7-20-2013

Does Social Media Affect Consumer Decision-Making?

Patarawadee Sema
Johnson & Wales University - Providence, PES787@wildcats.jwu.edu

The Research Paper: Does Social Media Affect Consumer Decision-Making?

Patarawadee Sema

Johnson & Wales University

Author Note

Patarawadee Sema, Johnson & Wales University, Feinstein Graduate School

For course: RSCH 5500: Business Information and Decision Making

Professor Martin Sivula, Ph.D., July 30, 2013

The format and style of this paper was a test version.

Abstract

Does social media affect consumer decision-making? Social media becomes an important communication tool that people use to connect to other people or organization. People use social media to share their experiences, reviews, information, advice, warnings, tips and/or any kind of issues that are interesting to their "connection" or friends. That information is a helpful source, which may influence consumer's decision-making. Most of studies showed that people use information on social media as the guideline for their future purchase or planning their future trip. Also, social media is used as an advertising for the marketer. Marketers take this advantage and create marketing strategy, which in turn could help them gain more customers. The social media environment is very easy to apply and to reach the reach customer. These benefits give persons convenience to achieve what they are looking for. People tend to believe in what their friends recommend. Facebook, Twitter, or Myspace is the most popular social media site that people share their lifestyle, stories..., or even where they went for vacation. Posting information could lead their friends to do the same thing or use their information to make decisions. The goal of this research report is to ascertain through a review of selected literature on social media its influence on travelers' decision-making for their future vacations.

Keywords: Social media, decision-making, marketing, behavior, advertising, influence, consumer

Statement of the Problem

Nowadays social media becomes part of a person's life. Social media such as Facebook, Twitter, Instagram or LinkIn has a numeral number of the user and keeps growing every day. It is estimated that over 500 million people are interacting with social media (Ostrow, 2010). The number of social media users growing have attracted marketers. Marketers have recognized that social media marketing as an important part of their marketing communication strategies. Also, social media helps organizations to communicate with their customers. These interactions help marketers determine customer needs and understand what their market might look like. Key business factors of social media allow consumers to estimate products, make recommendations to contacts or friends, and share any of the purchases through their social media.

Communication through social media has found impact on consumer decision-making and marketing strategies. Consumer socialization theory predicts that communication among consumers affects their cognitive, affective, and behavioral attitudes (Ward, 1974). Also, the advertising on social media page has built new consumer's behavior. Consumers tend to make purchases or conduct business on social media.

Recommendations by friends or connections on social media also could help consumers on decision-making. Those recommendations could help brand attitudes, purchasing attitudes, and advertising attitudes. The more good responses on the products or services, the more attractive for consumer purchasing. Most of top brands and services notice it and started to focus on social media marketing.

Selected Review of Literature

The influence of social media on buying behavior can be in any services or products. Quality, brand, advertising or price could effect consumer decision-making. In 2003, Western Kentucky University used a sample of 249 consumers' purchases to analyze the type of product purchased, and the cost of item. The results of this research present that consumers are buying either inexpensive or expensive items, and are doing so based on recommendations from social media by their contacts or friends on social media (Forbes & Vespoli, 2013). Marketers could consider that social media does influence buying behavior. According to the recommendations on purchases, 59% of all respondents were using Facebook as their social media tool when they received a product recommendation. Thirty-seven percent of all users were using Twitter. From these results, social media has influenced their buying behavior.

The relationship between social media and consumer decision-making present that social media affects advertising attitudes, brand attitudes, and purchasing intentions of consumer. It will not necessarily affect consumer's decision-making, but might possess a mediating effect (Taining, 2012). Social media can build brand attitudes that affect buying behavior. The good image of brand or product can lead the consumer to make decision on their purchases. When consumer's friend on social media shares or recommends services or products on their social media, it affects brand attitude and influences their decision-making. Yet, advertising on social media, which is provided by commercial sources affect both consumer brand attitudes and purchasing intention (Yang, 2012). From that information, it helps marketers plan their marketing strategies. Many marketers use social media for marketing campaigns. It is the easy way to communicate with consumers; also it is inexpensive to advertise their brands or services.

