Harnessing the Social Network
The Use of Facebook in Marketing

Paper within Business Administration

Authors: Urte Pudzemyte
Trajche Kralev
Viktor Zaunders

Tutor: Börje Boers

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Abstract

In this study we investigate how online retailers can use Facebook in marketing to increase their sales. We look specifically at how corporate Facebook pages can be used in a good way to increase the sales for these retailers. The study will evaluate different features that can be used when doing marketing on Facebook in order to distinguish which ones are most effective.

The main part of this study consists of a survey that was distributed to a number of online retailers that sell different sorts of apparel. The data we received was then statistically analysed in order to evaluate what makes some Facebook marketing initiatives more effective than others. We have also analysed the findings from this survey using marketing research and theories that have been previously been put forward on the relationship between online social networks and marketing.

What we have found in our study is that a practice that is made up of the combined use of four elements of Facebook marketing seems to be the most efficient way of using this social network to increase sales. We have named this practice “engaging the customer” and it is made up of the following four activities:

- Posting questions and competitions on the company page
- Posting new content to the company page
- Being active in responding to posts on Facebook
- Publishing excluding material and deals to the company Facebook page followers

Our study found the companies that frequently use of these four practices together have also been those that have seen the largest increase in sales from their Facebook marketing initiatives.

This study also showed that the two individual elements of Facebook marketing that appear to be the most useful to increase sales are:

1. Continuously posting good content to the company page
2. Actively responding to and commenting on consumer posts

We believe that the importance of these two activities can be attributed to their heavy influence on word-of-mouth marketing and customer relationship building.
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1 Introduction

In this section we will describe our field of study, introduce some basic concepts and discuss why it is an important and interesting field to study. It also contains the purpose of our study.

1.1 Background

During the 1990s the Internet grew from a very basic form of simple communication and sporadic public presentation of information to a tool that most of us use every day in both our jobs and private lives.

The presence of the Internet is continuously growing closer and with the arrival of the Smartphone we have liberated it from what most would consider the personal computer. The potential for using this medium is undoubtedly large. In the wake of the dot-com bubble in 2001 Michael Porter, one of the luminaries in business and marketing research, bluntly stated the following:

"Internet technology provides better opportunities for companies to establish distinctive strategic positioning then did previous generations of information technology" (Porter, 2001, p.65)

In his article Porter (2001) goes on to explain that the Internet should be seen as a powerful set of tools that may be used in a variety of industries. It is some of these tools that could affect how marketing is being done in the 21st century that we aim to investigate in this thesis.

In the last decade a phenomenon called social media has emerged. While this is a new concept with little consensus on exactly what it entails, one graspable classification is that social media is a set of software tools that are used to enable sharing of information, creation of communities and collaboration between people (Berners-Lee, Hendler & Lassila, 2006).

A subset of social media is online social networks. Simply put, online social networks or social network sites are services or platforms that allow users to create a profile and connect with others over the Internet. This simplified explanation is further developed later in this thesis however we want to mention that throughout the thesis when we refer to social networks it is these social network sites or online social networks that we are in fact referring to.

1.2 Problem Discussion

As we stated above online social networks are relatively new concepts but in the last few years there has been a continuous increase in the media attention that social networks and online platforms has received. The explosive numbers of users of these services clearly indicate that these are important channels of communication.

As Philip Kotler (2005) points out the Internet is an exceptionally potent marketing tool because of its one-to-one and interactive nature. While Kotler is referring to the Internet as a whole, he is highlighting its ability to help companies interact with consumers to learn about their needs.

Kotler continues to state that in today's competitive environment companies must be customer centric. He claims that organizations have to understand customers' needs and wants to do so. (Kotler, 2005)
These two previous statements illustrate some of the most important capabilities that social networks have come to provide to companies.

Since there are clear indications that these social media channels can be very useful when conducting marketing in the 21st century considerations on how to use the tools available should be taken.

Traditional media (i.e. TV & Newspapers) is losing some of its ground to Internet based media. According to statistics, European Internet users stated that 36% of them watched less TV then before they were using the Internet and 28% also reduced their newspaper reading (Palmer & Koenig-Lewis, 2009).

A statistics report by the market research company Nielsen Media Research in 2009 shows that one in every eleven minutes spent online by Internet users worldwide is spent on a membership community site. Sweden has had a large percentage of the population using the Internet since a few years back, SCB (Statistics Sweden) report that Sweden had an 87% penetration of Internet users in 2008 (SCB, 2010a).

According to statistics presented by Burcher in September 2010 there are currently over 3.8 million active Facebook users in Sweden, a number that is up from 1.3 million just two years ago (Burcher, 2010). These statistics indicate that time spent on social media in Sweden is at least at the European average if not above. Social networks seem to be places that may provide valuable exposure space for the companies that successfully create a presence within them. Such large numbers of users also makes Facebook the most interesting of these social networks to study.

In their article, Palmer and Koenig-Lewis (2009) point out that there is a lot of evidence that consumers would rather be guided by information from friends and other personal contacts then trough the traditional marketing promotional mix.

The communication between people on social networks is occurring on the Internet. Within these tools of communication the basis for this type of word-of-mouth spreading is built in through the ability to share web links about interesting products or websites freely.

One negative issue concerning the usage of these social networking tools is also pointed out by Palmer and Koenig-Lewis in 2009. They argue that while companies want to use these channels to target their customers and convey their brand message they have to be careful as to not intrude on the individuals’ space in that community. This indicates that if social marketing tools are used carelessly they may not be beneficial but might instead harm the relationships they have with their customers. They go on to argue that communities that are not perceived as trust-worthy, open and interesting can easily harm the reputation of a company instead of helping it.

As stated above, social networks can be very useful to get out information about a company’s product and services through word-of-mouth and establishing a presence online. One particular industry that is particularly helped by this type of marketing and that has had a recent increase of new small business is online retailing.

One research article argued that online retailing is one of the fastest growing industries in the UK (Gunawan, Ellis-Chadwick & King, 2008). Given the heavy usage of Internet in Sweden it is very likely that this trend also holds for the Swedish market.

The Swedish postal service prepared a report in 2010 about the distance shopping in Sweden, this is a category of shopping that entails online shopping and order-catalogue
shopping. The use of the non-online variety however is dwindling and only around 20% of all users now say they use the catalogue-based alternative. This report presents very promising data for the online retail industry, as the turnover of the industry has more than doubled in the last five years (Posten, 2010).

The report continues to show the largest part of online retail is apparel (clothing/shoes) with almost 50% of the online retail market share. Additionally, it is shown that the apparel section is exceptionally popular in the ages between 15-29. The report accredits some of this growth to very innovative use of social media by smaller online retailers (Posten, 2010).

The nature of needing to get exposure of products that are available online and the statistics presented above argues that online retailers in apparel are especially interested in marketing on social networks and should be leading adopters of the practice. This makes them a particularly interesting industry to study in this thesis.

When companies are using Social Networks for marketing there are two distinct ways that these can be used. One is that social networks, such as Facebook, can be used for very targeted advertising. This is done similar to traditional advertising only it is very easy to target an extremely specific demographic due to the very large amounts of information that these Social Networks have about their users (Anderson, 2010).

The other part of social networks that can be used for marketing is creating a space for your company on that social network. Here, the company is instead creating a sort of online persona that can be used to communicate with other users directly and present promotional material that can then later be viewed by the users on the social network.

