK CHARACTERISTICS**

This chapter will aim to provide description of the Facebook platform, along with certain characteristics (such as: time spending, age distribution and number of users). It also looks to overview qualitative in-depth analysis about Uses and Motivations that drive people to use social

media. Likewise, there is a review of ad receptiveness of social media users among different industries.

## **5.1 Facebook Social Media Platform**

As stated at the academic paper of Brügger (2015), Facebook initially was launched on February 4<sup>th</sup> in 2004 and was known as thefacebook.com. This was a platform opened for students at Harvard University, and shortly after this site become popular to other Universities in the US (such as: Stanford, New York University, MIT, Cornell, etc.). Two months after launching there were 70,000 users and in December 2004 it reached 1 million users. After it reached out most of the Universities in the US, Facebook was made an official social network platform available for every person above 18 years old who has internet access in the world. (Brügger, 2015) Today, Facebook is the most popular and leading social media platform with over 2.38 billion active users. *“Facebook’s mission is to give people the power to share and make the world more open and connected”* (Facebook, Newsroom: Company info, 2019). It was founded in 2004 and it allows people to connect with family, friends, acquaintances, and businesses from all over the world and enables them to share, post and engage with a variety of content such as photos and status updates (Stec, 2018 ). Today, the leading social network is available in many languages and connects users with people across geographical, political and economic borders. This social media platform is still rapidly growing (Clement J. , Global social networks ranked by number of users 2019, 2019).

## **5.2 Number of Users and Age distribution**

According to Statista Facebook is still the most popular platform for social media worldwide. It is the biggest social network worldwide and in November 2019 there were registered 2.38 billion monthly active users. While Instagram is the sixth-ranked photo-sharing app, with 1 billion monthly active accounts. (Clement J. , 2019)

The age distribution of Facebook users worldwide have shown that 58% of all users are between 18-34 years old. This takes approximately 1.380 billion users in July 2019. On the other hand, 65% of the users worldwide on Instagram are between ages 18-34. This is approximately 650 million active accounts. (Clement J. , 2019)



### **5.3 Time Spending**

As reported by the official Statista website, in 2018 the average daily social media usage of internet users worldwide amounted to 136 minutes per day. (Clement J. , 2019) However, there have been some researches to distinguish which social media platform has been used the most. For instance according to the research or Alhabash & Ma (2017) the participants of the survey have spent the greatest amount of time on Instagram of total 108.73 minutes, while on Facebook they have spent 106.35 minutes per day. (Alhabash & Ma, 2017)

As stated by the article of Phua et al., (2017) the most frequent SNS (Social network services) is Instagram based on a survey of 305 participants. Based on the results Instagram was the leading answer as most frequently used SNS with 116 answers (38.0%). The second most frequent SNS was Facebook with 93 participants (30.5%). The third and fourth place took Twitter with 60 participants (19.7%) and Snapchat with 28 answers (9.2%). (Phua, Venus, & Jay, 2017)

### **5.4 Uses and Motives for Using Social Media**

There are many motivations that drive people to use SM platforms. In order to understand what a good strategy for advertising is, it is necessary to explore the uses and gratifications (U&G) for Facebook. Table 1 represents a summary uses and gratifications that lead the audience to use social media. The data was collected of multiple articles.

Many factors have been identified as motives to use Facebook, such as: seeking convenience, seeking friends, seeking social support, information, and entertainment. Seeking information is provided not only by advertising from businesses, but also as the eWOM provided by friends and other social media users. Also, media engagement strongly related with purchase intentions and people who like/share ads about products and brands are more likely to make purchases (Waller, Noguti, & Singh, 2014).

According to Alhabash & Ma (2017) uses and Gratification theory (UGT) is a framework that explains how and why people continuously seek out specific types of media. This is explained as a way of receiving gratifications through the media, which satisfy their social, informational and leisure needs. Choosing one social media platform over another depends not only of the unique

features and purposes of a certain platform, but also as a tool to help them fulfill their emotional, informational and social desires (Alhabash & Ma, 2017).

As Alhabash & Ma have stated, many researchers have explored the uses and gratifications of the social media platforms not only for Facebook and Instagram, but also Twitter and Snapchat. There are eight main motivations to use the SM: Information sharing, Self-Documentation<sup>7</sup>, Social Interaction, Entertainment, Passing time, Self-expression<sup>8</sup>, Medium appeal, Convenience (Alhabash & Ma, 2017).

However, over the past ten years, the nature of the SM platforms (Facebook and Instagram) evolved in such a way where other motivations are advancing in salience (Alhabash & Ma, 2017). This is the reason why some of the mentioned motivations would be excluded or replaced with a different word. On the other hand, in the study of Orchard et al (2014) there are shown same/similar motives, such as: information exchange, conformity<sup>9</sup>, freedom of expression, social maintenance, recreation, new connections. Information exchange can be explained as Information sharing; Social maintenance and Conformity as social interaction, freedom of expression as self-expression; recreation refers to entertainment (Orchard, Fullwood, Galbraith, & Morris, 2014).

Furthermore, Information exchange, Socializing, Entertainment, Self-seeking status are the motives referred by Park et al. (2009) Information exchange can be explained as information sharing; socializing as social interaction and self-seeking status as self-documentation (Park, Kee, & Valenzuela, 2009).

Entertainment, Self-expression, Interpersonal communications<sup>10</sup> and passing time are the motives pointed out by (Hunt, Atkin, & Archana, 2012). Interpersonal communications refers to social interaction or a way of communicating.

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<sup>7</sup> Self-Documentation-Also known as self-presentation. Involves forms that focus on “self-actualization” and “self-presence”, including sharing pictures, videos and memes, writing comments, likes, etc.

<sup>8</sup> Self-Expression- Expressing individual’s thoughts and feeling, which can be accomplished through words, choices or actions.

<sup>9</sup> Social conformity- is a phenomenon in which people behave such as to fit in with other people in their surroundings.

<sup>10</sup> Interpersonal communication- is an exchange of information between two or more people.

Table 1

*Motives and Gratifications for using Social Media*

	Information sharing	Self-Documentation	Social Interaction	Entertainment	Passing time	Self-expression	Medium appeal	Convenience	New connections	Improve social knowledge	Relaxation	Information seeking
(Alhabash & Ma, 2017)	✓	✓	✓	✓	✓	✓	✓	✓				
(Orchard, Fullwood, Galbraith, & Morris, 2014)	✓		✓	✓		✓			✓			
(Park, Kee, & Valenzuela, 2009)	✓	✓	✓	✓								
(Hunt, Atkin, & Archana, 2012)			✓	✓	✓	✓						
(Quan-Haase & Young, 2010)			✓		✓			✓	✓	✓		
(Whiting & Williams, 2013)	✓		✓	✓	✓	✓		✓		✓	✓	✓
(Waller, Noguti, & Singh, 2014)	✓		✓	✓				✓	✓			

*Note: The table is based on gathered information from several different academic papers regarding motives, uses and gratification components for using SM*

As stated by Quan-Hase & Young (2010) there are six main motives for using social media. Those are: Passing time, showing affection<sup>11</sup>, following fashion, sharing problems, demonstrating sociability<sup>12</sup> and improving social knowledge<sup>13</sup>. Sharing problems is replaced with convenience; demonstrating sociability refers to new connections; and showing affection is categorized as social interaction (Quan-Haase & Young, 2010).

Whiting & Williams (2013) identified ten motivations for using SM: information seeking, passing time, social interaction, entertainment, relaxation, information sharing, expression of opinion, communicatory utility, convenience utility, and surveillance or knowledge about others. Since communicator utility explains communication with others it is categorized under social interaction (Whiting & Williams, 2013).

Based on the results of Alhabash & Ma's study, the two-highest rated motivations to use social media were for entertainment and convenience. The top three motivations for using Facebook were" convenience, entertainment and passing time. While on Instagram entertainment took the first place, followed by convenience and medium appeal (Alhabash & Ma, 2017).

## **5.5 Information/Content on Facebook**

Coelho et al., (2016) have examined a detailed research of what users prefer to see as an advertising content and what works better for businesses. According the study, some researchers have analyzed consumer responses such as likes, comments and shares based on the posted content (such as text, photo, and video) on the social media platforms. They classify post types ad media elements as richness of content and the results indicate that videos and images positively influence on likes and comments. Also, according some studies have shown that entertainment and information on average may increase the number of likes, comments and shares (Coelho, Oliveira, & Almeida, 2016).

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<sup>11</sup> Showing affection- Expressing concern and friendship toward others

<sup>12</sup> Demonstrating sociability- Willingness to use technology as a means to meet new people and overcome social inhibitions

<sup>13</sup> Social knowledge- feel involved with what is going on with others

Coelho et al., (2016) have proposed classification of six types of content on the social media platforms. Those are: Advertising, Fan<sup>14</sup>, Events<sup>15</sup>, Information<sup>16</sup>, Service and Promotion. The posts published with a kind of advertising by businesses are more likely to be ‘‘liked’’ for 18.84% than the posts of fun categories, information, events, promotion or service. The second type of post that is attracting most engagement on Facebook is an Event. Promotion is the third content variable with linear and positive impact for user interaction which applies only to Instagram. Fan, Informative and service posts were shown as statistically not very significant (Coelho, Oliveira, & Almeida, 2016).

However, the study have shown that Instagram and Facebook are more efficiently utilized when are used for promotions that provide hedonic benefits to users, instead of commercial benefits through direct promotion of prices, products and services (Coelho, Oliveira, & Almeida, 2016).

## **5.6 Ad Receptiveness of Consumers in Different Industries**

Some previous researches for engagement with Facebook advertising have had limitations to specific industries and brands of Facebook advertisements (Sanne & Wiese, 2018).

