THE EFFECT OF FACEBOOK ADVERTISING ON GENERATION Y PURCHASE DECISION

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ABSTRACT

This research is to benefit the marketers to more effectively reach Generation Y customers as in this globalisation era. Hence, the aims of this research is to investigate the effect of Facebook advertising on Gen Y purchase decision and moderating effect of demographic factors on the relationship between perception of Facebook and purchase decision. The three perceptions proposed in the model, namely perceived trust, perceived informativeness and perceived risk with moderating effects of gender between perceptions of Facebook advertising and consumer purchasing decision. The quantitative research was used for 300 respondents from Gen Y participated were selected from Generation Y in Johor, Malaysia. Results of the research shows that perceived trust and perceived risk have a significant relationship with purchase decision, but perceived informativeness does not have a significant relationship with purchase decision. In addition, gender had a significant moderating effect on the relationship between perception of Facebook ads and purchase decision.

Keywords: Facebook, Generation Y, perceived factors, moderating effects

1. INTRODUCTION

The rapid growth of mobile technologies, Internet and social media has huge affections global marketing communications strategies especially to target younger generations who are born between 1982 and 1994 (Duffett, 2015). The Generations Y also known as millennial or digital natives which are incredibly complicated, highly experienced with technology, resistant to most traditional marketing and sales modulation. Generation Y consists of individuals born between 1980 until 2000 (Cennamo & Gardner, 2011) type of gen articles. It is crucial for marketers to examine characteristic and behaviors of Generation Y in order to offer products and services to this group. In order to increase

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consumers’ awareness and create new business opportunities, marketers should begin using social networking website appeals in their advertisements.

Moreover, this younger generation is skilled and advanced in technological usage because they are growing up in the information age and tend to use the media on daily life (Muda et al., 2016). There are believed to be the biggest group of people who utilize the Internet as a main channel for online shopping. Social media platform has become an important channel for global marketing communication especially for younger generation. It is a phenomenon that has drawn a lot of attention both by companies and individual to interact on the networking landscape (Alhaddad, 2015).

Facebook is considered as an attractive tool for marketers because it has many communication options (Baglione et al., 2017). In addition, Facebook could be used for close supervision to assess the customers’ feedback and monitor rivals by creating a good customer relationship. Facebook can be used by small companies to reach big numbers of people and potentially to increase their sales. In terms of cost to reach a thousand people, Facebook advertisements reach a brand’s target market quickly and provide two ways communication where consumers can detail their requirements (Hansson et al., 2013). Additionally, Hansson et al., (2013) mentioned that Facebook advertisements receive on-going feedback information which allows brand managers to identify their consumers’ consumption patterns. This is probably because vast use of Facebook has made businesses to target specific customer and promoting their product or services through attractive advertisements.

Recently, there has been growth among business or even newly set up companies to advertise on Facebook so the right advertisement should be carefully chosen in order to attract new customers. That’s mean companies have to grasp these opportunities to spread their business to its potential customers as well. However, Edwards (2012) warned that advertisers or marketers should worry about advertising on Facebook pages. He mentioned that there are such things as a “free” page at Facebook, many posts made by advertisers are just reached by a little proportion of followers because users’ news feed are so crowded. Moreover, since the symbolism can be viewed as wrong or contain intentions that may be viewed as annoying, Facebook has created rules for promoting the advertisement (Facebook, 2017).

The Statista Portal (2017) showed that the number of Facebook users in Malaysia is increased from 11.04 million in 2016 and likely to achieve 13.57 million in 2019. Facebook’s total advertising revenue grew to $8.63 billion in the fourth quarter of 2016, a 53 percent increase over the same period a year earlier (Swant, 2017). In the above statements, Edwards
(2012) revealed that speed of Facebook which means that coming out many new products quickly and it’s confusing for consumers. The authors also said that Facebook’s advertisements come in different shapes and sizes than standard display format advertisements which mean that clients have to create separate purchasing decision before they buy on Facebook. Hence company should wisely use Facebook advertising in correct ways which include fan pages publish content of their own brand must be trusted; visuals content increase people’s willingness to read especially Generation Y. Additionally, how a company ensures that the advertising on Facebook would reach their target audiences, if they are reachable which effects of Facebook advertising has the most influence on them. In this research, the effect of advertisement in Facebook on Gen Y purchase decision should be analyzed for their potential.