Social media is not only for advertising, but it can also be a tool for brands or services to connect with their consumers. Another study shows that social media allows consumers and

prospective consumers to communicate directly to a brand representative. Since most consumers are using the social media as tool to search and purchase items, brands or services use this advantage to advertise their products. The online consumer is a booming market worldwide, however it is giving a globalized level of segmentation cross-culturally (Vinerean, Cetina & Tichindelean, 2013). If they have some problems on products or services, consumers could reach the company via social media, which is an easy way to connect and contact with them. Companies are challenged by how they chose to react to comments or responses on social media. Their reactions and responses can build strong brand images and get more consumers to purchase products or services. When a consumer wants to make decision on product, every single detail could be an influence to their decision-making.

Consumer motives for engaging in social media provide insights into consumers' activities. Consumers have three main gratifications or motives for using the Internet as a medium, namely, information, entertainment, and social aspects (Heinonen, 2011). The motivation is in two main groups: rational motives, such as knowledge-sharing and advocacy, and emotional motives, such as social connection and self-expression (Krishnamurthy & Dou, 2008). Consumers' activities in social media have been found based on consumers' conduct online. Nowadays consumers are using Internet as their tools to achieve their motivations. Their motivation could be connected to their old friends, business, or reviews to support their decision-making. Reviews on social media become second-hand resources to support consumer's decision-making because they want they want value from their dollar. Reviews on social media not only affect to expensive items, but also inexpensive items as well. People can see the reviews on cosmetics, books, cars, hotels, or even nail polishes. Those reviews can motivate purchases or support consumers decision-making by make it more reasonable to spend the money on it.

Social media does not only effect consumers' decision making on products or services, but also it helps in other fields of studies or careers such as political or juror impartiality and fair trials too. In context of justice system, the easily accessible nature of the Internet has results in jurors having the

ability to consult an online social media source in order to aid their decision-making and deliberations (Simpler, 2012). Social media helps juror to broadcast their options about ongoing court. Jurors find some advantages of information or any evidence that can support their decision and help them making their decision. Twitter is the most important for sharing news, and information, which is up-to-date. This information may not be confirmed that it is true or not true but at least it will give the jurors the idea and know what other people think about the case. Today researchers have found that social media t helps jurors to have a wide open vision of the case and can also influence to the juror's decision-making (Simpler, 2012).

Another study examined the effect of social media on a person's decision-making by sharing health information on news and social media. The study observed the coverage of influenza vaccination on Dutch news sites and social media websites. Dutch news sites and social media websites were promoting the campaigns of influenza vaccine during February, March, and April, 2012. From this study the results showed that news media and social media give different tones in messages. News media reports tended to be more objective and non-judgmental, while social media more critical of behaviors of Internet users and may influence the success of vaccination campaigns and recommendations made by health authorities (Lehmann, Ruiter & Kok, 2013). However, this study concludes that it was a first step in e-Health announcements. People tend to respond to the news on social media more than news media. It is attractive and influences people on their decision-making due to the Internet and might be an important source of health information.

Since people can't try travel-related products and services before they consume them, dynamic processes with various amounts and types of information sources have been used (Fodness, & Murray, 1977). Many studies have found that many travelers used social media as a guideline for their trip. Reviews of places, hotels, transportation, food, or restaurants could have large affects on traveler's decisions. Travel organizations and businesses have used social media as a communication tool for

their audience by posting travel information; uploading photos, warnings, advice, or sharing personal traveler reviews. Those things can influence trip's decisions and even create future trip destination impressions. Fifty-eight percent of U.S. online travel used ratings for their travel information: 49% of them checked reviews and recommendations: 18% used photos and friends' social network sites: 12% read blogs: and 5% watched videos (eMarketer, 2007). Venkatesh, Speir, and Morris (2002) showed the theory of social influence affected person's decision-making. People participating in social media activities are usually in communities and appear to be socially influenced by the community group members. Social influence is defined as the degree to which a person believes that person to perform a particular behavior (Venkatesh, Speir, & Morris, 2002). From the social theory, it shows the support of the idea that social media has become a key influence in a person's decision-making process..., they need confirmation on what they decide is the best.

Review of a Selected Method

Sample and Data Collection:

Data were collected online using a research firm's domestic leisure travel panel between July 10 and 20, 2009. Respondents must have taken at least one trip in past 12 months for vacation, pleasure, or personal purpose within United States that was 500 miles away from home (one way). A sample of 1,048 respondents answered the questionnaire. The sample drawn for this research was balanced by age, gender, race and ethnicity according to the lastest population parameters reported by the U.S. Census Bureau (Kang, & Schuett, 2013).