According the report of WordStream, written by Irvine (2019), different industries have different performance with sponsored ads. The performance is measured by CTR, CPC, CVR, and CPA. In the Appendix 1 there are two figures that represent the advertising benchmarks for average Click-Through-Rate (CTR) and average Conversion rate (CVR) across 17 industries. The data was gathered by marketing agency WordStream based on a sample of 256 US business clients’ accounts and representing \$553,000 in aggregate Facebook spent within one year. As it is shown in Appendix 1 the average CTR varies between industries. Therefore, above average (0.90%) are the following industries: Beauty (1.16%), Fitness (1.01%), Legal services (1.61%), Retail (1.59%), Technology (1.04%), Traveling (0.90%) and Apparel (1.24%). While below average are the following industries: Autos (0.80%), Customer services (0.62%), Education (0.73%, Healthcare (0.83%), and few other industries. This means that people that have seen the ad, have different

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<sup>14</sup>Fan- A fan is responsible for the main idea of post, or for sending the photo. Their participation is always mentioned in the post

<sup>15</sup> Events- Posts, with photo and video media, directly connected to brands or otherwise

<sup>16</sup> Information- Content with data about events, places, opportunities, people, or celebrities, directly connected to a brand or otherwise

intentions to click the same ad based on the industry. On the other hand, there is also an industry differences between industries based on Conversion-Rate (CVR). As we can see on the figure (Appendix 1) the CVR across all industries is 9.21%. Above the average are the following industries: B2B (10.63%), Customer services (9.96%), Education (13.58%), Employment and job training (11.73%), Finance and insurance (9.09%), Healthcare (11.0%) and Real estate (10.68%). While industries below the CVR's average are: Autos (5.11%), Beauty (7.1%), Traveling (2.82%), Technology (2.31%), Retail (3.26%), and few others. This explains that there is a different percentage among all industries where people will visit the website and complete a desired goal (e.g. filling out a form, subscription, buy a product/service) (Irvine, Facebook Ad Benchmarks for Your Industry, 2019; Stec, 2018 ).

The study of Sung-Eon et al., (2003) was focused in there are differences between the website design and quality between 12 different industries. Based on specific evaluation criteria such as: business function, corporation credibility, web site attractiveness, content reliability, systematic structure and navigation. The study has shown that there are many differences between industries. The results revealed that web sited in online malls are superior compared to other industries. *'However, a poorly-designed web site may actually hurt a business rather than help it'*. (Sung-Eon, Shaw, & Schneider, 2003, p. 24) Businesses should carefully evaluate the target market and the purpose of their web site before running into the 'online marketplace'. (Sung-Eon, Shaw, & Schneider, 2003)

Coelho et al., (2016) have analyzed the users' interactions (such as likes and comments) based on a few different industries. The segments of the chosen industries were the: food (restaurants), beauty (hairdressing salons), body design (tattoos), women's shoes and fashion gym wear. (Coelho, Oliveira, & Almeida, 2016) The table is shown in Appendix 2.

By the estimations of the table, the engagement differences among industries are noticeable. Therefore, body design (tattoos) segmentation has the highest engagement rate of both social media platforms, with average of 120 engagements on Facebook and on average 209 engagements on Instagram. By engagement level on the second place is Food with 78 engagements on average on Facebook and 62 on Facebook. Fashion gym wear is the third industry with average engagement rate of 11 engagements on Facebook and 95 on Instagram. Beauty and Ladies footwear industries have at least engagement rates. Only 3 engagements for Facebook and 33 for Instagram for Beauty

industry, while Ladies footwear 1 engagement on Facebook and 37 on Instagram. However, there are significant differences of ad receptiveness among different industries (Coelho, Oliveira, & Almeida, 2016).

## **6. METHODOLOGY**

This chapter looks to provide a discussion on the choices made for conducting the research and provide justifications of the used methods and techniques. It also provides a description of the quantitative research design, the gathered sample and an in-depth description of the analysis. Indeed, this is supported by reliability and validity.

### **6.1 Research Methods**

The main purpose of this research is to find valuable data from which certain companies can benefit and use it as a part of their marketing strategy. The first part is the literature review, which provides the needed information to create a further concept of the analysis. Social media marketing and the new strategies that companies need to set up are still very uncertain and unexplored. Since there is not enough literature review in this field the analyses for these purposes required more than one method of research. For this reason, a quantitative analysis was used for further information. The information was gathered through a survey, consisted of 16 questions in total (Appendix 3).

Initially, the idea is to make a comparison for two social media platforms Facebook and Instagram, but due to incomplete sets of data, biases, errors, and heteroscedasticity of the Instagram data, it was excluded for the analysis. This means that the results interpreted below are based on Facebook participants. The survey was initially split into two different groups, one for Facebook participants and the other for Instagram participants. After the participant opens the link of the survey it automatically shows either the questionnaire for Instagram or the questionnaire for Facebook. In this way, there were different focus groups for both social media platforms. However, as mentioned above, the data set for Instagram was inconsistent to measure and it was totally skipped.

## **6.2 Research Purpose and Objectives**

People tend to behave differently towards ads, based on their preferences, ideas, industries, content, etc. Since technology is reshaping the marketing industry, businesses need to explore other ways to promote their products and services. The main purpose is to gather valuable data from which certain companies can benefit and use it as a part of their marketing strategy. As well as, to find out what has an impact of likelihood to purchase and if different industries have the same influence on likelihood to purchase. Some important characteristics of this research are to find out what content and information users prefer to see on the social media, to identify their satisfaction level and if they see ads as useful, to determine if users will consider buying something in the future, and industry preferences.

There are several objectives of the master's thesis. The first objective is to gather information from relevant sources and there are four stages of the literature review. The first is to introduce to the concept of social media marketing and how businesses can benefit from this marketing strategy. The second stage is to get familiar with the types of sponsored ads the Facebook platform is offering, the cost of them and what are their advantages and disadvantages. The next stage introduces suggestions or components that encourage the audience to engage with SM and leads to purchase. While the final stage drives us to some valuable information regarding the Facebook platform and specific motives that encourage people to use SM. Due to the unexplored field, gathering additional information has helped to complete this research. A survey was implied for gathering additional information which provided results about the likelihood to purchase, industry and content preferences.

## **6.3 Research Questions**

The fundamental purpose of this research is to discuss the following research questions:

- What has an impact on the likelihood to purchase?
- What influence on a proper advertisement and what people prefer to see?

The fundamental questions are opening discussions to support the idea of ad receptiveness of users, and how businesses should use sponsored ads to aim their goals



## 6.4 Quantitative Research Design

The survey consist 16 questions from which 2 questions are nominal data 8 for Ordinal or multiple choices questions, 4 questions for ratio data (with slider bar) and 2 questions descriptive (with text box) Appendix 3

The nominal data questions (questions 1 and 3) were regarding participant gender and if the participant is using Facebook with yes/no statements. The open questions (questions 4 and 5) were regarding time spent on Facebook in minutes and the country the participant is coming from. The ratio data was collected from questions: 9 (how often do you notice ads on Facebook related to the industry you prefer?), 12 (How often do you see sponsored ads useful?), 13 (How satisfied are you from sponsored ads?), 15 (how likely are you to buy something promoted by sponsored ad?). All these questions were represented with a slider bar and the number presented the percentage.

There are 8 multiple choice questions with a different number of choices for each. Question 3 (How old are you?) is the first multiple choices question, from 13<sup>17</sup> to 100 years old. Question 6 (How long have you been using Facebook) has six multiple choices. Question 7 (Which part of the day you are most likely to use Facebook), where 24 hours are separated into groups of 3 hours' time frames. Questions 8 and 10 (For which industries are you most interested to see sponsored ads on Facebook? And what information/content are you most interested to see on Facebook?) are 5-Likert point scale question, where people can choose the interest level<sup>18</sup> of the industries (13 in total) and the interest level of information/content. Finally, there are 3 questions with 7 multiple choices. Those are: question 11 (How often do you hide/report an ad?), question 14 (How often are you likely to open ads on Facebook?) and question 16 (Will you consider buying something promoted with sponsored ads on Facebook in the future?).

### 6.4.1 Quantitative Sample Gathering

The survey was conducted on the social media platforms Facebook and Instagram, emails and University website discussion groups. It was mostly shared with the Facebook groups for surveys

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<sup>17</sup> 13 years old is legally the earliest time people can start using Facebook.

<sup>18</sup> Interest levels from Not at all interested- Extremely interested.

exchange, Facebook student groups, friends, shared through an email to colleagues and coworkers, the Nova University website for inside discussion groups, etc.

Initially, there were 262 participants for the survey, but after extracting the Instagram data set, and after cleansing the data, there was a group of 122 participants left. The survey questions are represented in Appendix 3.

Some of the participants have responded the same day after the survey was published, but some of them needed more than one week to respond. For this reason, the survey was open for two weeks, from October 14<sup>th</sup>, until October 28<sup>th</sup> 2019. Indeed, there were some incomplete respondents' sets which were excluded from the analysis.

Most of the participants are from Macedonia, Portugal, Slovenia, and the USA, as well as, from 27 different countries such as Spain, France, UK, Colombia, Australia, China, Poland, Turkey, etc.

#### **6.4.2 Quantitative Data Analysis**

The first step before the analysis, the gathered data was prepared. Initially, the data was split as Facebook data set and Instagram data set. The data was checked for incomplete and missing data and outliers. For instance, there were people who answered that they are not using Facebook but still answered the questions. All incomplete sets of data were deleted.

The data was analyzed with IBM SPSS and R Studio. With the help of R Studio, the regression output was made, and ANOVA analysis was done by IBM SPSS.

The analysis is exploratory and the first part is represented by the regression model. It estimated the likelihood to purchase and the most significant correlation variables. The dependent variable is likelihood to purchase and the data is extracted from question 15 which is continuous data. While, the independent variables are Time, Never- Sometimes- Often Open Ad and Never-Eventually Future Purchase. All variables, except time, are proceed from categorical questions (question 14: "How often are you likely to open ads on Facebook?" and question 16: "Will you consider buying something promoted with a sponsored ad on Facebook in the future?"). The transformation of qualitative data to quantitative data helped to pursue the regression idea and to find better fit of the model. Also, the driving factors for this were significant results and high percentage of R-Squared. Initially, there was a regression output with only those five variables (all

except time-variable) and the output was statistically significant with R-squared of 0.51. However, if the discrete variables were not included there would have occurred omitted variable bias. Even though were transformed from qualitative data to quantitative data, they are reporting a good fit anyway.