2. LITERATURE REVIEW

The examination of the past research literature provides an understanding of Facebook’s evolution into one of the most utilized social media platform, a better understanding of how the effects of perceived such as perceived trust, perceived informativeness and perceived risk influence Gen Y purchase decision. In addition, how the moderating variable of demographic factors (gender) influencing perceptions of Facebook advertising as well as Generation Y purchase decision. Hence, consumption and spending of Generation Y and purchase decision has been discussed.

2.1 Advertising on Facebook

Facebook advertising provides users-cum-consumers the chance to communicate effectively with the promote on their websites enabling them to “like” or “share”, furthermore see other people or which companions preferred or had similar adverts (Dehghani & Tumer, 2015). Lee & Kim (2011) found that a person who uses goods or services consider consumer-generated messages on social media, unlike advertising generated by advertisers who have being motivated by selflessness. Successful advertising should take consumers’ evaluations and likings into consideration in order to change their mindsets to buy designated products instead of purchasing those from competitors. Gangadharbatla (2015) in his study argues that Facebook is subsidized by sales of advertisements that focused to the individual. In line with the above argument, numerical data gathered from the profiles of Facebook users are utilized to reach a group of people.

Roberts (2010) presented that when there were 43% of online buyers preferred to surfing through different kind of social-networks in order to make
their purchase decision. These numbers indicated that the power of Facebook advertising that helps advertisers manage to reach their consumers (Katherine, 2010). Raising Facebook based on advertising is maybe a sign that it is turning into a vital source of business presentation. In addition, many companies are taking Facebook advertising as a valuable strategy to attract customers. According to Naïdoo (2011), contacts on Facebook easier connected to bring people who actively gave a conversation for sharing interests. According to Baglione et al., 2017, with approximately 1.13 billion people who active on Facebook in every day. Moreover, according to Comscore (2011) stated that Malaysians spent 32.1 percent of total time spent online which means that most contributed to their time on social networks. Since youth would have more chances engaging in the advertising when the increasing of log on frequency Facebook per log in session. Nevertheless, it is crucial to know how audiences’ attitude toward Facebook advertising and its advertisers should fully utilize and learn the effect of Facebook advertising.

2.2 Perceptions

According to Nguyen & Gizaw (2014), perception is a process of how individual sees and make sense of their environment. It is about the selection, organization and interpretation of stimuli by individual. In addition, Armstrong & Kotler (2013) defines perception as “the process by which people select, organize and interpret information to form a meaningful picture of the world”. Hence, no matter how an individual buys a product depend on the perception they have on that particular product. In this research perceptions are looking into a perceived trust, perceived informativeness and perceived risk.

2.2.1 Perceived Trust

Muda et al., (2016) defined trust in term of online shopping as a consumer’s feelings of trust toward an online vendor are an important factor in considering his or her intentions to purchase, and usage behaviors related to online activities. Trust become a main factor in the virtual environment because the degree to which vulnerability of an exchange is higher than in a conventional setting. Previous research indicates trust is the belief of consumers for the capability, integrity and good morality of suppliers in online and shows their conviction for the behavior of suppliers (Zhang et al., 2013). Trust ought to be a vital factor in an online shopping in which the buyer does not have gained control over the actions of the seller. On the other hand, the numbers of online purchasers are getting more; they prefer not to use the Internet through purchasing online
mainly due to belief about the protection of running business over the Internet (Gefen et al., 2016). An online purchaser towards e-tailers is trustable when they think that the frequency to using technology is credible and reliable.

H1: There is a significant relationship between perceived trust and purchase decision.