As these two practices have some distinct differences in their use of social networks. We have decided on investigating only the latter of these two uses; how companies can use company profiles on social networks to communicate with their customers. We chose this latter approach because it is a much more original than the former and therefore more interesting to study.

As we have argued, marketing through a social network is potentially a very valuable marketing tool but given that social networks are still very recent phenomena it is hard to know how to use them effectively.

1.3 Purpose
In this thesis we investigate how online retailers use Facebook in marketing to increase their sales.

1.4 Definitions
News feed – is the center column in one’s Facebook home page. This space is a constantly updating list of stories from people and Pages that one person follows on Facebook.

Like button - the Like button lets a user share content with friends on Facebook. This button can be found on content posted on Facebook pages, on user posted content or even on websites. When the user clicks the Like button on a website or a Facebook page, a story appears in the user’s profile page where their friends can follow up on what exactly that user likes.
Likes – is the number of people who have liked a specific Facebook page, website or other content.

Fans/followers – fans and followers can be seen as supporters or subscribers to other organizations. In the Facebook world, users have the option to become fans of a certain Facebook page and consequently follow the updates coming from that page.

1.5  Background information on Social Networks and Facebook

In this section we will provide some background information about what social networks are and how they are used before we go further into how they are used in marketing.

1.5.1  The Social Network

Almost once a decade, a new technology concept emerges that fundamentally changes the business landscape (Shih, 2010). During each of these changes, regardless of prior power and competitive dynamics, organizations that can understand and adopt this new technology win, while those that fail to do so lose importance. In the 1970s, this was mainframe computing (the introduction of computers to perform calculations and store information). In the 1980s, it was the personal computer. In the 1990s, it was the internet. And today it is the social web. (Shih, 2010)

Social networks play a great role in the social web and are possibly one of the largest influencers in this social web. Boyd and Ellison define social network sites as web-based services that allow individuals to (1) construct a public or semi-public profile within a bounded system, (2) articulate a list of other users with whom they share a connection, and (3) view and traverse their list of connections and those made by others within the system (Boyd and Ellison, 2007).

Figure 1-1 The Social Networking Concept (Shih, 2010)
Shih goes on to explain that the social web should not be associated only with Facebook and social networks—it also includes Twitter, LinkedIn, MySpace, Renren in China, Mixi in Japan, Odnoklassniki in Russia, and hundreds of others (Shih, 2010). Shih further refers to the current state of the Internet as “the Facebook Era”. This she explains is because Facebook is the largest social networking site globally by an order of magnitude. Facebook recently even beat out Google in becoming the most visited website on the Internet, according to Hitwise and other sources such as Alexa. (Shih, 2010)

In one article Lenox and Coleman give an explanation as to why social networks have become such an important part of our daily life:

“As social beings, those of us who are interested in the same things will often find ourselves in the same place at the same time. Those who are more passionate about these subjects may become thought leaders in the field and, hopefully, will be willing to share new information. This is how perceive the wide adaptation to use social networks.” (Lenox and Coleman, 2010, p.14)

1.5.2 History of Social Networks & Facebook

From 2003 onward, many new social networks were launched, which eventually led the software analyst Clay Shirky (2003) to coin the term YASNS: “Yet Another Social Networking Service.” Most of the social networks that were launched were based around the profile-concept and tried to replicate the success that Friendster achieved. (Boyd and Ellison, 2007)

According to Boyd and Ellison the first recognizable social network site launched in 1997. SixDegrees.com allowed users to create profiles, list their friends and, beginning in 1998, surf the friends lists. Boyd and Ellison claim that surfing the friends list what changed the social network field forever.

Omar Wasow, the founder of BlackPlanet describes how from 1997 to 2001, a number of community tools began supporting various combinations of profiles and publicly articulated friends. Social networks such as AsianAvenue, BlackPlanet, and MiGente allowed users to create personal, professional, and dating profiles—users could identify friends on their personal profiles without seeking approval for those connections. (Boyd and Ellison, 2007)

Boyd and Ellison continue to explain on the history of social network sites, and how the next wave of social networks began when Ryze.com was launched in 2001 to help people leverage their business networks.

Soon after Ryze.com, followed a number of social networking sites all having different target markets and all started by a group of friends. The people behind Ryze, Tribe.net, LinkedIn and Friendster were tightly entwined personally and professionally. They believed that they could support each other without competing. (Festa, 2003) Instead the people ended up competing with each other, and fighting over patents and investors. This showed a sign that the social networking field was grabbing much attention.

What would become the world’s most popular social network, only a few short years after its launch, all started in February 2004 when Mark Zuckerberg launched “The Facebook,” originally located at thefacebook.com. Before becoming the richest person in the world
under 25, Mark Zuckerberg was a sophomore at Harvard University when he developed The Facebook. (Levy, 2010)

Facebook launched in February 2004 as a social networking site for students at Harvard. It quickly expanded to include students at other top-tier universities: Columbia, Stanford, and Yale. By the end of its first year, Facebook had nearly one million active members. The decision in September 2006 to expand from a network of students to a network that anyone, anywhere could join propelled its growth even further. (Rutledge, 2008)

The Facebook would later incorporate as a business during the summer of 2004. In June 2004, only 4 months after the platform’s inception, Facebook would receive its first investment totalling $500,000 from Peter Thiel, cofounder of PayPal. (Levy, 2010)

In 2005, Facebook received venture capital funding from Accel Partners to the tune of $12.7 million. Facebook would receive another injection from Greylock Partners totalling $27.5 million in 2006. To help Facebook continue expanding into international markets, in October 2007, Facebook and Microsoft expanded an advertising deal that gave Microsoft a $240 million equity stake in the social network. As a main pillar of Facebook’s current revenue model, Facebook launched Facebook Ads a month later, in November 2007. (Levy, 2010)

Significant venture capital funding has been integral to Facebook’s expansion and success, enabling it to introduce a rapid succession of site enhancements. These enhancements include Marketplace classified ads, Facebook polls, mobile access, a multitude of third-party applications, and high-profile partnerships with Amazon.com, Forbes, Microsoft, Virgin Mobile USA, and Warner Bros. Records. Facebook membership more than quadrupled in less than a year, growing from 12 million users in December 2006 to 53 million active users in November 2007. This extremely rapid growth is one of the things that makes Facebook’s story unique among the vast majority of competing social networking sites. (Rutledge, 2008)

For many people, Facebook is the central Social Networking tool in their Internet lives nowadays. Facebook enables you to connect with people in new ways and interact on levels that normally would not occur in the real world. (Bernal, 2009) According to Facebook.com, Facebook today has more than 500 million active users.

1.5.3 Organizational use of Facebook

In this section we will outline how organizations can use Facebook. For readers that are unfamiliar with Facebook or would like further information about how Facebook is used personally by individuals can find further information on this in the appendix under section 9.3.

Social media is changing business online as social media marketing has created its own niche in the business world. More and more companies are hiring Community Managers and Social Media Analysts and they are becoming their own department, separate from the traditional marketing and advertising sector. (Coon, 2010)

Soren Gordhamer, writer of Wisdom 2.0 and a guest writer for online magazine Mashable, writes about the choices that companies have in this new world. Either companies would wall themselves in and become increasingly controlled and hidden, or use social media and other means to reveal their human side, welcome transparency, and forge new relationships with their customers. He goes on to emphasize about how the old practices of companies
are now dead and presents that the question now is, “what can businesses do to transition and succeed in this new era?” (Gordhamer, 2009).