In the final part of the analysis, the industry and content preferences are presented with charts that were created in R Studio. The charts represent the interest level (1-not interested at all; 5-extremely interested) for each industry and content on Facebook.

## **6.5 Reliability and Validity**

### **6.5.1 Reliability**

Reliability refers to the consistency or stability of the sources that we get from a test or assessment procedure. In other words, it refers to the stability or consistency of the scores and the instruments used to produce the variables. (Christensen, Johnson, & Turner, 2015) The sources used for this study are academic papers with similar research purposes. The literature is gathered from famous journal publishers and well-known researchers in Marketing, Advertising, and SMM. The conducted survey questions are based on similar questioners, the literature review, and existing valid data explorations from popular statistical websites and the overview of social media platforms. The collected results of the survey do fit with the existing quantitative researches mentioned in the literature review.

### **6.5.2 Validity**

Validity refers to the accuracy of interpretations, inferences, or actions made on the basis of test scored. This is a proper tool for measuring surveys, standardized tests, experiments, observational coding, etc. (Christensen, Johnson, & Turner, 2015) The regression output and ANOVA testing have shown a strong correlation with the results of previous quantitative similar analysis observed and mentioned prior the survey induction. As well as, they have shown very statistically significant outputs, which justifies a good fit for the independent variable likelihood to purchase. Also, the measurement outputs have additionally explained and supported the theoretical review and the arguments stated by other researchers.

## 7. RESULTS

In this chapter, the results of the quantitative research are represented. The first part explains the regression model where the outcome variable is Likelihood to Purchase. Likewise, regression interpretation and measuring problems are separately explained. The second part of the results is presented with ANOVA analysis, which identifies if the likelihood to purchase is the same or different within the groups of every industry. Finally, the last part represents the results for industry and content preferences, which are based on 5 point Liker-scale levels of interest.

### 7.1 Regression Data Analysis

The multiple linear regression consist of dependent variable Likelihood-to-purchase and six independent variables from which one is continuous and five of the are binary variables. The regression is based on the data set collected by the participants on Facebook with 122 in total. Because of data missingness 1 observation was deleted. The dependent variable ‘Likelihood-to-purchase’ ( $y_l$ ), results from question 15 of the survey (Appendix 3) as ratio data, while the independent variables constructed by 3 different survey questions and shown as ratio and ordinal data. Table 2 below presents a list of abbreviations for this regression model.

*Table 2*

*List of abbreviations for the regression model*

<b>List of Abbreviations</b>	<b>Meaning</b>
$y_l$	Likelihood to purchase
$x_t$	Time spend on Facebook
$x_{on}$	Open ads Never
$x_{os}$	Open ads Sometimes
$x_{oo}$	Open ads Often
$x_{pn}$	Future Purchase Never
$x_{pe}$	Future Purchase Eventually

The regression line can be shown with the following formula:

$$y = 0 + \beta_1x_1 + \beta_2x_2 + \dots \beta_nx_n$$

The model regression line can be interpreted as:

$$y_l = 0 + \beta_t x_t + \beta_{on} x_{on} + \beta_{os} x_{os} + \beta_{oo} x_{oo} + \beta_{pn} x_{pn} + \beta_{pe} x_{pe}$$

OR

$$lm(dy_l \sim 0 + dx_t + dx_{on} + dx_{os} + dx_{oo} + dx_{pn} + dx_{pe})$$

The time variable is represented by  $\beta_t x_t$  which is also a continuous variable with a numeric value. On the other hand,  $\beta_t$  represents the estimated coefficient, while  $x_t$  represents the numeric value of time in minutes. The change in time ( $dx_t$ ) or  $\Delta x_t$  takes a value of +1 or -1 minute. The variables  $x_{on}$ ,  $x_{os}$  and  $x_{oo}$  are determined from the category question 14 (How often do you open ads), where seven multiple choices were provided.<sup>19</sup> Therefore, due to many categories for a relatively small sample, the categories were emerged into three. Where ‘Never’ and ‘Less than once a week’ were emerged to ( $x_{on}$ ) variable Open-Never. The variable ( $x_{os}$ ) stands for Open-Sometimes, which was emerged from ‘Once a Week’ and ‘Few times a week’. The categories ‘Once a day’, ‘Few times a day’ and ‘Almost always’ are ordered as ( $x_{oo}$ ) Open-Often. The variables are binary variables and their coefficients are shown as:  $\beta_{on}$ ,  $\beta_{os}$  and  $\beta_{oo}$ . The change in these three variables ( $dx_{on}$ ,  $dx_{os}$ , and  $dx_{oo}$ ) or  $\Delta x_{on}$ ,  $\Delta x_{os}$  and  $\Delta x_{oo}$  can be interpreted as if one additional person has a tendency in the future to open or not open an ad is positively or negatively influencing on likelihood to purchase. Likewise, the seven categories of question 16 (Will you consider buying something in the future) were also emerged into three. The multiple choices ‘Extremely unlikely’ and ‘Unlikely’ were ordered to variable Future-Purchase-Never ( $x_{pn}$ ), and ( $\beta_{pn}$ ) is the coefficient. The variable ( $x_{pe}$ ) stands for Future-Purchase-Eventually, which was emerged from ‘Rare to consider’ and ‘Neutral’, where ( $\beta_{pe}$ ) is its coefficient. The last variable Future-Purchase-Likely was excluded of this regression output due to high heteroscedasticity<sup>20</sup> and due to singularity problem. However, this variable was initiated by the categories: ‘Maybe to consider’, ‘Likely’ and ‘Extremely likely’. The change in these two variables ( $dx_{pn}$  and  $dx_{pe}$ ) or  $\Delta x_{pn}$   $\Delta x_{pe}$  can be interpreted as if one additional person has indication in the future that he/she will buy or not buy from a sponsored ad is positively or negatively influencing the likelihood to purchase variable.

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<sup>19</sup> 1- Never; 2- Less that once a week; 3- Once a week; 4- Few times a week; 5- Once a day; 6- Few times a day; 7- Almost always.

<sup>20</sup> Heteroscedasticity- refers to the circumstance in which the variability of a variable is unequal across the range of values of a second variable that predicts it.

The null hypothesis of this model is that all coefficients are the same, and none of them explains the regression model. While, the alternative hypothesis is that the coefficients are not equal, or at least one of them differentiates. The alternative hypothesis shows which coefficients explain the regression output. The null hypothesis can be presented as:

$$H_0: \beta_t = \beta_{on} = \beta_{os} = \beta_{oo} = \beta_{pn} = \beta_{pe}$$

While, the alternative hypothesis can be presented as:

$$H_1: \beta_t \neq \beta_{on} \neq \beta_{os} \neq \beta_{oo} \neq \beta_{pn} \neq \beta_{pe}$$

The formula for coding the regression model (in R-Studio) can be presented as:

$$lm(\text{formula} = (dy_l \sim 0 + dx_t + dx_{on} + dx_{os} + dx_{oo} + dx_{pn} + dx_{pe}, \text{data} = \text{set\_fb}))$$

The output of the regression model where likelihood-to-purchase is the dependent variable of the linear regression model is printed below (Table 3). The model is explained with six independent variables. Those are Time spent on Facebook, Open-ads-never, Open-ads-sometimes, Open-ads-often, Future-purchase-never, and Future-purchase-eventually. The table presents the estimation for each coefficient, standard error, t-value and how significant the coefficients are. The regression output is based on the data gathered from the survey based on 122 participants. (Table 3)

Table 3

*Likelihood to purchase impact regression model*

Coefficients:	Estimate	Std. Error	T - value	Pr(>  t  )
Time on Facebook	0.0004188	0.0001291	3.245	0.00153 **
Open-Ad-Never	-0.22468	0.03365	6.676	8.86e-10 ***
Open-Ad Sometimes	0.27269	0.03047	8.948	6.86e-15 ***
Open-Ad-Often	0.35258	0.05741	6.141	1.179e-8 ***
Future-Purchase-Never	-0.18985	0.03700	-5.131	1.168e-6 ***
Future-Purchase-Eventually	-0.16547	0.03639	-4.547	1.349e-5 ***

Significance codes: 0 '\*\*\*' 0.001 '\*\*' 0.01 '\*' 0.05 '.' 0.1 ' ' 1

Note: The table present a regression model, where Likelihood to purchase is explained by six variables. Time spent on Facebook, Frequency of ad opening and statement for future purchasing. Specifications:

Residual standard error: 0.134 on 114 degrees of freedom Multiple R-squared: 0.581, Adjusted R-squared: 0.5553 F-statistic: 22.59 on 7 and 114 DF, p-value: < 2.2e-16

### 7.1.1 Regression Interpretation

The model outcome identifies sets of variables that explain the likelihood to purchase and how certain factors may or may not influence. Overall the regression is very reliable with a coefficient of determination also known as R-squares of 0.581 or 58.1%. This means that 58.1% of the movement of the variable 'Likelihood to purchase' is due to these six variables shown in the table. Also, the estimation of Adjusted R-squared is 0.55 or 55%, which makes a good fit for the variables. The output suggests that all coefficients are statistically significant. In this model, there were 114 degrees of freedom.

The P-value of this model is  $2.2e-16$  (or 0.00000000000000022). Since the P-value is less than 0.05 ( $P < 0.05$ ) the null hypothesis is rejected. Opposite, the alternative hypothesis is accepted. This means that the coefficients ( $\beta$ ) are not the same and are explaining the regression output.

The meaning of the first coefficient can be explained as if time increases ( $dx_t$ ) by 1 minute the likelihood to purchase increases for 0.00041%. It explains that the independent variable of time does not have a strong impact on the probability to purchase something from sponsored ads.

The variable Open-Ad-Never ( $dx_{on}$ ) can be interpreted as if one additional person indicates in the future that he/she will never open an ad, it decreases the likelihood to purchase by 22.46%. Therefore, for every additional person who indicates that is Sometimes is opening ad ( $dx_{os}$ ) increases the likelihood to purchase by 27.2%. Finally, the variable Open-ads-Often ( $dx_{oo}$ ) shows that for one additional person who stated that he/she open the ads often, increases the likelihood to purchase by 35.2%.