2.2.2 Perceived Informativeness

Informativeness can be defined as the ability of the advertisements to provide information about products and services to customers in order to fulfil their desires (Alsamydai & Hamdi Al Khasawneh, 2013). However, the past research reported by online retailers is that people search more for information through the Internet than for buying online (Wu et al. 2014) as well as the ability of the advertising to effectively provide related information. Ling et al., (2010) emphasized the significance of advertising in delivering information. Taking this point further, Abd Aziz & Arrifin (2010) highlighted consumers may have a positive attitude toward web advertising if messages are providing a high information value. Therefore, the information sent out to the end-users needs to provide qualitative features including timeliness, exactness and usefulness (Meskaran et al., 2013). Hence, the effectiveness of information delivery would allow the consumers on the Internet to search for information without any obstacles in terms of time and place. No matter how the importance of informativeness in the context of Facebook advertising, few research attention has been given to how Facebook advertising informativeness influences consumers purchasing decision.

H2: There is a significant relationship between perceived informativeness and purchase decision.

2.2.3 Perceived Risk

Perceived risk is defined as the combination of uncertainty with the possibility of serious outcome, the potential for loss in pursuing a desired outcome while engaged in online shopping. Perceived risk can be defined as purchasers’ uncertainty about the outcome of his/her decisions (Nguyen & Gizaw, 2014). According to Onukwugha (2011) advertising information is first encoded and represented more or less faithfully in the short-term memory store of the consumer. In the studies of Hernandez et al., (2010), Internet users with higher income lead to perceive lower risks in online purchasing and then enhance their experiences for such activity whereas low income
is a deterrent to online transactions as they could not afford possible financial losses. By contrast, several authors have discovered that the perceived risk has a negative effect on shopping behavior on the Internet, attitude toward usage behavior and intention to adopt e-commerce (Zhang et al., 2012).

There were many critical factors such as risk and personnel interest that would influence nowadays consumers’ prefer to contribute efforts and additional time in getting more sort of product related information when their involvement to purchase favorable products. They usually will browse with seeking anything about detailed product through Facebook advertising and spent their time on Facebook or even frequency of log on Facebook.

H3: There is a significant relationship between perceived risk and purchase decision.

2.3 Moderator Demographic Factors

Moslehpour et al., (2016) stated a moderator is a variable that affects the strength of a relation between two variables may depend on the value of a moderating variable. The relation between independent variables and dependent variables may bias and result was unexpected, when the effect of the mediator was removed by the researcher. In this study, it is important to investigate the relation between three variables (perceived trust, perceived informativeness and perceived risk) depends on the value of the moderator variable (gender), even though the moderator variable that researcher has chosen randomized and varying characteristic maybe affects explanations of a moderation analysis. For this study, gender is one demographic factor were tested that might an impact on the Facebook advertising.

2.3.1 Gender

According to Dan (2017) the numbers of Facebook users are 76% female (out of 100% of all females) more than 60 % males (out of 100% of all males). There is a significant difference between males and females towards different view of gender in advertising effectiveness. The study revealed that is found by Moslehpour et al., (2016), gender has statistically significant moderating influence on attitude towards advertising. The study found that women had a slightly more favorable attitude to Facebook advertising (Bannister et al., 2013).

The previous studies found that gender beliefs, attitudes and behavioral intent are major differences among men and women when studying consumer make a purchase on the internet (Perju-Mitran & Budacia, 2015). Men and women differ on view about photographs and promotional
material and then are affected differently regarding their want to purchase particular products and services (Sánchez-Francoa et al., 2011). This is because of males and females have different motivators about a particular brands or products when they buying on online. Therefore, marketers or companies should align market strategies and information in order to meet gender requirements in the long term.

H4: There is a significant moderating effect of gender on the relationship between perceived trust and purchase decision.

H5: There is a significant moderating effect of gender on the relationship between perceived informativeness and purchase decision.

H6: There is a significant moderating effect of gender on the relationship between perceived risk and purchase decision.