To analyze and test their research hypotheses, the study used 543 of the 1,048 respondents (52%) who were social media users. Samples were a subset of a larger travel study, which queried travelers on many travel-related behaviors. Respondents who did completed this survey read or posted to social media (or both) about travel experience. Social media sites that considered on this survey such as Facebook, Twitter, LinkIn, Myspace, Friendster, Bebo, and/or other are popular site of social media.

Questionnaire:

The use of social media in travel planning was measured by asking one question using a 5-point Likert scale from 1 (I never do this) to 5 (I always do this). Their involvement with social media was indexed based on a question regarding their experience with social media websites. The respondents were asked to indicate if they read, post (or both) read and posted their social media sites. Both posting and reading indicates more involvement than only reading: 1 point was giving to reading, 2 points to posting, and 3 points to both reading and posting. The sum of all scores of the seven social media websites was used to index the level of experience with social media. Actual travel-experience sharing on social media were measured by asking how they shared travel experience from their most recent trip. If they answered that they shared their travel experience by posting them online- i.e., social networking websites, photo sharing websites, travel review websites, personal blogs, and/or websites- they were considered travelers who share their travel experience on social media. If they did not share their travel experience on these sites, that was recorded as well (Kang & Schuett, 2013).

Data Analysis:

The validity of the measures was assessed by a confirmatory factor analysis (CFA): subsequently, a structural equation model (SEM) was used to test the proposed conceptual model based on the maximum likelihood approach. This study used a polychoric correlation matrix as an input matrix because travel-experience sharing behavior (endogenous variable) is dichotomous variable.

Approximately 52% of leisure travelers used social media on their trip for the past 12 months to share their travel experiences. Approximately 23% of social media users used all 7 social media sites (Bebo, Facebook, Friendster, LinkIn, Myspace, Twitter, SecondLife, and/or other): 42% of them used 4-6 social media sites: 35% used 1-3 social media sites. A majority of the social media users (65%) have used Facebook to both read and post activities and 59% of them participated in reading Myspace.

The use of social media in travel planning had a positive influence on increasing actual travel-experience sharing behavior and the experience with social media also positively related to actual travel-experience sharing on social media. These result reported that with increased perceived enjoyment, the use of social media increase as a source in travel planning, and level of experience with social media has a positive influences on sharing travel experiences on social media.

References

Forbes, L.P., & Vespoli, E.M. (2013). Does social media influence consumer buying behavior? An investigation of recommendations and purchases. *Journal of Business & Economics Research*,11(2), 107-111.

Heinonen, K. (2011). Consumer activity in social media: Managerial approaches to consumers' social media behavior. *Journal of Consumer Behavior*, 10(6), 356-364. doi:10.1002/cb.376

Kang, M., & Schuett, M. (2013). Determinants of sharing travel experiences in social media. *Jounal of travel & Tourism Marketing*, 93-107, doi:10.1080/10548408.2013.751237

Lehmann, B.A., Ruiter, R.C., & Kok, G. (2013). A qualitative study of the coverage of influenza vaccination on Dutch news sites and social media websites. *BMC Public Health,* 13(1), 1-13. doi:10.1186/1471-2458-13-547

Ostrow, A. (2010). *It's Official: Facebook Passes 500 Million User.* Retrieved from http://mashable.com/2010/07/21facebook-500-million-2

Simpler III, M.F. (2012). The unjust "Web" we weave: The evolutiom of social media and its psychological impact on juror impartiality and fair trials. *Law & Psychology Review*, 36, 275-296.

Taining, Y. (2012) The decision behavior of facebook users. *Journal of Computer Information Systems,* 52(3), 50-59

Vinerean, S., Cetina, I., & Tichindelean, M. (2013). The effects of social media marketing on

online consumer behavior. *International Journal of Business & Management*, 8(14), 66-9. doi:10.5539/ijbm.v8n14p66

Ward, S. (1974). Consumer socialization. *Journal of Consumer Research*, 1(2), 1-14. Retrieved from http://dx.doi.org/10.1086/208584