Moreover, the variable Purchase-Never ( $dx_{pn}$ ) shows the movement of the likelihood to purchase with a negative impact which can be explained as if 1 additional person who has an indication that she/he will not buy something promoted by sponsored ads, will decrease the likelihood to purchase by 18.9%. As well as, one additional person who indicates that she/he will Purchase-Eventually ( $dx_{pe}$ ) has a negative impact on the likelihood to purchase by 16.5%.

### 7.1.2 Regression Model Measuring Problems

During the analysis of the regression model, there were occurred obstacles that were excluded from the total output. The reasons for this were heteroscedasticity and singularity problem.

The variable Purchase-Likely ( $x_{pl}$ ) is also part of question 16 and stands for the last three categories of multiple choices. Those are: ‘Maybe to Consider’, ‘Likely’ and ‘Extremely Likely’. Even though the variable has shown as statistically significant, it was extracted from the total outcome due to heteroscedasticity and singularity problem. The problem of heteroscedasticity in linear regression usually arises from its making least- squares estimates inefficient and makes their estimated standard errors inconsistent. (Cragg, 1983) In other words the variability of this variable is unequal across the range of values. To satisfy the regression assumptions and to trust the overall output, the residuals should have a constant variance. This is the reason why the Future-Purchase-Likely ( $x_{pl}$ ) was not included in the total output.

This particular output is also affected by a singularity problem. *“In problems where a distribution is concentrated in a lower-dimensional subspace, the covariance matrix faces a singularity problem”*. (Ezgi, Vilda, & Ernst, 2012, p. 113) This means that probably different linear combinations were created between the variables of the participants in this output. This is the reason why the Future-Purchase-Likely variable was not included in the total regression model above.

The coding formula (in R-Studio) for this output is presented as:

$$lm(formula = dy_l \sim 0 + dx_{pl}, data = set_fb)$$

The output regression for Future-Purchase-Likely variable ( $x_{pl}$ ) is listed below (table 4):



Table 4

*Likelihood to purchase impact - Future purchase likely variable*

Coefficient:	Estimate	Std. Error	T – Value	Pr(>  t  )
Future-Purchase-Likely	0.27000	0.02737	9.865	2e-16 ***
Significance codes: 0 ‘***’ 0.001 ‘**’ 0.01 ‘*’ 0.05 ‘.’ 0.1 ‘ ’				
<i>Note: The table presents a regression model where Likelihood to Purchase is explained by the variable Future-Purchase-Likely. This variable was excluded of the total regression output due to heteroscedasticity, and singularity problem.</i>				

However, the meaning of this coefficient can be interpreted as if additional person indicates that is likely to purchase and will consider that in the future, it will increase the probability of purchase by 27%. In addition, this is a good sign that people who pointed out to purchase something will actually ‘take action’ and do that.

Another variable that was set aside from the total output is Satisfaction ( $x_s$ ) due to measurement error. It can be defined as: ‘*A correlated measurement error may be specified between any two indicators in a measurement model, providing that the model is identified. Models that employ such correlated errors have appeared in a number of substantive areas, one of which is consumer research*’. (Gerbing & Anderson, 1984, p. 572). This means that the Satisfaction variable is measured with errors and if we include it in the final output it would lead to bias and inconsistent estimates.

The coding formula (in R-Studio) for this output is presented as:

$$lm(formula = dy_l \sim 0 + dx_s, data, set_{fb})$$

The regression output for Satisfaction variable( $x_s$ ) is printed below (Table 5):

Table 5

*Likelihood to purchase - Satisfaction variable*

Coefficient:	Estimate	Std. Error	T - Value	Pr(>  t  )
Ads-Satisfaction	0.2012431	0.0412092	4.883	3.28e-6 ***
Significance codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1				

*Note: The table presents a regression model where Likelihood to Purchase is explained by Satisfaction Variable. This variable was excluded of the total regression output due to measurement error.*

The coefficient for satisfaction can be interpreted as by increasing of 1% in satisfaction, the likelihood to purchase increases by 20%. Due to measurement errors this variable should not be taken into consideration, but it is a good sign in the future to consider satisfaction as important factor for purchasing.

## 7.2 ANOVA Analysis

According to Boisgontier & Cheval (2016) ANOVA is a useful statistical model that simultaneously is testing between-mean differences in more than two conditions. *“The conditions define the different modalities of a given factor or explanatory variable. This model can correctly account for non-independence in observations within groups, but only if each observation is performed in a different condition from an exhaustive set of predefined (i.e., fixed) conditions, not at several occasions for the same condition”* (Boisgontier & Cheval, 2016, p. 1004)

In this ANOVA model, there are included ordinal data (categorical question) and ratio data (continuous question). The information for the ordinal data are extracted from question 8 of the survey (For which industries are you most interested to see sponsored ads on Facebook?), where there are subcategories for each industry (13 industries in total) and a five-point Likert scale which represents the industry interest. The within-groups for each industry are 1 - Not interested at all; 2 - Slightly interested; 3 - Moderately interested; 4 - Very interested; 5 - Extremely interested. The continuous data (ratio data) is extracted from question 15 (Likelihood to Purchase), which in this analysis is connected with all industries separately.

The purpose of this analysis is to find out if the likelihood to purchase within each group is the same or different. If all the means are equal, the null hypothesis will be accepted. The null hypothesis can be defined as:

$$H_0: \mu_1 = \mu_2 = \mu_3 = \mu_4 = \mu_5$$

Otherwise, if at least one mean is different than the rest the alternative hypothesis will be accepted. The alternative hypothesis can be defined as:

$$H_1: \mu_1 \neq \mu_2 \neq \mu_3 \neq \mu_4 \neq \mu_5$$

The null hypothesis means that all within groups have the same likelihood to purchase. For instance, group 1 (not interested at all) would have the same likelihood to purchase as all other groups (Slightly interested, Moderately interested, Very and Extremely interested). If this case appears, we accept the Null hypothesis. On the other hand, if at least one of the means ( $\mu$ ) is different, the alternative hypothesis would be accepted and consequently, the null hypothesis rejected.

After estimating ANOVA one way test (in SPSS) for all the industries separately, the results of F-Value, and P-Value were extracted and copied to the table below (Table 6). The fourth column represents which of the industries have accepted the Null hypothesis and which have rejected. If the P-Value is less than 0.05 ( $P < 0.05$ ) we reject the null hypothesis.

The first part of the table presents the Industries that reject the null hypothesis, and the other part presents the industries that have accepted the null hypothesis. The results are based on the data gathered from the survey with 122 participants (after cleansing the data). For the analysis, all 13 industries from the survey were included.

Table 6

ANOVA output presents the F-Value, P-Value and rejection/acceptance of the null hypothesis for each industry

INDUSTRIES	F-Value	P-Value	Null hypothesis Rejected/Accepted
Autos	8.639	0.000	Rejected
Healthy life supplements	4.995	0.001	Rejected
Sport equipment, clothes & products	6.432	0.000	Rejected
Services	2.890	0.038	Rejected
Apps	2.506	0.046	Rejected
Entertainment tickets	3.185	0.016	Rejected
Fashion	2.456	0.050	Accepted
Technology	1.034	0.393	Accepted
Food/Restaurants	0.644	0.632	Accepted
Books	0.843	0.501	Accepted
Beauty products	1.667	0.162	Accepted
Online courses	1.147	0.338	Accepted
Traveling	0.525	0.718	Accepted

### 7.2.1 Rejected $H_0$ - Industries Interpretation

Null hypothesis is rejected if P-value is less than 0.05 ( $P < 0.05$ ). In other words, the alternative hypothesis has been accepted. The meaning of this is that there are differences between the means and the likelihood to purchase. The first six industries in the table have rejected the null hypothesis. Those are Autos, Healthy life supplements, Sports equipment, clothes and products, Services, Apps, and Entertainment tickets. This can be interpreted as different groups within one industry had different average likelihood to purchase. This means that people from all within groups from 1-5 (Not interested at all-Extremely interested) have a different probability to buy. All the means ( $\mu$ ) or at least one mean is different than the others. This can also be represented as:

$$H_1: \mu_1 \neq \mu_2 \neq \mu_3 \neq \mu_4 \neq \mu_5$$

For instance, the industry of autos has rejected the null hypothesis with a P-Value of 0.000. People that have at least interest in the autos industry have different likelihood to purchase than people

that have a higher interest level in this industry. This can be judged by the fact that the marketers cannot sell one car to someone who is not interested to see sponsored ads on Facebook.

The industry of healthy life supplements has rejected the null hypothesis with 0.001 P-value. Sports equipment, clothes & products have a P-value of 0.000 and entertainment tickets have rejected  $H_0$  with 0.016. However, the P-values for services and apps are a bit higher of 0.038 and 0.046. The same implications as explained for autos apply for these industries.

### **7.2.2 Accepted $H_0$ – Industries interpretation**

The null hypothesis is accepted when P-value is higher than 0.05 ( $P > 0.05$ ). The meaning of this is that there are no differences between the means and likelihood to purchase. The second part of the table above shows seven industries that have accepted the null hypothesis. Those are Fashion, Technology, Food/Restaurants, Books, Beauty products, Online products and Traveling. This can be explained as different groups within one industry has the same average likelihood to purchase. It means that people from all within groups 1-5 (Not interested at all-Extremely interested) have the same probability to buy. All the means ( $\mu$ ) are equal. This can be represented as:

$$H_0: \mu_1 = \mu_2 = \mu_3 = \mu_4 = \mu_5$$

For instance, the industry of books has accepted the null hypothesis with P-value of 0.501. People who have at least interest in buying books have the same likelihood to purchase as people who are grouped in a higher level of interest.

The same logic applies to the other accepted industries. Therefore, Fashion and Beauty products have been accepted the null hypothesis with a P-value of 0.050 and 0.162. The other industries have accepted the null hypothesis with higher P-values, such as Technology P-value of 0.393, Food/Restaurants P-value of 0.632, Online courses P-value of 0.338 and Traveling P-value of 0.718.

The results for rejecting the null hypothesis for these industries might be influenced by external factors. That might be impulsive buying decisions, price elasticity, different levels of perceptiveness for these industries, price, industry preferences, liquidity markets or simply the ads are more or less effective.