2.4 Purchase Decision

Consumers’ decision-making process could usually be a perplexing procedure and consumers can land at their purchase decision by depending on information they collected about specific products and brands as well as their consumption patterns. The fastest growing social media website Facebook which has provided consumers with outstanding opportunities to share and spread information and contents about a related product or brand used. Since Facebook mobile advertising was launched in 2012 and received click-through rates of up to 13 times greater than other advertisements on Facebook (Bischoff, 2012). As a result, consumers have become more informative and knowledgeable about gathering information on product features before making any purchase.

However, the buyer decision process represents the process a buyer or a group of buyers involve when making a purchase of a good or service (Raivonen, 2017). The model of consumer decision-making process that will be covered, and constructed by namely need recognition, information search, evaluation of options, product choice and post-purchase evaluation. The model proposed by Solomon et al., (2013) in the publication book and is designed to connect related consumer decision making and their consumption patterns.

Kepner & Tregoe (2005) proposed a method of problem analysis showed that the first step is to identify the problem as it is a vital step in decision making. According to Solomon et al., (2013) defined that problem recognition happens whenever consumers assume a significant difference between their current situation of matters and some ideal state. It enables marketers
usually develop favorable messages of advertisement that stimulate consumers’ recognition in their current state. Thus marketers should response to customers’ problems or desired state.

In addition, the following step is to search information available about alternatives solutions. Information search is which the consumer recalls brand memories and survey the circumstances to discover what choices are available there that might solve the problems (Solomon et al., 2013). However, the authors indicated that there are many ways of gathering information about related product such as internal information search (recalled set of alternatives and have some information in the someone’s mind) and external sources (newspaper, radio and engine search). Next, evaluation of options is the next steps in the customer making decision process with evaluation criteria. That’s mean consumer has to identify important of all the options are feasible and compare the pros and cons of each remaining options (Schiffman & Kanuk, 2010).

Therefore, consumers should decide on one product which they more prefer and making an action on this alternative (called as product choice or heuristic). Schiffman & Kanuk (2010) defined heuristic often referred to consumer decision rules by reducing complex decision and providing guidelines that make process less taxing. Since many people always prefer unique features of a brand attributes in order to balance out between positive and negative evaluation. Hence, Solomon et al., (2013) concerned to understand what criteria consumer use is, marketers should point out the product’s superiority and use them in Facebook advertising.

Finally, the last step of the decision making process is post-purchase evaluation as the consumers determine the level of satisfaction on the product, after purchasing and using it. In this study, researcher considers purchasing decision making only instead of all steps involved because researcher want to analyze the moderating effects of demographic factors on perception of Facebook and consumer purchase decision.

3. METHODOLOGY AND ANALYSIS

This research uses quantitative research design. There are 300 sets of questionnaires that are distributed to the respondents who live in southern region of Malaysia (Johor). This location was selected for the study because population of Johor in 2017 estimated about 3.7 million based on the source from Department of Survey and Mapping Malaysia, 2017. This survey was distributed among respondents through social media Facebook (Google survey). The research closely examined the demographic variables
of Generation Y for those aged 17 to 37 years was selected to examine the effectiveness of advertisements and better learn about their characteristic in purchase decision.

4. DATA ANALYSIS

4.1 Descriptive analysis

Data was gathered from 333 sets of questionnaires that are distributed to the Generation Y who live in Johor, Malaysia. However, only 300 or 90% from the distributed questionnaire were qualified and able to be used. Personal information on this research comprises gender, age, ethnic group, education and occupation. The respondents comprise of 157 (52.3%) males and 143 (47.7%) females. The profile of respondents according to age is from the range between 17 to 37 years old. In this study, 3 main ethnics were available consist of Chinese 117 (39%) followed by Malay 104 (34.7%), Indian 68 (22.7%) and others 11 (3.7%). In term of education level, most of the respondents with 146 (48.7%) holding a diploma and below, followed by Degree 131 (43.7%) and small number of respondents who have completed Master/PhD of 23 (7.7%). As for occupation, others are mainly job of respondent with 117 (39%), student 110 (36.7%) and Professional 73 (24.3%).