Organizations and companies are now creating fan pages around their products, stores or brands. Examples can be seen all over Facebook, where online retailers communicate directly to their members and customer. These companies can talk about anything that they deem important for themselves and their customers from special sales and discounts to insider information about their company. Other examples show how companies allow members of their Facebook pages to take a virtual tour of the store via video. Customers can even try on the latest fashions in a virtual online dressing room. (Azua, 2009)

These fan sites that Azua talks about are known as Pages on Facebook. Rutlege explains how Facebook Pages enable businesses to develop a free Facebook presence beyond a traditional profile. Businesses, organizations, musicians, authors, and artists can use Pages to communicate with “fans” and develop a fanbase on Facebook. Pages provide special features based on the type of business you have. For example, a singer can easily post song clips, video clips, and more.

Facebook is unifying and simplifying the way people interact on the site by making Pages similar to user Profiles. Create a presence that looks and behaves like user profiles to connect and engage with your customers and amplify your voice to their friends. (Facebook, 2009)

1.5.4 Facebook pages

“In 2008, Facebook introduced a feature for companies called Facebook Pages. Facebook pages are essentially profiles for non-humans – for example the Toyota Prius” – explains Barefoot and Szabo in their book “Friends with Benefits”. (Barefoot & Szabo, 2010, p.180)

Barefoot and Szabo continue to explain that Facebook Pages have acquired most of the features that a personal Facebook Profile had. Similarly to what was mentioned earlier by Azua, one noticeable difference is that instead of making friends with people, your Pages can have fans. Another important thing to keep in mind when managing a page is that all Facebook Pages are public and therefore open for search engines to crawl them and list in search engine results. This means that what is being posted and said on the specific Page will be most likely available through search engine results. (Barefoot and Szabo, 2010)

When you create your Page, you must select a permanent name and category. Thereafter, most of the settings and features you choose for your Page can be revised at any time—including your profile picture, which is the first thing to add. (Facebook, 2009)

By simply clicking “Create a page for my business” on Facebook.com you can easily start the process, which is depicted above. Because this Page is set up as an extension of your brand on Facebook, you need to use your corporate logo as your default profile picture. (Levy, 2010) On your Page you also have the option of posting messages and sharing them with your audience. This allows for quick communication with your fans.
As Rigotti from the Search Engine Journal writes, it is very important that a company has a Page since it allows fans or customers to directly keep in touch with that brand.

Rigotti further explains:

“One of the greatest features is that you can send updates to fans whenever you want. It’s a nice way of building a database of interested users. Send messages about new products or an updated website.” (Rigotti, 2010)

Shih gives an example with H&M’s Facebook page, which gets a lot attention from their staff. With over two million people who “like” the Page, the H&M Facebook Page gets updated daily with special deals, news, and contests; it averages more than ten new posts and comments a day. (Shih, 2010)

As we can see above there are many companies that have started using Facebook as a part of their marketing practices. In the next chapter we are going to look at how marketing theory is connected to social networks.
2 Frame of reference

This section contains a literature study in of social networks relation to marketing and descriptions of relevant concepts in this field.

2.1 Investigating the literature

In order to be able to relate our study to research that has already been conducted in this field, a literary review has been conducted and is presented in this chapter.

We have reviewed many journal articles, books and online resources in order to get a wide understanding of the relationships between marketing and social networks. As marketing through social networks is a relatively recent phenomenon we have gotten much of this information from recently published books on the subject and then tried to connect that to what has been said in prior academic work in these topics.

2.2 Marketing in Theory

Marketing theory has since the 1960s traditionally been focused on the marketing mix and the 4Ps of marketing: product, place, price and promotion (Grönroos, 2002; English, 2000).

In 2002, Grönroos illustrates the need to consider alternate views from the traditional marketing mix by stating that the 4Ps approach is a very clinical approach that makes the seller the active party and the buyer passive.

Healy, Hastings, Brown and Gardiner (2001) also discuss that many concerns about the traditional marketing mix model, 4Ps, have directed academics to turn their attention towards relationship marketing.

A further argument for this development in the practice of marketing is the shift in emphasis from transactional orientation to customer relationship management (Rich, 2000).

Grönroos describes relationship marketing as:

“Marketing is to establish, maintain and enhance...relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met. This is achieved by a mutual exchange and fulfillment of promises” (Grönroos, 2001, p.138)

In a research article from the journal of service research it is argued that key areas of interest or goals of relationship marketing are word-of-mouth spreading and customer loyalty. They go on to argue that customer loyalty is a primary goal and is sometimes almost equated with relationship marketing and that good customer relations reduce costs and increase revenues since retaining customers has been shown cheaper than acquiring new ones. (Henning-Thurau, Gwinner & Gremler, 2002)

In the following section we are going to present theories that relate the relationship marketing perspective and social network marketing. We will then present theories on the key areas presented in the paragraph above, customer relations and word-of-mouth spreading and how social networks relate to these areas.
2.3 The Role of Social Networks in Marketing

2.3.1 Social Networks and Relationship Marketing

Facebook founder and CEO, Mark Zuckerberg, in New York in 2007 told the audience “For the last hundred years media has been pushed out to people, but now marketers are going to be a part of the conversation and they’re going to do this by using the social graph in the same way our users do” (Facebook Press room, 2007).

In traditional marketing consumers were viewed as passive audience, whereas in social media marketing they must be viewed in a different way. Now consumers actively participate in conversation and in exchange they want to be treated with an adequate respect. The pro-activeness is related to the change in consumer behaviour that occurred due to a big load of information being provided to the audience through ever improving technological forces (Qiao, 2008). With large amounts of provided information people get well acquainted with all their options when choosing product or service. Therefore, sellers are currently being challenged by a change in the traditional customer advertisement reading behaviour and the result is that paid messages and advertisements lose their attractiveness among consumers (Brown, 2009).

While paid messages effectiveness is dropping due to the loss of people’s trust and attention, social network related communities are gaining people’s recognition more and more often (Brown, 2009).

Another suggestion that traditional marketing practices should be reconsidered is presented in the statement that social networks are built for conversations and not for direct advertising therefore most of your followers (fans) expect you to be a contributor rather than pitch them your products (Alba & Stay, 2008).

In his book “Public Relations and The Social Web” Bob Brown states: the days of simply catching the customer attention with an attractive ad are over, now marketers cannot just cause one-way interruption, instead they need to give a start for conversation and the success of the strategy will depend on marketers’ ability to engage the audience into the conversation (Brown, 2009). Here the new rules of marketing and PR apply - online marketing is effective when marketing and PR converge together to provide a valuable content and engage the consumers (Scott, 2010). These statements are very much in line with the definition of relationship marketing.