The industries that have accepted the null hypothesis are might differentiate from the others by being more available, have lower prices, there is no high variation in the preferences among people. The industries with acceptance of the H0 hypothesis can be concluded that all the means are equal regardless of people's interest level for a specific industry, they all have an equal likelihood to purchase the product online. Now take an example of a well-known brand that already has or is prompted to have a high likelihood to sell online. Such companies can possibly improve the returns from advertising by reaching further to final customers (in sense online users). In conclusion under the null hypothesis regardless of the interest of customers in the industry are equally (highly) likely to purchase. Increased frequency of online ads, improve ad-quality such as preference-adjusted topics and design of ads are the two most important determinants that increase and widening the range of customers.

As it was explained in chapter 5.6 (Industries and Businesses) we can conclude that there are many differences between industries where people have different receptiveness level for each of them. The report of (Irvine, Facebook Ad Benchmarks for Your Industry, 2019) shows that people have different intentions (CTR) to click the ad based on industry. As well as, the conversion rate (CVR) explains that there is a different percentage among all industries, where people will visit the website and complete the desired goal (e.g. filling out a form, subscription, buy a product/service). (Irvine, Facebook Ad Benchmarks for Your Industry, 2019) Also, according to the study of (Sanne & Wiese, 2018) there are differences in engagement with Facebook advertising among different industries. However, the industries that have rejected the null hypothesis might have been influenced by some similar characteristic differences.

### **7.3 Industry Preferences**

Based on the survey, the results comply with the literature review that some industries have limitations for advertising on the social media due to different preferences (Sanne & Wiese, 2018). The results are based on the survey question (question 8: For which industries are you most interested to see sponsored ads on Facebook?) which can be found in Appendix 3. The participants had to answer the interest level for each industry (1-not interested at all; 5-extremely interested). The figure below represents the number of participants for all interest levels among 13 industries. The frequency shows number of people and the horizontal axe represents the interest level.

Fashion industry has very dispersed answers for interest level, where 27 people answered that are not interested at all, 39 answered slightly interested, 22 moderately, 28 very and 6 people extremely interested.

Ads related with traveling industry have different proportions. Not interested at all has 15 votes, slightly interested has 18, moderately has 21, very interested has 44 and extremely interested has 23 votes.

The industry for autos has different skewness of the chart. Most of the people have answered not interested at all, with 73 votes in total. While, 19 people have selected slightly interested, 20 have answered moderately, 8 people very interested and only 2 people extremely interested. This histogram is visibly skewed towards low interest.

Most of the people for technology have selected slightly interested with 36 in total, moderately interested has 32, not interested at all has 26, very interested has 19 and only 8 votes for extremely interested.

There is a moderate interested for food and restaurants with 46 votes in total. While, 11 participants answered not at all interest, 23 slightly interested, 25 very interested and 16 for extremely interested.

Healthy life supplements has almost equally dispersed answers within the first 4 groups. For not interested at all there were 37 participants, slightly interested 25, moderately 26, very interested 28 and only 5 for extremely interested.

Majority of the participants (37) have answered not interested at all for sport equipment, products and clothes. The second interested level is 27, third with 30 participants, 23 for very interested and 4 for extremely interested.

There are no participants that answered extremely interested for services. Therefore, 32 of them answered not at all interested, 38 slightly, 29 moderately and 22 very interested.

Regarding the apps industry the majority of people (45) are not interested at all. While, 29 are slightly interested, 32 are moderately, 14 very interested and only 1 participant was extremely interested.

The interest level for books is also very dispersed, where 32 people stated that are not interested at all, 24 are slightly interested, 26 moderately, 23 very and 16 extremely interested.

Most of the people (53) have answered not interested for beauty products, 18 stated slightly interested, 19 moderately, 22 very interested and 9 extremely interested.

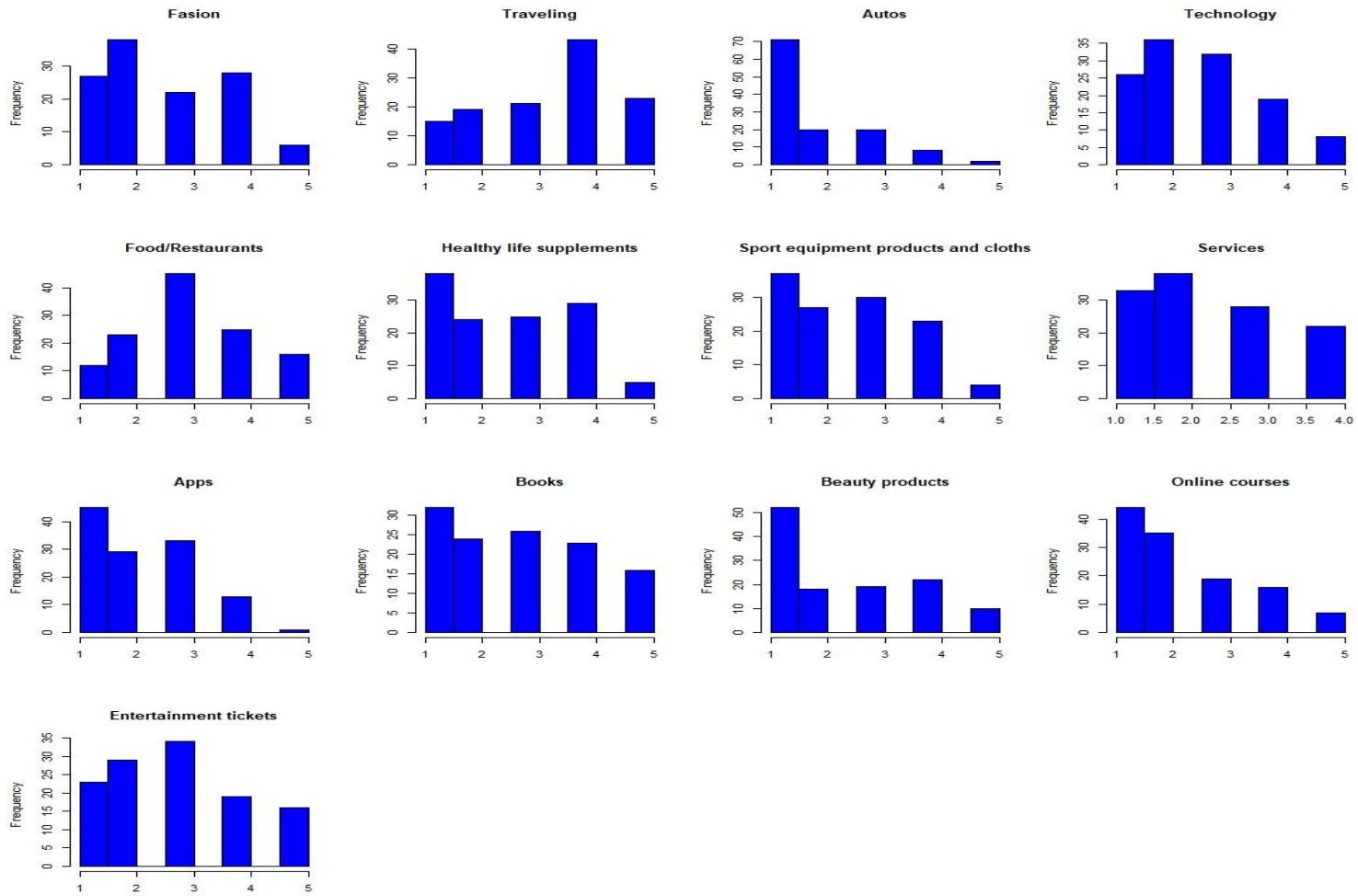
The interest of online courses is skewed to the lower interest levels, with 46 for the first level, 35 for the second, 18 for moderately interest, 16 for very and only 6 for the highest interest level.

Finally, also entertainment tickets has not very different proportions among interest levels. There were 35 participants who answered moderately interested, 29 who answered slightly interested, 23 for the lowest level, 18 stated very interested and 16 for the highest level.

The results confirm that people have different interests and are differently ad receptive depending on the industry they see ads for. For some of the industries, it is visible that people are more or less interested than other industries. For instance, ads related to books, traveling, and entertainment tickets are skewed to higher interest levels, while industries like autos, apps, services, beauty products, and online courses fall into the group of lower interest levels. This agrees with the report provided by Irvine (2019) that people tend to open ads and take action differently, regarding the industry. Likewise, the results comply with the research of Coelho et al., (2016) that people tend to engage with industries differently. The figure below presents the histograms with all interest levels among 13 industries (Figure 3).



Figure 3. Interest level of Industries



Notes: The figure presents the interest levels for 13 industries. The results are obtained based on the survey of 122 participants.

## 7.4 Content/Information Preferences

One of the main objectives of the survey was to find out what users of Facebook prefer to see. For this reason question 10 was conducted (What information/content are you most interested to see on Facebook?) Same as industry preferences, the participants had to choose the interest level of 6 most common components on Facebook. Those are news, pictures, videos, keeping contact with people, Facebook story and celebrities.

Regarding news/useful information 39 people have answered that are very interested, 30 people extremely interested, 22 slightly interested, 19 moderately and 11 not at all interested.

Pictures content have shown moderate interest counting 51 participants, 36 very interested, 20 slightly interested, 10 people not at all interested and only 5 people extremely interested.

Majority of people (45 have answered moderately interested in videos, 34 stated that are very interested, 23 slightly interested, 13 not at all interested and only 6 extremely interested.