4.2 Correlation analysis

Pearson Correlation test was conducted to examine the correlation between independent variables (perceived trust, perceived informativeness, perceived risk) and dependent variable (purchase decision). Table 1 summarizes the result of the correlations.

<table>
<thead>
<tr>
<th></th>
<th>Perceived Trust</th>
<th>Perceived Informativeness</th>
<th>Perceived Risk</th>
<th>Purchase decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perceived Trust</td>
<td>Pearson Correlation</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perceived Informativeness</td>
<td>Pearson Correlation</td>
<td>.822**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perceived Risk</td>
<td>Pearson Correlation</td>
<td>.695**</td>
<td>.697**</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>Purchase decision</td>
<td>Pearson Correlation</td>
<td>.650**</td>
<td>.590**</td>
<td>.655**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
</tbody>
</table>
As showed in Table 1, all variables are significantly related to the purchase decision. From the result, it indicated that perceived risk has the highest correlation value with 0.655 which is significant at 0.01 level (2 tailed). While, perceived informativeness has the lowest correlation value of 0.590 which significant at 0.01 level.

4.3 Multiple Regression analysis

In this study, multiple regression analysis was used to examine the simultaneous effects of independent variables (perceived trust, perceived informativeness and perceived risk) on dependent variable (purchase decision).

Table 2: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R²</th>
<th>Adjusted R²</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.709a</td>
<td>.502</td>
<td>.497</td>
<td>.94450</td>
</tr>
</tbody>
</table>

Table 2 summarized the result for multiple regression for purchase decision. The result indicated that the value of R-square is .502 which explained that 50.2% of the variance in purchasing decision can be explained by the three independent variables. Besides that, ANOVA test showed that the F-test result was 99.658 with a significance value p = 0.000. Thus, there is significant relationship between perceived trust, perceived informativeness and perceived risk (all the independent variable) and purchase decision (dependent variable).

4.4 Empirical Results

Table 3 demonstrated that all proposed determinants, the coefficient estimate of perceived trust (Beta=0.364; p=0.000) and perceived risk (Beta=0.388; p=0.000) was significantly linked to purchase decision. Only for perceived informativeness (Beta=0.021; p=0.785) the p-value is greater than 0.05, thus there is no significant linked to purchase decision. The sign of the regression standardized estimate (Beta) represents the positive or negative impact of the predictors on the dependent variable. Therefore, it can be stated that all determinants (perceived trust, perceived informativeness and perceived risk) have positive effect on purchase decision.

Besides that, this study includes moderating variable of gender to test relationship between all the independent (perceived trust, perceived informativeness and perceived risk) and dependent variable (purchase decision). The relationship between perceived trust and purchase decision, the moderating effect of gender result indicate that Beta = -0.164 and p-value of
0.028, so perceived trust and gender have a significant relationship and negative relationship with purchase decision. The relationship between perceived informativeness and purchase decision, the moderating effect result indicate that the Beta value = -0.009 and t-value = -0.120 at significance level of 0.904 which is greater than 0.05 so perceived informativeness and gender have no significant relationship and negative relationship with purchase decision. While, the relationship between perceived risk and purchase decision, the moderating effect result indicate that the Beta value = 0.153 and t-value = 2.580 at significance level of 0.010 which is lower than 0.05 so perceived risk and gender have a significant relationship and positive relationship with purchase decision.

Table 3: Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Constant</td>
<td>1.384 .212</td>
<td>.212</td>
<td>6.516</td>
<td>.000</td>
</tr>
<tr>
<td>Perceived Trust</td>
<td>.288 .060</td>
<td>.364</td>
<td>4.824</td>
<td>.000</td>
</tr>
<tr>
<td>Perceived Informativeness</td>
<td>0.16 .059</td>
<td>.021</td>
<td>.274</td>
<td>.785</td>
</tr>
<tr>
<td>Perceived Risk</td>
<td>.293 .045</td>
<td>.388</td>
<td>6.466</td>
<td>.000</td>
</tr>
</tbody>
</table>

5. DISCUSSION AND RESEARCH IMPLICATIONS

The result of this study recommend that Facebook advertising influence Generation Y purchase decision. Over the past year, it is crucial for every business to explore potential of Facebook advertising that allows reaching the right people. This is because Facebook offers varieties of advertising formats especially Facebook Ads Manager (2017) which select format based on business requirements such as objectives, locations and target audiences.