Consumer trust is now crucial for marketing and trusted sources are extremely important in marketing through social networks, like Facebook. The main idea here is the valuation generated within various trusted networks. Successful customer engagement is usually followed by improved profitability, effectiveness and efficiency of marketing. (Qiao, 2008)

Due to today’s technologies the conversations that happen in public online will remain in the public domain for a long time and in some cases forever. Therefore, companies that use social media marketing should give enough attention to all engaging participants and treat them carefully and with respect (Brown 2009). There is always a risk of having a negative outcome from promoted interaction. For example, when Wal-Mart introduced a Facebook application for college students, company’s page on Facebook became a magnet for negative comments about Wal-Marts business practices. Hence, it is necessary to think through possible consequences when striving for customer engagement on social networks. (Li & Bernoff, 2008)
2.3.2 Customer Relations

In 2008, Li and Bernoff claim that there is no doubt that social media and social networking have changed the way people connect and communicate. As these technologies are being adopted by people of all ages, all over the world, a whole new audience can be reached by anyone on Internet access and E-mail address. For businesses especially, social networking has changed the way they communicate with their customers and find new ones. (Li & Bernoff, 2008)

The go on to argue that earlier generations of customer applications and business intelligence systems were highly complex, difficult to integrate and not intuitive. Social networking technologies are intuitive and easy-to-use. They support self-expression, interaction and collaboration in ways that are proving natural and comfortable. (Li & Bernoff, 2008)

It is also argued that true customer exemplifies the same qualities as a personal relationship and that includes giving each party a voice to fully express needs and preferences. Social media provides that flexible and fluid context that allows for structured and unstructured communication; and, gives the customer an equal voice in the service process. (Baumeister, 2002)

Baumeister also explains that benefits of a well-managed customer relationship can be the development of better relations with the existing customer, which in turn might lead to:

1. Increased sales through better timing due to anticipating needs based in historic trends
2. Identifying needs more efficiently by understanding specific customer requirements
3. Enhanced customer satisfaction and retention, ensuring that your good reputation in the marketplace continues to grow
4. Increased value from your existing customers and reduced cost associated with supporting and servicing them, increased overall efficiency and increased total sales
5. Identifying which customers are profitable and which are not. (Baumeister, 2002)

Well-managed customer relationships should lead to profitability and retained customers. This is argued by Kotler in the book “Principles of Marketing” where he states that marketing has increasingly become an art of finding, retaining and growing profitable customers (Kotler, 2005).

Effective customer-seller relationships can now be maintained by the two-way conversations through various social networking channels. People acquiring the same things can now be put in or join social media groups meaning that: “when making a purchase a customer is buying membership into a group as well”. The social ties make the customer relationship stronger which in turn leads to better return customer rate. (Hawkins & Mothersbaugh, 2010).

This point is also argued by Hartline et al. in an article where they presented research of customer engagement and made a conclusion that customers who are constantly actively engaging with the company through social networking are more likely to be receptive to advertising from that company (Hartline, Mirroekni & Sundararajan, 2008).

In their article about relationship marketing Hennig-Thurau et al. also discuss that in order to improve the quality of the relationships companies have with consumers there is general
agreement that customer satisfaction with service level the company offers, trust for the company and commitment in the relationship between the company and the customer are key components (Hennig-Thurau, Gwinner & Gremler, 2002).

Rich presents further arguments for the importance of trust. He argues that studies have shown long-term sales success is relationship oriented and that when a seller gains trust from an interested buyer then the presentation of the products makes little difference (Rich, 2000).

According to McKay (2008), one of the major building blocks in creating consumer trust is transparency and transparency is at the core of social media. Monique Reece defines transparency as one of the key social media principles in her book “Real-Time Marketing for Business Growth”. She explains how social media is increasingly transparent:

“What you do and say is visible to the world. Your actions have a direct reflection on your reputation, your company culture, and the quality of your relationships. Personalization and the quality of transparency is one of the most attractive features of social media. Keep in mind that digital media has a long memory - but if you are authentic and honest, you’ll be just fine” (Reece, 2010, p.238).

Bough similarly states that smart organizations are going to see that organizational transparency is where society is going and will realize it’s better for them to be transparent and open towards the outside world. Social networks are a great platform for that because it makes is so much easier to share and communicate and bring people in. (Bough, 2010)

In the article “the commitment-trust theory of relationship marketing” written by Morgan and Hunt (1994), the authors also argue that commitment and trust lead directly to cooperative behaviour that is conducive to success in relationship marketing. Commitment is defined in the article as an enduring desire to maintain a valued relationship and trust as the expectancy of an individual that the word of another could be relied on.

De Matos and Rossi (2008) also claim that these two factors, commitment and trust are (among others) large factors that lead to an increase in word-of-mouth spreading as well.

2.3.3 Word-Of-Mouth Marketing

From the practical point of view, word-of-mouth (WOM) is known as a process of individuals passing the non-commercial message concerning brand, product or service to one another at any point of time (Kirby & Mardsen, 2006). From marketing perspective it is a strategy of encouraging individuals to forward favourable or compelling marketing information that they receive from marketers. (Dobele, Toleman & Beverland, 2005)

In a research article from 2009 it is argued that WOM marketing is one of the most effective yet least understood marketing strategies and that marketers are becoming increasingly interested in this type of marketing since traditional forms of communication seems to be getting less effective (Trusov, Bucklin & Pauwels, 2009). The authors of this article also reach the conclusion in their research that WOM communication is a critical factor for companies looking for new customers and that the effects of WOM communication are larger and last longer then those of traditional marketing activities.

Another study showed that positive word of mouth among consumers is one of the best practices to use for measuring and predicting the company’s growth and that the biggest advantage that WOM marketing possess is the credibility of the trusted source that advertisement lacks (Richardson & Domingos, 2002). Hence, here lies the key success
factor for marketing using social networks like Facebook: after logging in people know that they are among friends; all the content that they see is tailored for them and this personalized experience exudes trust (Shih, 2010). There is not enough research done about the relationship between WOM and sales, but vendors and academics are finding more and more evidence that increase in WOM is correlated with an increase in sales (Li & Barnoff, 2008). For example, in the case presented in the book “Groundswell”, mobile phone makers company MotiveQuest had collected evidence showing that an increase in positive comments online typically appeared a month or two before the substantial increase in company’s sales (Li & Bernoff, 2008).

WOM in the context of social networks has 3 main advantages:

- Low cost since the individuals online pass the message to others on their own;
- Forwarding the message that contains an advertising is a voluntary task rather than a paid action or a mass ad campaign, therefore it is always viewed positively by other participants;
- Individuals passing the information possess better knowledge about the needs of their friends, family members and co-workers thus they use very effective targeting by reaching to people that will certainly be interested in the provided information. (Dobele et al., 2005)

Due to these advantages, marketers are increasingly relying on word of mouth and influential customers as part of their marketing strategies. Such a trend is stimulated by difficulty to reach fragmented markets through traditional media mass media and the realization of opinion leadership importance. (Hawkins & Mothersbaugh, 2010)

Opinion leaders are usually individuals who seek for confirmation of their own judgements, they like showing their knowledge and giving advice. Sometimes opinion leaders are just people expressing the need to help others to make the well informed decisions or they just simply wish to share the message (Haywood, 2007).

This minority of individuals also called influentials are important in forming the public opinion and they act as intermediaries between mass media and the audience. Authors of the work named “Your members are also your customers: marketing for internet social networks” share their findings and claim that the average people that count for 75% are influenced by small proportion of 25% individuals and do in turn participate in sharing their opinion with others on a social network (Trusov, Bodapati & Randolph, 2006).

The following model, taken from the book Consumer Behaviour: a European outlook, is called Multi Step Flow of Communication Theory which illustrated the flow of word-of-mouth. Step 1a and 2b shows the transition of information from the mass media to the opinion leaders/influencers and information receivers/seekers and information receivers who neither influence nor are influenced by others). Step 2 illustrates the flow of information and influence from opinion receivers to influencers. (Schiffman, Kanuk & Hansen, 2008)
Social networks marketing works in a similar way to other forms of marketing: company initially works on a word-of-mouth basis with their brand name passed around. This type of marketing on Facebook works with a “friend” concept. People can give positive reviews about the company, recommend the products and talk about it. With the social community being online companies obtain the advantage of their brand being viewed and reviewed by a significant amount of people. Continuous use of social networks over time creates brand awareness and thus helps to increase sales. (Weinberg, 2009)
2.4 Summary our theoretical framework

In doing this literary review we found that the branch of marketing theory formulated as relationship marketing is a very suitable perspective to use to investigate the phenomenon. As we have presented above there are many similarities between what is said to be the strengths of the social network for marketing and the key outcomes of relationship marketing. These key outcomes are customer relations and retention and word-of-mouth spreading. The social network is theorised as a very powerful tool for maintaining and improving these outcomes. It is also argued in this first section that is becoming much more important to have a view that your customers are not passive receivers of your message but instead to try to actively engage them with your company to get your message across.