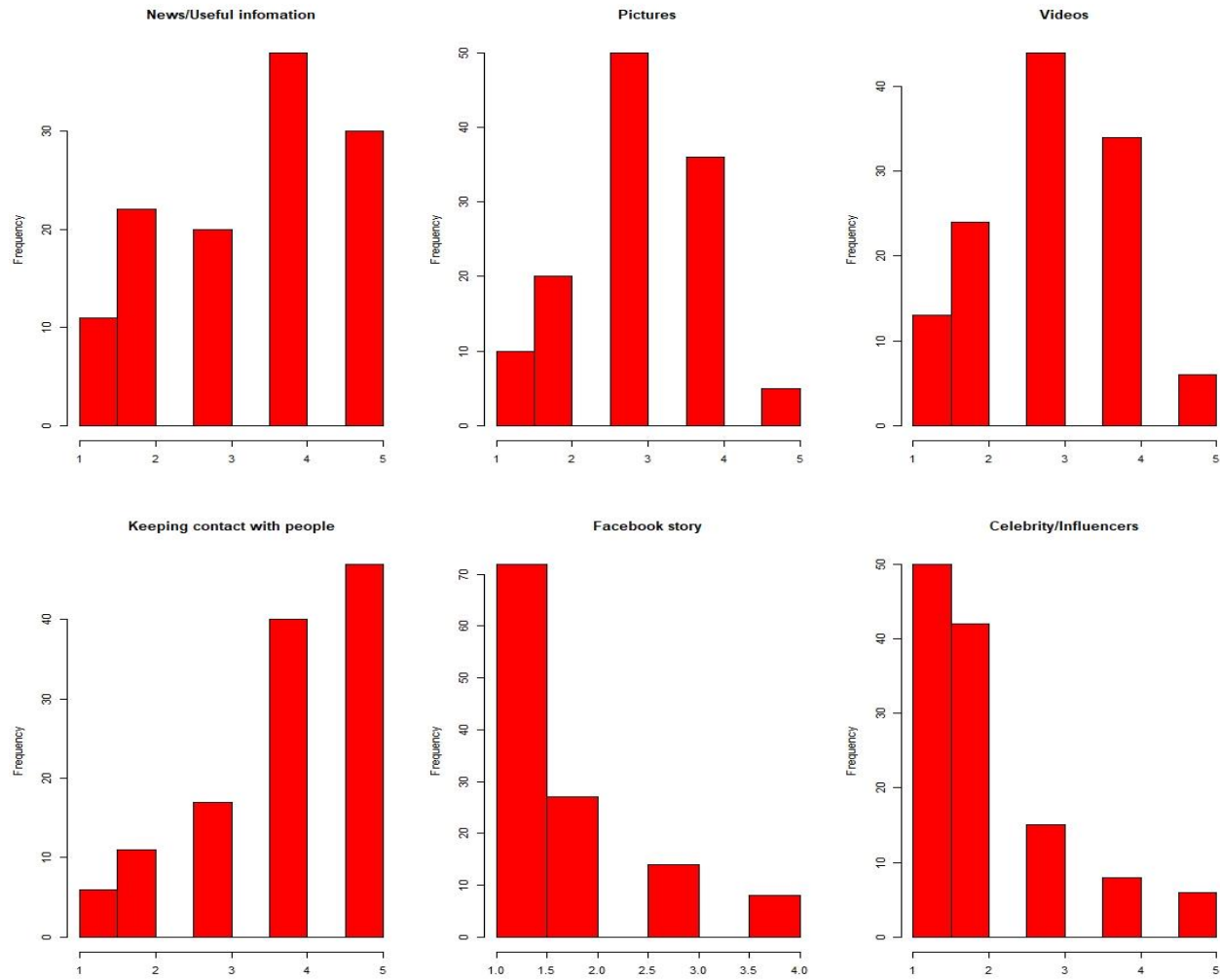
Keeping contact with people is one of the main drivers to use Facebook. There were 47 people who answered that are extremely interested, 41 have answered very interested, 16 were moderately interested, 11 slightly and only 6 people were not interested at all. This histogram is skewed to the higher levels of interest.

Opposite that keeping contact with people, Facebook story histogram is skewed more to the lower levels of interest. The results show that none of the participants answered extremely interested in this content. Leading 72 participants have answered not at all interested, 28 for slightly interested, 14 moderately and only 7 people stated that are very interested.

There were 50 people who answered that are not interested at all for celebrities and influencers, 43 were slightly interested, 15 moderately, 7 very and 6 were extremely interested.

The results suggest what content people prefer to see or use on Facebook and with what they are willing to engage more. The charts indicate that people are most interested in 'news and useful information' and 'keep contact with people', and are at least interested in 'Facebook story and celebrities/influencers'. The participants have stated that are moderately interested in 'videos' and pictures'. The charts are represented in Figure below (Figure 4).

Figure 4. Interest level of different Content/Information



Notes: The figure presents the interest levels for 6 types of content/information on Facebook. The results are obtained based on the survey of 122 participants

## **8. DISCUSSION**

This chapter connects the findings of the research and proposing recommendations with the existing theory in the literature review. It emphasizes certain recommendations from different articles and along with the survey analysis provides suggestions for using sponsored ads and how to encourage consumers to engage the content which is shared by businesses. Also, this chapter provides a summary table presenting the key findings, theoretical and managerial implications (Table 7). Likewise, it emphasizes the limitations that have appeared in the quantitative data collection.

### **8.1 Theoretical Implications**

In order to survive the rapidly changing digital freedom, businesses should constantly change their selling approaches and marketing strategies. Social media marketing is not quite explored field yet. This master thesis is focused to gather valuable information which businesses can use to effectively make their target group to engage with the content they are posting and for better advertising on social media. Also, the study indicates that time and engagement (opening ads) have a positive correlation with the probability of purchase. The data demonstrated a correlation between the statement to purchase in the future and the likelihood to purchase. The regression model confirms that by spending more time on Facebook and by increasing the engagement (opening ads) it significantly increases the probability of purchase. The data contributes better understanding with the research of Ho & Dempsey (2010) which stated that individuals who spend more time online, are more likely he or she to take a certain action. The results of the regression model regarding opening ads fit with the theory of (Waller, Noguti, & Singh, 2014) which also stated that engagement has a positive impact on the likelihood to purchase. The study shows that the users who are highly engaged in SM are more likely to be potential buyers. Sanne & Wiese (2018) have stated that there might be a positive or negative attitude towards engagement. Likewise, the results show that people with negative statements for buying something in the future have a negative effect on the likelihood to purchase. The findings suggest that SM marketers should focus on changing users' attitudes towards advertising and encourage them to engage more often. (Sanne & Wiese, 2018)

Table 7

Summary table, presents the key findings, theoretical and managerial implications

	REGRESSION ANALYSIS	ANOVA ANALYSIS	INDUSTRIES/ CONTENT PREFERENCES
Findings	The analysis of the survey reveals that spending more time of Facebook and increasing the engagement (opening ads) significantly increase the probability to purchase. Indeed, the analysis support that negative statement for buying something in the future is negatively correlated with likelihood to purchase.	The results indicated that 6 of the measured industries have different likelihood to purchase within all interest levels of users. It explains that the people from all these levels have different probability to purchase. While, 7 industries have same likelihood to purchase within all the levels of interest. It means that all the users have same probability to purchase regardless their interest.	The results confirm that people are differently ad receptive for certain industries or content type. For instance, people are more interested to see ads related to Traveling than Autos. Likewise, some people are more interested in news and keeping contact with people, than celebrities and Facebook story.
Contribution to Marketing Literature	The results of the survey fit with the finding of Ho & Dempsey (2010) that individuals who spend more time on Facebook, are more likely to purchase. Also, the researches of Waller et al., (2014) and Sanne & Wiese (2018) found that with higher level of engagement, users are more likely to purchase.	The study of Coelho et al., (2016) revealed that there are a significant differences in ad receptiveness and interest among industries. Also, the report of Irvine (2019) has revealed that people have different intentions to click on ad based on the industry.	Sanne & Wiese (2018) indicated that certain industries are limited for advertising on Facebook. Also, the report of Irvine (2019) have shown that industries have different CVR. The literature marketing reveals some motives and gratifications for using social media. Orchard et al., (2014); Park et al., (2009); Whiting & Williams (2013);
Contribution to practice (Managerial Implications)	Since engagement and time can contribute to likelihood to purchase, businesses may optimize their selling rate on social media by encouraging the users to engage and share the content. Businesses need to align the engagement components with their desired goals and marketing strategy. Instead of wasting too much time on negative feedbacks and target as many users as possible, they need to find a way to promote something that will encourage users to engage and create a positive emotion attachment towards the product.	The results suggest that there are external factors that influence on the ad receptiveness for certain industries. It might be impulsive buying, price elasticity, liquidity markets or no high variation in the preferences in certain industries. However, the companies can possibly improve the ROI from advertising by increased frequency of online ads, improve ad-quality such as preference-adjusted topics and design of ads. Also, businesses need to align the ads with their marketing campaign goals, target audience and users' preferences.	Every business has do its own research prior advertising on SM. From customers' perspective, in order to accept the information, the ad should match with their interests and preferences. The preference-adjusted topics should be credible, informative and entertaining. Also, it should enliven their social interaction, information sharing and self-expression. The research suggests that not all content components are interesting for the audience, and this should be taken into consideration for choosing the type of ad businesses should choose. For instance influencers and celebrities are not advertising experts, so instead of having high expenses on them, companies can set up a proper marketing promotion that will be eye-catching for the users.

The ANOVA results contribute a better understanding that there is a relationship between the interest level of users for a certain industry and the likelihood to purchase. The results indicated that in 6 of the measured industries there was a different likelihood to purchase from each interest level (1-5) of users. While the other 7 industries have shown the same likelihood to purchase within people who have different interest levels. The study of Sanne & Wiese (2018) has indicated that there are limitations to specific industries and brands for Facebook advertising. For instance, people have different intentions to click on ad (CTR) based on the industry they see (Appendix 1) (Irvine, Facebook Ad Benchmarks for Your Industry, 2019) Likewise, according to the research of Coelho et al., (2016) there are significant differences in ad interest and ad receptiveness between industries. However, the industries where the null hypothesis was accepted might be a case of some industry differences and characteristics, which this thesis was limited to find out.