Facebook is used in nearly every country in the world. Dan (2017) claimed that in December 2016, there are 1.15 billion mobile daily active users (Mobile DAU); the third quarter of 2017 results was released by Facebook. The Statistics Portal (2017) mentioned that Facebook (FB) had greater than 1.94 billion global active users in every month in the first quarter of 2017 and also approximately about 1.74 billion mobile monthly active users. In addition, Casey (2017) in its 2016 Social Media Report revealed that Millennials who is the second of heavy users spent on social media via smartphone.

Furthermore, it helps Facebook marketers or companies to advertise with a great attraction and strategy in the competitiveness marketplace because social media Facebook is low cost of advertising marketing tools compare to others. With Facebook advertisements, they have a totally unique chance to reach as many as people with minimum spend per day.
ranges from $1 to $5 (Facebook, 2017). Promoting a product or service through Facebook as a platform, marketer and company is able to respond and communicate with audience, fans and customers in anytime. Hence, online retailing industry can understand and analyse the Generation Y characteristic then they can design suitable effective ways to handle the changing trends of consumer behaviour in purchasing decision.

The study concludes that Generation Y has high education levels which were 51.40% of them were having degree, masters and professional qualifications. They have a great opportunity to view the advertising on Facebook due to the finding concluded that they always log onto Facebook account and spent at least 3 hours per day.

In this study, perceived risk shows the highest correlation with Generation Y purchase decision compared with others variable. This finding was consistent with previous studies conducted by Makhitha (2014) found that perceived risk and security are major factors influencing students’ attitude towards online shopping. While, the most significant of moderating effect was perceived trust and gender with purchase decision. It means that gender’s feelings of trust toward an online seller are an important determinant in considering his or her purchase decision.

6. CONCLUSION AND RECOMMENDATIONS

This study contributes a new finding on the effect of Facebook advertising on Generation Y purchase decision. The overall finding of this study showed that perceived trust and perceived risk had a significant with purchase decision while only perceived informativeness does not have a significant with purchase decision. Perceived risk is the most significant determinant that influences Generation Y purchase decision. There is only gender had a significant moderating effect on the relationship between perception of Facebook advertising and purchase decision. This is in line with the result of previous studies that used Facebook advertising as the determinants for purchase decision.

These findings give a better understanding on Generation Y purchase behaviour in order for the marketers or companies to know well Generation Y purchase decision. Hence company should wisely use Facebook advertising in correct ways which include fan pages by publish content of their own brand must be trusted; visuals content increase people’s willingness to read especially generation Y.

It has become essential for marketers or companies who want to advertise through social media Facebook in the culture of developing countries like
Malaysia. Therefore, they should know and learn about how advertising on Facebook works and earn profits so they can design a more effective marketing strategy. They also would understand the characteristic of Generation Y purchase decision.

Apart this study discussed vital issue about the effect of Facebook advertising on Generation Y purchase decision and come out with important outcomes that contribute to academic works and online retailing industry, this study has numerous limitations that can be as guideline for the future research. First, this research collected data using a convenience sampling and small sample size, which researchers limited to generalize the results into a broader sample. Thus, future research may consider increasing the sample size and simple random sampling should be considered in order to get meaningful data. Second, this research only focuses on Generation Y who currently live in Johor. Future research required the collection of data should involve different areas in Peninsular Malaysia and East Malaysia. Therefore, the findings of this study were able to be generalizing to all populations of Malaysian Generation Y group.

REFERENCES