The area of customer relations is argued to rapidly becoming among the most important areas of marketing research in the last decades by several of the authors we have presented in this literary review. WOM is presented in this section that social networks are very useful for building costumer relations because they provide companies with a way of communicating with their customers easily, openly and directly. This openness can also be a way to create trust through allowing the company to be transparent in their communications with consumers. Trust is argued by several of the articles recited in this section as a very important factor in building good customer relationships.

The main arguments in the section concerning word-of-mouth and its connections with social networks include that WOM marketing is regarded with increased interest from marketing academics. It is still not fully understood but it has been shown to be a very powerful marketing tool that can be very effective at generating new costumers and increased sales. It is argued in this section that social networks are very effective for word-of-mouth marketing because they make it easy for customers that engage with the company to spread positive information in a credible way to the other individuals in their personal network and that these personal “recommendations” are valued strongly by their recipients.

Below we have presented an illustration of how these different concepts interact to help companies market themselves to consumers. The companies provide information and incentives to engagement for the consumers that hopefully respond with feedback and help them by spreading this information further in their personal networks.

![Figure 2-2 - Illustration of theoretical framework summary](Created by the authors)
3 Method

In this chapter we will describe the process that we have gone through constructing this thesis. We will describe our research, how we are conducting our study, how we selected respondents and how we are going to analyse our empirical data.

3.1 Research Approach

As we have discussed in the problem discussion and frame of reference, the area of social networks and how they relate to marketing is a very young research area. Because of this we decided to do an explanatory study. Saunders, Lewis and Thornhill (2005) describes an explanatory study as a study that tries to establish causal relationships between variables. They go on to argue that it is suitable to subject data in such a study to statistical tests such as correlation.

In this study we wanted to investigate how the largest of these Social Networks, Facebook, can be used for marketing. To do so, we investigated what elements of Facebook page marketing makes one attempt more successful than another in increasing sales. Once we had found a number of these elements we did a survey of a number of online retailers to see if these elements actually could be connected with success in Facebook marketing.

Surveys are useful when trying to answer questions such as what, who, where, how much and how many (Saunders et al., 2005). This indicates that in order to answer what variables are most important in Facebook marketing, a survey is a very useful tool.

In this survey we look at the correlations between the different element variables and the success of marketing on Facebook. We then investigate why these elements are useful using the theories described in the theoretical framework.

3.1.1 Identifying the elements to investigate

As we have argued above, the social networks and especially their place in marketing is a young field that is still rapidly unfolding. For our study it was important to get up to date information on how the Facebook platform could be put to the best use by marketers. Therefore, we wanted to identify what the online marketing community that propagates marketing on Facebook saw as the most important elements that need to be included in a Facebook page marketing campaign. We then wanted to empirically test if the companies that are using Facebook pages to market themselves are incorporating these elements. By comparing the answers from the different respondents we indicate which elements have been most effective in practice for our respondents in order to increase their sales.

In our attempt to find useful elements to test we conducted what can be described as a miniature study on a number of online resources dealing with marketing on Facebook. Because Facebook is such a changing marketing environment with new features added frequently we believe that marketing advice presented on blogs online would be the most up-to-date source of information. We did not want to base our empirical study on the advice of one specific marketer so in order to specify the most widely advocated elements of marketing through a Facebook page we aggregated the advice of a large number of marketing help blogs.
We started by deciding on the number of elements we wanted to test. In order to have a relatively short questionnaire and not too many variables to compare we settled on finding the 7 most commonly promoted elements to a good Facebook page. We also settled on that the 7 elements would be those that first got a minimum of 10 marketers to recommend them.

After that we started searching on Google for Facebook marketing advice\(^1\) and investigated online marketing blogs one after another and noting what advice each of these gave. We also focused so that we use the elements from the theoretical framework as a basis for our search. We particularly looked on how to empower these practices through the use of Facebook. In constructing these elements it was necessary for us to generalize the advice that we found on the different marketing blogs into our element categories. For instance, one marketer advocated providing coupons that would only be available to fans of your Facebook page and another would say advice that some deals should be available exclusively to your Facebook fans; these two would both be labelled as “having deals exclusively to Facebook followers/fans”. While it is difficult to assess the exact credentials and degree of experience each of the individuals that produce the marketing advice on the blogs have they are all ranked relatively high in by the Google search engine and could be found within the first couple of pages of results. Google in turn rates sites based on how many highly ranked and trusted sites link to them and this provides some indication that the marketing advice we used is regarded as useful in the online marketing community.

After going through 34 marketing blogs we had come to the 7 elements we were going to empirically try to validate in our study. How all these different blogs contributed to these elements and web links to all the different marketing blogs that we have examined are available in the appendix (section 9.1).

### 3.1.2 Elements of success

From the investigation of advice on using Facebook pages for marketing we have created a list with seven elements that have been advocated by many to contribute heavily to the success of having a Facebook page to market a company and thereby increase its sales. It is the importance of the elements in this list that we will try to empirically validate or disprove. Our seven elements are as follows:

- Post interesting questions/competitions to make users participate
- Continuously posting interesting content (news, images, video etc.)
- Posting video content
- Creating a custom landing page to welcome visitors
- Connecting the Facebook page with other social media platforms
- Being involved in conversations with consumers
- Have exclusive deals or material for Facebook followers

In the next section we will explain each of these elements in detail.

One additional factor is worth mentioning before we proceed however. That is that most of the marketing blogs that we have investigated point out that all of these different elements have to be applied continuously to be effective. While the advice on what a minimal frequency of taking action to make your Facebook page interesting differs in the

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\(^1\) All the exact Google queries that were used to find the marketing advice are available in the data sheets that contain all the information gathered in establishing our elements, under appendix 9.1.2
different blogs, it is generally considered that unless a company battles for users attention at least weekly they will be lost in the constant flow of information in the user news feeds.

While this is being dealt with specifically as our second element, it is valuable to think of frequent posting as a guiding principle for all company activities on Facebook.

3.1.3 Descriptions of the elements

Post interesting questions/competitions to make users participate
One way to get visitors and followers of your Facebook page to keep coming back is to try to engage them by posting questions for your visitors to answer or competitions for them to enter. One of the advocates of this element argues that having a space where consumers can discuss your products is good, but actively asking for feedback in questions or polls will help fans feel involved and can create input for product improvement (Zhu, 2010).

Continuously posting interesting content
Another factor that separates a good Facebook company page from a bad one, according to many of the blogs is how often new material is posted to the company Facebook page. This material can include many different things that are relevant to the followers and visitors of the company page such as news about products, links to interesting material on other places online, images and videos. Kyle Austin motivates this on his blog by arguing that with a large number of companies fighting for a share of the followers news stream, posts have to be frequent in order for the company to stand out (Austin, 2009).