The last part of the analysis presents the preferences of people in terms of industries and content. The results of the survey confirm that people are different ad receptive to certain industries and content (Figure 3 and Figure 4). The results confirm that people are different ad receptive to certain industries. For instance, the results indicate that Traveling has a high level of interest skewness, and Autos are towards low levels of interest skewness. This aligns with the report of Irvine (2019) that all industries have different Conversion Rate (CVR), which explain a different percentage among industries to take action (subscribe, buy). Likewise, there are certain leading factors for using Facebook in which people are more interested in than others. Based on the results users are more interested in news and keeping contact with people, than celebrities and Facebook story. The results fit with the marketing literature which reveals some motives and gratifications that encourage people to use social media. (Alhabash & Ma, 2017; Orchard, Fullwood, Galbraith, & Morris, 2014; Park, Kee, & Valenzuela, 2009; Waller, Noguti, & Singh, 2014; Whiting & Williams, 2013). This also aligns with the content preferences, which later can be implemented by companies for making the right advertising campaign and according to Facebook (2019) choosing the proper type of ads. (Facebook, Find beautiful, powerful ways to tell your business story, 2019)

## **8.2 Managerial Implications**

Since there are limitations for specific industries (Sanne & Wiese, 2018), businesses should search for new ways, so they can get ahead of their competitors. Since different industries have a different

performances with sponsored ads, in this study there are no certain rules that can be recommended for all the industries. However, understanding the users' habits and interests can help businesses for targeting audiences and along with the engagement are able to make good advertising strategies (Waller, Noguti, & Singh, 2014). Businesses should carefully evaluate the target market and the purpose of their web site before running into the 'online market place' (Sung-Eon, Shaw, & Schneider, 2003). Based on the survey results of the ANOVA analysis the differences in the industries and ad preferences may have influence external factors. It might be an impulsive buying, price elasticity, liquidity market, or simply no variation in the preferences in some of the industries.

One of the recommendations of Sanne & Wiese was that the SM marketers should focus on changing users' attitudes and to make them believe that the advertising is good, favorable, beneficial and pleasant. Therefore, companies need to encourage users to engage in with sponsored ads and their websites in different ways, based on the purpose they want to achieve. As referred by Bond et al., (2010) brands should have a clear value proposition for consumers in order to have successful engagement. From the customers' perspective, in order to accept the information the ad should match their interests and preferences. Basically the content needs to be relevant, entertaining and honest, so users will be more receptive to receiving communication from businesses (Bond, Ferraro, Luxton, & Sands, 2010). The preference-adjusted topics should be credible, informative and entertaining. As well as, it should enliven their social interaction, information sharing and self-expression (Alhabash & Ma, 2017; Orchard, Fullwood, Galbraith, & Morris, 2014; Park, Kee, & Valenzuela, 2009; Whiting & Williams, 2013; Waller, Noguti, & Singh, 2014). The companies need to align the engagement components, their desired goals, and the marketing strategy. Consequently, Facebook suggests a variety of sponsored ads that can be used for different marketing campaigns. (Facebook, Find beautiful, powerful ways to tell your business story, 2019)

The users are more likely to accept information that matches their interest and social context platform. (Sanne & Wiese, 2018) So, based on the product/service businesses are offering, they should synchronize the content with people's interests and what they prefer to see. Therefore, based on the content preferences of the survey research the results can suggest that people are using social media mostly to keep contact with friends. The results are built on existing evidence of academic research of Sanne & Wiese (2018) which suggests that SM marketers despite focusing

on optimizing advertisements to increase engagement towards sponsored ads, have to influence 'Friendvertising' as well. This means to encourage users for commenting, tagging and sharing content. (Sanne & Wiese, 2018). The research also suggests that not all content components are equally interesting for the audience, and this should be taken into consideration for choosing the type of ad businesses should choose. The results of the survey show that people are not quite interested in watching influencers and celebrities of Facebook. So, instead of spending a lot of money on advertising with influencers who may or may not be advertising experts, businesses can set up a proper marketing promotion from which consumers can engage easier. Also, since a high percentage of the participants of the survey stated that are very interested in 'keep contact with friends' on Facebook, maybe messenger ads would be a good strategy for certain product/service.

However, every business should review what their target market is, what their short and long term goals are and how they can improve the selling rate based on the conditions. As well as, to find out how their customers would benefit and what would drive them to engage the sponsored ads or other content. To make a strategy that would be eye-catching for their consumers and will make an emotional attachment with the product/service. (Sahabi, Razak, & Abdelsalam, 2018)

Correspondingly, the gathered information regarding uses and motives (chapter 5.4) can be also correlated with the target group for marketing and what specific content to use in order to drive users to 'take action'. According to Waller et al., (2014) many factors have been identified as motives to use Facebook, such as: seeking convenience, seeking friends, seeking social support, information, and entertainment. While media engagement is strongly related to purchase intentions (Waller, Noguti, & Singh, 2014), businesses should connect these components. For instance, some people are motivated to use SM to find valuable information. Consequently, a company can use some knowledgeable information that is related to the product that the consumer can benefit from. After recognizing the benefit, the consumer would realize that he/she really needs the product/service and will emotionally attach.

After all, according the research of (Burton, Gollins, McNeely, & Walls, 2019) if users see the ad for more than a few times, the probability to purchase would be higher. This can be a piece of good advice for advertisers to target the same audience more than once prior to publishing the ad. Companies can possibly improve the ROI from advertising by increased frequency of online ads, improve ad-quality such as preference-adjusted topics and design of ads. Therefore, instead of



wasting too much time on negative feedbacks and target as many users as possible, companies need to find a way to promote something that will encourage people to engage in the content/ad. Also, as stated by Sanne & Wiese the content needs to be entertaining and possibly interactive so people would be more motivated to engage and purchase. This can be done with interactive images, entertaining video, playable ads, quiz, etc. (Facebook, Types of Facebook Ad Formats, 2019).

## **8.3 Limitations and Future Research**

The results of quantitative research have faced certain limitations which related future research should aim to overcome.

### **8.3.1 Limitations**

Few things appeared as a challenge in the quantitative study. The initial idea was to make a comparison of two social media platforms, Facebook and Instagram. However, due to incomplete data set for Instagram along with the insignificant results with errors and heteroscedasticity, the dataset was excluded from further measuring. Also, the generalizability of the results is limited by a small sample size. After excluding the data set for Instagram and after cleansing the data, the number of participants drops from 262 to 122. Furthermore, the respondents may not be completely honest by answering the questions. Or else, have answered some of the questions by intuition. For instance, the participants could have known the approximate time spent on Facebook, but they are not able to provide an accurate number. Another particularly challenging issue was to make a proper analysis of the industries. The study has limited information to provide valuable suggestions for the industries separately. Another limitation of the analysis occurred in the regression model. Even though the six explanatory variables were a good fit for Likelihood to Purchase, not all the existing factors were examined in the research.

The limitations have been taken into consideration before performing the analysis to avoid any unrealistic conclusions.

### **8.3.2 Future Research**

An interesting next step of this research could be an analysis of the mentioned industries separately. Thus, a comprehensive analysis of why some industries are doing better with sponsored ads than others is needed. The future research needs to establish the different motives for engaging in sponsored ads on social media among different industries. As well as, the reason why certain industries have different likelihood to purchase as a result of social media advertising.

Another direction for future research is to conduct analysis for other factors that drive the likelihood to purchase. If future studies rely on quantitative analysis, the researchers should apply a survey that will consist of more participants.

## **9. CONCLUSION**

Businesses are seeking a variety of options to promote their brand, product/service and to gain better competitive advantages in the market. One of the newest milestones in the marketing industry is social media advertising also recognizable as sponsored ads. This is just one of the tools that can help them become more noticeable within numerous similar businesses. The main purpose of the thesis was to find valuable information regarding sponsored ads and to propose the companies a potential use and benefit from them. Since sponsored ads have shown as useful in terms of likelihood to purchase and cost-effective, most businesses should implement sponsored ads as an advertising tool. With the help of the quantitative analysis and marketing literature review, the research is suggesting advises which certain businesses may use.

The first research question was to find what has an impact on the likelihood to purchase, while the second was to find out what users of social media platforms prefer to see. Regarding this, Multiple Regression and ANOVA analysis were introduced. The multiple regression analysis suggests that time spends on social media platforms and engagement towards ads (opening ads) are positively correlated with the likelihood to purchase. Indeed, people with a negative statement towards the ads are negatively correlated with the probability of purchase. The results suggest that people who spend more time on Facebook are more likely to purchase. Likewise, people who tend to open ads

and engage are more likely to purchase. Surprisingly, satisfaction was not a very proper variable in this regression. Thus, marketers should consider these factors for targeting potential consumers and or repeating the ads to the same targeted group. The ANOVA analysis illustrates that there is a relationship between interested people for certain industries and the likelihood to purchase. The results contribute a better understanding that all industries differentiate from each other and people are different ad receptive towards them. Few of the measured industries rejected the null hypothesis which means that users' interest level is reasonably correlated with the likelihood to purchase. This means that people with a lower level of interest have a lower probability to purchase, and opposite people with a higher level of interest have a higher likelihood to purchase. On the other hand, seven of the observed industries have accepted the null hypothesis, which explains that people with different levels of interest have the same likelihood to purchase. These differences may have occurred due to external factors such as impulsive buying decisions, price elasticity, industry preferences, liquidity markets or simply the ads are more or less effective for certain industries. Also, the industries that have accepted the null hypothesis may differentiate from other industries by being more available to people, have lower prices or there is no high variation in the preferences among users. The successful businesses that are prompted to have a high likelihood to sell online can possibly improve their ROI from advertising by reaching further to final consumers. Increased frequency of online ads and improved ad-quality such as preference-adjusted content and design of ads are the most important determinants that increase the range of potential customers. The results suggest that the likelihood to purchase may differ from industry to industry.

Regarding ad preferences, the results indicate that people are differently ad receptive depending on the industry they see ad for. By analyzing the results of the survey, it was visible that for some industries people are more interested than other industries. For instance, ads related to traveling, books and entertainment tickets fall into the group for higher interest levels. While, industries like autos, apps, services, beauty products, and online courses are skewed to lower interest level. In terms of content preferences, the results suggest that people use Facebook mostly to 'keep contact with friends', and to follow up with 'news and useful information'. On the other hand, their interest level drastically drops for 'Facebook story' and 'celebrities and influencers'. For pictures and videos, most of the participants were moderately interested. Also, based on the marketing literature the preference-adjusted topics should be informative, entertaining and credible. The arguments can

be aligned with the marketing strategy and choosing the type of sponsored ad based on the product/service.