Posting video content
Posting video material is propagated by many of the blogs as a way to make your page much more interactive and alive which in turn makes it more interesting for visitors. A well-done page with video embedded is very inviting and encourages fans to spend more time looking around your page (Dorfner, 2010).

Creating a custom landing page to welcome visitors
When a Facebook page for a company is created the default page that a visitor would come to when they search for the company is the wall page, a page where people can post comments and material. It is possible however to create custom welcome pages that can be more informative and inviting to a visitor. These pages are called landing pages. One marketing blogger argues that you can use a landing page for visitors that are not yet fans to give them a strong call to action to hit the like button (Person, 2010).

Connecting the Facebook page with other social media platforms
As we have pointed out earlier, social media is a term that includes a number of different components such as blogging. A way to make give your Facebook page a larger exposure is to link the Facebook page and materials posted on it through other media. Connecting for instance company blogs and twitter accounts to the Facebook page is a highly recommended way of gaining exposure. Facebook users rarely go looking for company’s Facebook pages so linking from many other channels is a good way to grow the amount of followers according to Justin Palmer (2010).

Being involved in conversations with consumers
As we have described in the previous sections Social Networks in general are built on the notion that users want to connect with each other. In order to get people to interact with a company Facebook page, the proprietors of that page must also engage with visitors in conversations to make them feel that they are engaging in a meaningful exchange. The key
to establishing a brand on Facebook is engagement, which means responding to user input in an active way (Person, 2010).

**Have exclusive deals or material for Facebook followers**

Exclusive deals for followers/fans is a powerful way of motivating visitors to follow your page. It is a way to make customers feel like they are gaining something valuable from being fans. According to a poll presented by Megan Leap, more than 25% of Facebook users are mostly interested in getting discounts or coupons from companies on Facebook (Leap, 2010).

### 3.2 Data Collection

In this heading we will reveal how we performed our data collection process and which techniques we used in order to extract data from our chosen sample.

#### 3.2.1 Sampling

The population that is targeted by this investigation are all Swedish online retailers that sell apparel; this includes clothes, jewellery, shoes and similar wearable items. Exact numbers on how many of these retailers there are is hard to come by. This is because many of these online retailers often start as boutique-shops that start selling their goods online. This makes it very difficult to attain an exact number of how many of these retailers there are.

In the problem discussion we have motivated that the most interesting industry for us to investigate for Facebook marketing is the online apparel retailers. We also wanted to investigate how they are using Facebook, which means that we have to disregard those that have not adopted this way of doing marketing. In order to produce a sample that we can then do a survey on we used purposeful sampling. Saunders et al explain purposeful sampling as a form of sampling that can be used to select cases that will be best suited to answer the researchers research questions and is often used in smaller samples that are particularly informative (2005).

Our sample of the aforementioned population is the online apparel retailers that are found on the web portal klaeder.nu. Klaeder.nu contains a large list of online retailers that sell apparel both Swedish and international; to have the most homogenous group we could we chose only to include the Swedish retailers.

As we want to investigate the use of Facebook pages for marketing we could eliminate all companies that did not use this medium at all. After these considerations we were left with a list of 150 companies that we have as our sample.

According to “Statistiska Centralbyrån” (Swedish institute of statistics) the classification code that corresponding to the online apparel contains 602 companies (SCB, 2010b). In this category there is also included all companies that sell products through traditional mail order as well as companies selling all other textile products aside from clothes. These factors make it difficult for us to know exactly how many companies that are in our entire population. However, when we consider the above statistics as well as our intention to investigate the population that is already using Facebook we believe that our sample represents an acceptable part of the population.
3.2.2 The questionnaire

When constructing the questionnaire it was important to construct it in a way that we make sure to get answers that may validate or disprove the list of elements that we defined in the theoretical framework.

In this study we have conducted an internet-mediated questionnaire. This means that we will set up the questionnaire through Google Documents where a form is produced that we can then administer a link to through email (The actual appearance of this online questionnaire is available in the appendix). This should make it easy for our respondents to answer them as well as for us to export the data from the website.

The main goal of this questionnaire is to see if one variable, if using Facebook as a marketing platform has increased sales, is dependent on other variables that we have (the different elements).

Our questionnaire is composed of the following questions (the complete questionnaire with the possible answers to each questions can be found in the appendix):

1. What is your position in the organization?

2. How long has your organization been using a Facebook page to market your company?

3. How much do you think that using your Facebook page to market your company has increased your sales, on a scale from 1 to 10 (1 being no new sales from Facebook, 10 being all your new sales come from Facebook)?

4. How often does your company post questions to followers or host competitions on your Facebook page?

5. How often does your company post new content (such as news, images, videos) on your Facebook page?

6. Does your company use other social media (besides Facebook, i.e. twitter, blogs etc.) that link to Facebook and the material you post there?

7. When a Facebook page is created, visitors are directed to the company "wall" page per default. Has your company created a new and unique welcome page for visitors of your Facebook page?

8. How often does your company engage with your visitors by commenting on your own or your fans posts?

9. How often does your company post videos on your Facebook page?

10. How often do you have exclusive deals that are aimed at your followers on Facebook?

11. Does your company measure how much of your sales are coming from visitors that have been redirected from Facebook?
3.2.2.1 Validity and reliability of the questionnaire

We have made a number of considerations in order to make sure that the answers we get from our respondents are valuable. One of them is about the internal validity of the questions in the questionnaire.

This internal validity is defined by Saunders et al as the ability of our questionnaire to measure what we intend it to measure (2005). One part of this, according to Saunders et al. is content validity which refers to the extent to which the measuring advice (questionnaire) is covering the investigative questions and a solution to ensuring this content validity is to have a panel of individuals assess whether each measurement questions is essential or not. In our survey we have constructed our questions from what a panel of internet marketers deem most essential to our investigative question, successful marketing with Facebook, and we should therefore have an good level of content validity.

Another form of validity discussed by Saunders et al is predictive validity or criterion-related validity, which is concerned with the ability of the questions to make accurate predictions (2005). Checking the relationships between the different variables and how they affect the predicted effect (in our case the increase in sales) with statistical correlation analysis is one way to make sure there is predictive validity (Saunders et al., 2005)

In order to make sure that we include all the information that we need in the questionnaire we have constructed a data requirement table in which we can verify that elements and some additional validation parts have been included in the questionnaire.

<table>
<thead>
<tr>
<th>Research Question</th>
<th>What are the elements that make a Social Network marketing campaign successful?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investigative Questions</td>
<td>Variables required</td>
</tr>
<tr>
<td>Is the respondent the correct person to answer these questions?</td>
<td>Respondents position in the organization</td>
</tr>
<tr>
<td>How long have the organizations been using a Facebook page as part of it's marketing?</td>
<td>Estimated time since start of using Facebook for marketing</td>
</tr>
<tr>
<td>Has the use of a Facebook page has increased sales for the companies?</td>
<td>Estimated change in sales</td>
</tr>
<tr>
<td>Investigating all the derived elements of success</td>
<td></td>
</tr>
<tr>
<td>Are companies posting questions to your followers and/or hosting competitions on their page?</td>
<td>Estimated frequency of posts</td>
</tr>
<tr>
<td>Question</td>
<td>Response Type</td>
</tr>
<tr>
<td>-------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>How often are companies posting new content (messages, images, video) on their pages?</td>
<td>Estimated frequency of posts</td>
</tr>
<tr>
<td>Are companies using other social media platforms (twitter, blogs etc) then facebook that link to your facebook page? If so which?</td>
<td>Usage of other platforms</td>
</tr>
<tr>
<td>Have companies personalized their welcome/landing page to make the facebook page more appealing/Unique?</td>
<td>If companies have created a unique welcome page</td>
</tr>
<tr>
<td>How often are companies engaging with their followers in conversations on facebook?</td>
<td>Estimated frequency of interacting with followers</td>
</tr>
<tr>
<td>Do companies post video content?</td>
<td>Estimated frequency of posting video</td>
</tr>
<tr>
<td>How often do companies set up exclusive deals for those that are followers on Facebook?</td>
<td>Estimated frequency of using specialized exclusive deals for Facebook fans</td>
</tr>
<tr>
<td>How likely is it that the answer to increase in sales given by our respondents is closely related to actual sales increases?</td>
<td>If companies are measuring their impact from Facebook</td>
</tr>
</tbody>
</table>