Every company has to do their own research of what fits best for them based on the industry characteristics and customers' preferences. They have to define what their target market is, their goals are and how they can improve the selling rate based on the market and environment conditions. At this point, they need to find out how their customers can potentially benefit and what would drive them to engage in the sponsored ad. Also, advertisers have to keep in mind that they need to ‘‘create’’ emotional attachment between the customer and the product/service, as well as, to make sure the content is relevant, honest, informative and entertaining. Thereby, preference-adjusted topics should enliven customers’ social interaction, self-expression, and information sharing.

The new branch of marketing will continue changing over time, but businesses have to follow the trends that are rising up in the interactive society we live in. The first impressions for using social media marketing seem very simple and easy, but actually companies have to do deep and comprehensive research of what works best for their business based on the industry, market share, and customers’ preferences. Instead of comforting the old strategies because ‘‘they have worked’’ in the past, companies should aim for new ways to promote their brand, product/service in order to survive in today’s intense competition.

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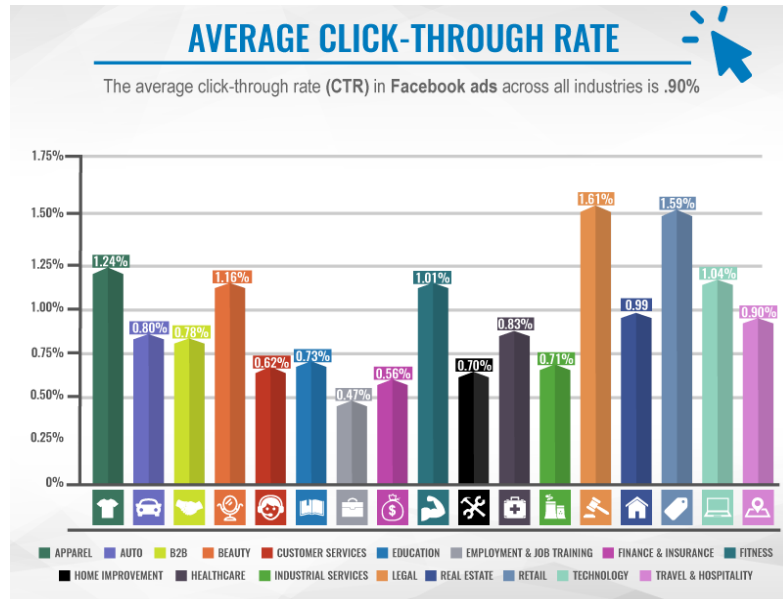


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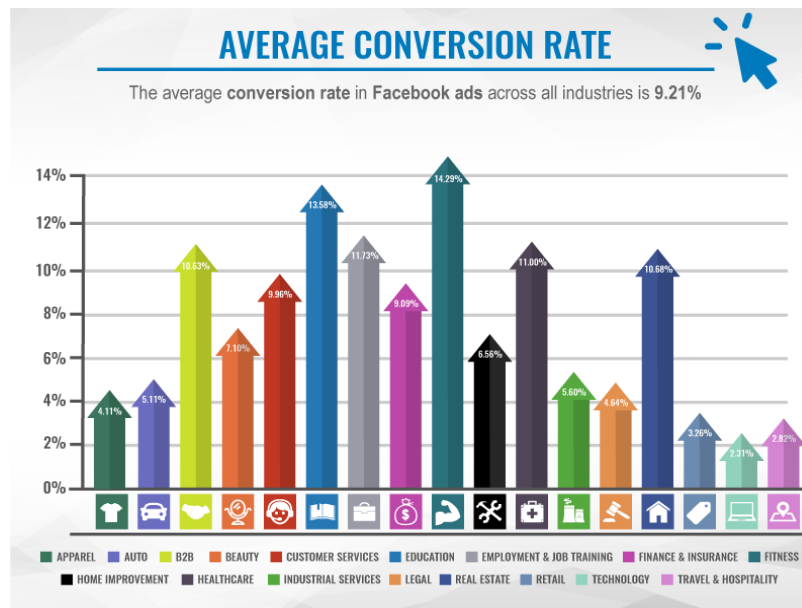
## **APPENDIXES**

**Appendix 1: Different performance measured by (CTR) and (CVR) within 17 different industries**

*Figure 5. Performance measurement by Click-Through-Rate (CTR) between different industries, Irvine (2019)*



*Figure 6. Performance measurement by Conversion Rate (CVR) between different industries, Irvine (2019)*



**Appendix 2:** The table below presents a comparison of the average number of engagements (likes, comments and posts) for 6 different industries

*Table 8*

*Comparison for engagement rate within different industries, Coelho et al (2016)*

Business Segments /Interactions	Facebook			Instagram		
	Likes	Comments	Posts	Likes	Comments	Posts
Food	75	3	78	57	5	53
Beauty	3	0	122	30	3	418
Ladies footwear	1	0	2	33	4	148
Body design	113	7	45	201	8	104
Fashion gym wear	11	0	433	90	5	446

## **Appendix 3: Survey questions represented for Facebook set**

### **Sponsored Ads on Social Media**

October 2019

Dear Participant,

My name is Stefani Paunoska and I am a student of NOVA IMS University in Lisbon, Portugal. As a part of my thesis research I have designed a questionnaire to find out if there is any difference between ad receptiveness on Facebook and Instagram. I am inviting you to participate in this research study by completing the attached survey. Your opinions are essentially important and valuable for this study.

The following questionnaire will require approximately 5-8 minutes to complete. Your responses are absolutely confidential with no names mentioned.

The data collected will provide useful information in order to make comparison between Facebook and Instagram sponsored ads. This is the reason why the survey will randomly present either the survey for Facebook or Instagram.

I thank you very much in advance for your help. If you have any questions or would like further information, please do not hesitate to email me at [Stefani.paunoska@gmail.com](mailto:Stefani.paunoska@gmail.com)

Sincerely,

Stefani Paunoska

Q1 Gender

Male (1)

Female (2)

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Q2 How old are you?

▼ Select number (1) ... 100 years old (89)

---

Q3 Do you currently use Facebook account?

Yes (1)

No (2)

---

Q4 Where are you from? Please write the country in the text box below.  
(Example: Portugal, Macedonia, USA, etc.)

---

Q5 How much time you usually spend on Facebook (Including Messenger)? Please write the approximate average number of MINUTES per day. (Example: 125 min/day) Please write the number only.

---

Q6 How long have you been using Facebook? (Please choose what is the most relevant for you)

- Less than 1 year (1)
  - over 1 year (2)
  - over 2 years (3)
  - over 3 years (4)
  - over 4 years (5)
  - over 5 years (6)
  - over 6 years (7)
- 

Q7 What part of the day are you most likely to use Facebook? Please select the time frames that you spend the most of the time on Facebook. Possible to select MULTIPLE options.

- 6.00 am- 9.00 am (1)
  - 9.00 am- 12.00 pm (2)
  - 12.00 pm- 3.00 pm (3)
  - 3.00 pm- 6.00 pm (4)
  - 6.00 pm- 9.00 pm (5)
  - 9.00 pm- 12.00 am (6)
  - 12.00 am- 3.00 am (7)
  - 3.00 am- 6.00 am (8)
-

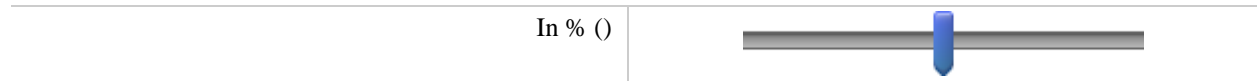
Q8 For which industries are you most interested to see sponsored ads on Facebook? Please select the level of interest for each industry. (Example: Clothes- Very interested; Autos- Extremely interested, etc.)

	Not at all interested (1)	Slightly interested (2)	Moderately interested (3)	Very interested (4)	Extremely interested (5)
Fashion/Clothes (1)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Traveling (2)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Autos (3)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Technology (4)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Food/Restaurants (5)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Healthy life supplements (6)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sport equipment, clothes, products (7)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Services (8)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Apps (9)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Books (10)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Beauty Products (11)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Online courses (12)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Entertainment tickets (13)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>



Q9 How often do you notice ads on Facebook related to the industry you are most interested in? Please select the right PERCENTAGE (%) on the slider bar below.  
 (Example: 85% of the time I see ads of my interest)

0 10 20 30 40 50 60 70 80 90 100



Q10 What information/content are you most interested to see on Facebook?

	Not at all interested (1)	Slightly interested (2)	Moderately interested (3)	Very interested (4)	Extremely interested (5)
News/useful information (1)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Pictures (2)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Videos (3)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Keeping contact with friends (chat) (4)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Facebook story (5)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Celebrities/ Influencers (6)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q11 How often do you report or hide an ad on Facebook?

- Never (1)
  - Less than once a week (2)
  - Once a week (3)
  - Few times a week (4)
  - Once a day (5)
  - More than once a day (6)
  - Almost Always (7)
- 

Q12 How often do you see sponsored ads USEFUL based on the browsing history you have done? Please select the right PERCENTAGE (%) on the slider bar below.

Example: you have searched for clothing websites, then you see ads related to this industry.

0 10 20 30 40 50 60 70 80 90 100



Q13 Based on the browsing history how SATISFIED are you of the ads on Facebook? Does it fit to what you prefer to see?

Please select the right PERCENTAGE (%) on the slider bar below.

Example: 65% satisfied of the ads I see.

0 10 20 30 40 50 60 70 80 90 100



---

Q14 How often are you likely to open ads on Facebook?

- Never (1)
  - Less than once a week (2)
  - Once a week (3)
  - Few times a week (4)
  - Once a day (5)
  - More than once a day (6)
  - Almost Always (7)
- 

Q15 Have you ever bought something from a sponsored ad on Facebook?

Please select the right PERCENTAGE (%) on the slider bar below.

Example: Sometimes, in about 35% of the chances when I could have.

Never   Sometimes   About half the time   Most of the time   Always

0   10   20   30   40   50   60   70   80   90   100

In % ()	
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Q16 Will you consider buying something promoted with sponsored ad on Facebook in the future?

- Extremely unlikely (1)
- Unlikely (2)
- Rare to consider (3)
- Neutral (4)
- Maybe to consider (5)
- Likely (6)
- Extremely likely (7)