Our dependent variable, that is determined in question 3, concerned with how much the respondents think that using Facebook has increased their sales, is on a numeric rating scale. We chose this format so that the respondent would be able to freely assess how much sales have come as a result of Facebook marketing. Saunders et al. state that deciding on how many points to have on a rating scale should be related to how accurately it is believed that the respondents can answer to the question (2005). We believed this scale 10-point scale offered us a way to measure this variable in detail that was reasonable for how accurately we believed that our respondents would be able to assess their increase.

In questions: 4, 5, 8, 9 & 10 we have chosen to ask how often these events occur and not just if they occur. We believe that this is a more reliable measurement of those elements of success since, as we have argued in section 2.3, these activities need to be done frequently in order to continuously engage Facebook users and create the interest that may result in increased sales. By ordering the answers in this manner we also made it possible for us to
do the analysis of how the different variables are interrelated. Given that these answers are ordinal, frequency of use can be compared with change in amount of sales and this can be done for each variable to establish a correlation between the different how frequently the different elements are used and how much they influence the increase in sales.

The chosen time periods that are available for questions 4, 5, 8, 9 & 10 are: ‘Daily’, ‘a few times per week’, ‘every other week’, ‘every month’, ‘every other month’ & ‘less than every other month or never’. As stated in the previous paragraph, the reason for choosing these answer-options is that it is important to perform these tasks very continuously. We have based the different time intervals in the answer-options on what was said about frequency in Section 3.1.2.

Questions 6 and 7 that are connected to the elements concerned with whether or not a new landing page has been constructed and whether or not other social media platforms are connected that link to and re-post material posted on Facebook cannot be evaluated on frequency of use but must instead just be answered with yes or no. However, when analysing these questions we will still be able to investigate if there is a relation between use of these practices or not by looking for correlations between high increases and the answer “yes”.

In order to help us evaluate how reliable the questionnaire is we have included a question as to whether the company is measuring the effectiveness of using a Facebook page to increase the company sales. This should give us an indication of how accurate the respondent’s estimation of the increase sales is. Additionally, the question of how often video is used can be compared to how often they post material on their Facebook page as an indication of how consistent the respondents answers are (if a respondent answers that they post videos frequently while also stating that they do not often post material to their site then they are clearly inconsistent in their answers).

In order to be able to measure and compare the answers that are given by the respondents we have chosen to use almost exclusively ordinal categorical questions. Category questions are particularly useful when it is necessary to collect data about attributes according to Saunders et al (2005). Since these categories can be ordered and ranked we are able to find correlations between frequency of use of the different elements and the increase of sales.

Question number two, concerned with how long the respondents have been using Facebook for marketing was included so that we could also see if there is a pattern and a relation between how long the company has been using Facebook and the increase in sales that it yields. This could indicate that there is a “learning curve” to using this marketing outlet and if the increase in sales comes after a longer period of use.

This is very much in line with our approach of collecting information on whether the different elements of success are being incorporated in the Facebook marketing campaign. Since respondents will only be able to choose one alternative on each question it will be possible for us to compare the answers from all the respondents.

3.2.2.2 Translation, layout and administration of the questionnaire

Since we looked at the Swedish online retail industry we translated the English questionnaire into Swedish, which went out to the respondents. In order to minimize errors in translation we have carefully gone through each question with a bilingual third party to make sure that they ask for the same information in both languages.
The layout of the questionnaire has to be attractive enough to the respondents to fill it in and not appear too long (Saunders et al, 2005). In order to help us get a good response rate we have chosen to keep the amount of questions we send out to a minimum. In the questionnaire there are 11 questions to answer.

We started with the personal question about the interviewee’s position and then the question about how long the organization had been using Facebook. As a third questions we asked the respondent to rate how well he/she believed that Facebook marketing was working for the company. Since this will be compared to the other questions concerned with the different elements, we felt it was important to ask question nr. 3 first so that our questions after that do not serve to influence respondents as a guide for the respondents to evaluate how well they are doing.

In order to get a good response from the companies that we have contacted we wrote them an email explaining what it is we want to do and we also give them an offer to send them an executive summary of our thesis which should be a helpful tool for Facebook marketing.

After the initial send out of questionnaires we will send out two additional reminders to those that have not yet responded on our mailing list (Since they send us email addresses to get the executive summary, we know who has responded and should not be contacted a second time).

3.3 Analysing the Empirical Data

Our purpose in this thesis is to investigate how Facebook could be used for marketing. In order to do so we have come up with a number of elements that are believed to be important for companies trying to successfully implement a Facebook page. In our empirical study we want to validate or discredit parts or the whole of this list of elements.

We can do this by examining if the respondents that claim to have large increases in sales are more commonly using one or more of the elements then their less successful counterparts. This would establish a link between an increase in sales from Facebook marketing and one or several of these elements. By cross checking the answers of the different questions for the individual respondents we can see what the more successful implementers are using and not using.

The answers that are given to most of the questions regarding the different elements of success are ordinal, ordinal data may be ranked and can be analysed in some ways similar to numerical data (Saunders et al, 2005). This will enable us to see the potential effectiveness of the not only the use of a certain element but also how important it is to be frequent in the use of that element.

For the purpose of identifying significant elements and observing how much if at all they are connected to the increase in sales we needed to select a statistical procedure to conduct our research study using SPSS. The three tests that we chose to use in our statistical analysis of our data were correlation test, factor analysis and multiple regression. These were found to be appropriate tests for answering our research questions. We will also make a reliability check between the answers of questions 5 and 9 in order to check if the questionnaires have been answered properly.
For conducting all the statistical tests in SPSS we followed the instructions in Field's book "Discovering Statistics Using SPSS". All the descriptions of how our statistical analysis was done can be found in this book. We chose this book because it has been a part of our course literature for earlier statistics courses.

3.3.1 Correlation analysis

The following correlation analysis was conducted according to the method presented by Field (2009). Correlation analysis is used to determine whether there are trends or relationships between two or more sets of data from the list of obtained data. In our case this test helped us to identify which elements of marketing on Facebook were directly related to the answers to question 3 (the increase in sales from Facebook). These statistics show if the frequency of use of one of the elements corresponds to a perceived increase of sales, i.e. if respondents answer that are frequently posting questions and competitions on their Facebook page and those same respondents also state that they perceive to have a large increase in sales this would contribute to a correlation between those variables.

Correlations can be between +1 and -1. +1 is a perfect correlation between two variables meaning that all respondents that chose the highest ranked alternative in one question also chose the highest ranked alternative in the correlated question.

The strength of a correlation is described in the following table:

<table>
<thead>
<tr>
<th>Correlation Coefficient</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 to 0.5</td>
<td>Strong correlation</td>
</tr>
<tr>
<td>0.5 to 0.3</td>
<td>Weak correlation</td>
</tr>
<tr>
<td>0.3 to -0.3</td>
<td>No apparent correlation</td>
</tr>
<tr>
<td>-0.3 to -0.5</td>
<td>Weak negative correlation</td>
</tr>
<tr>
<td>-0.5 to -1</td>
<td>Strong negative correlation</td>
</tr>
</tbody>
</table>

Figure 3-1 Explanation of correlation coefficients (Field, 2009)

We have made this statistical measurement possible by transforming the frequency of use (daily, a few times a week, etc) answers in to a numbered scale from 1 to 7. We can then use SPSS to compare different questions. If a respondent has one of the highest answers to increase of sales (that means that he/she has answered close to 8, since we had no answers of 9 or 10) as well as a very high frequency of use (for instance 6 or 7) this would contribute to a correlation between these two factors. If on the other hand respondents consequently answered that they perceived a high increase of sales but also answered that they rarely or never used some element then that would result in a negative correlation. When there is no pattern amongst the respondents between their answers to increase in sales and another element then these variables would not have any correlation.

The yes or no questions are treated in a similar way by giving the answer yes a value of 2 and the answer no a value of 1. This way we can look at these interdependencies between them and sales by looking for a correlation between high and low sales and yes or no.

3.3.2 Factor analysis

Factor analysis is used to identify clusters of related variables and remove less significant variables from the analysis. The goal of the Factor analysis is to explain the pattern of relationship among related variables. Factor analysis can often be confused with another
types of analysis used to study the relationships among dependent and independent variables, however, the main difference of Factor analysis is that its goal is to discover something about the nature of the independent variables that affect them, even though those independent variables were not measured directly. The factor analysis was conducted according to the method presented by Field (2009).

We apply factor analysis to our data in order to see if there are any relationships or clustering between the variables. This is done to see if there are any common features or underlying meanings. If one or more factors are found statistically, then these factors should be scrutinized to see if these have any common features. Any factors found in our answers can be further tested against the increase in sales by using multiple regression.

3.3.3 Multiple regression

If applicable, the multiple regression analysis is used to determine the relationship between the dependent variable and the set of independent variables (this set would in that case be a factor that is found, using the factor analysis, to be made up of several independent variables). (Field, 2009)

In our study we want to learn about the relationship between the increase in sales and the use of marketing elements. However, testing correlation between a retrieved factor that contains many of the significant variables (elements) and our dependent variable, sales, could result in more general insights to successful marketing on Facebook then could be shown by just looking at the individual variables. The regression result will tell us what percentage of variability in sales can be accounted by the predictors (elements of the factor(s) we have chosen).

3.3.4 Reliability check

Reliability analysis measures if the questionnaire does consistently reflect the construct that it is measuring. In other words, it tests if our questionnaire was able to generate reliable answers. However, our questionnaire contained only 2 questions that could be used as a consistency check.

Question number 5 asked how often respondents were posing new content and question 9 was referring to how often the participants posted video material on their Facebook page. If a respondent claimed that they posted video more frequently than material (for instance answering “daily” to question 9 and “every other month” to question 5, this would invalidate this respondent since posting video is included in posting content. Respondents that would answer that inconsistently should be considered inconsistent and not reliable.
4 Empirical data

In this chapter we will present the data that was collected in our survey. This data will later be used in our analysis.

4.1 Overview

Our empirical data consists of all the primary data that we have collected during our research. We will present this data in an orderly manner starting from our first question on our survey until the last one. We got 65 responses to our questionnaire. This is a response rate of almost 50%.

We have presented our data using suitable graphs for illustrative purposes. The presentations in this chapter are factual and our interpretations of this data will come in the next chapter, analysis.

4.2 Presentation of the answers to each question

4.2.1 Question 1

The first question that we asked our participants was what function they were holding within the company. The participants could choose between “Marketing Manager”, “Owner” or “Other”. Almost 70% of the respondents were the owners of the companies that they represented.

![Figure 4-1 – Respondent position in company](image)

4.2.2 Question 2

In our next question we asked our respondents how long they had been using Facebook to market the organizations they represented. As is shown in the graph below results from this question were spread out fairly evenly over the different answer alternatives.
4.2.3 Question 3

The third question in our survey was concerning the perception of our respondents on how much their marketing attempt using Facebook pages have contributed towards their sales on a scale from 1 to 10. Presenting the results below, it is important to note that no participants answered with a 9 or 10 on the scale, therefore those two bars are excluded from the graph.

Figure 4-3 - Perceived increase in sales
4.2.4 Question 4

In our fourth question we asked our respondents how often they post questions to followers or host competitions on their Facebook page. The most common answer was that they do this every other week, but as the graph shows their answers are spread out among all the alternatives.

![Figure 4-4 Frequency of posting questions/competitions]

4.2.5 Question 5

In question five we ask the participants how often they post new content (such as news, images, videos) on their Facebook pages.

![Figure 4-5 – Frequency of posting content]
4.2.6 Question 6

In question six we ask our participants whether they use any other social media applications beside Facebook that in return link to Facebook content. Almost 70% answered that they do use additional social media tools.

![Figure 4-6 - use of other social media](image)

4.2.7 Question 7

This question is concerned with whether our participants have a special landing page created in their Facebook pages so that when new visitors view their page for the first time it looks unique. Slightly more than 85% of the participants answered that they do not have a special landing page.

![Figure 4-7 - Use of custom landing page](image)

4.2.8 Question 8

Question eight asks whether the companies engage with their visitors by commenting on their own or their visitors’ posts. The most common answer was that companies do this few times per week followed by a large number of respondents saying that they do this on a daily basis. A significant number of respondents also answered that they do this less than every other month or never.
4.2.9 Question 9

In this question we ask the respondents how often they post videos to their Facebook page. Almost 60% of the answers, were that less than every other month or never. Around 25% answered that they update their pages with a video every other month.
4.2.10  **Question 10**

Question number ten asked our respondents how often they have exclusive deals that are aimed at their Facebook followers. 40% answer that they do this every month or every other month, while 38% answered that they organize special deals for their followers less than every other month or never.

![Bar chart showing frequency of having exclusive offers/deals](image)

**Figure 4-10 frequency of having exclusive offers/deals**

4.2.11  **Question 11**

Our last question, which as we earlier noted is a validity-check question, asks whether the respondents measure the traffic and sales coming from the Facebook pages. One third of the answers were “No” while the other two thirds of the respondents noted that they do measure this traffic.

![Pie chart showing number of respondents that measure sales from Facebook](image)

**Figure 4-11 - Number of respondents that measure sales from Facebook**
5 Analysis

In this chapter we will analyze the primary data that we have collected and presented in the previous chapter. We will be using statistical analysis tools as well as our presented theory from the frame of reference to do this analysis.

5.1 Introduction to analysis

The purpose of this thesis is to investigate how online retailers can effectively use Facebook to increase their sales. To establish this we try to single out elements that are part of this marketing process to see which ones of these are most effective to use in order to increase the sales from this marketing channel. The first part of our analysis is focused on looking at the individual elements and to statistically see how these different elements are correlated the perceived sales for the respondents (the questions regarding the elements are questions: 4, 5, 6, 7, 8, 9 & 10). We will also see if these correlations are supported in the theory surrounding the areas of social networks and marketing to further validate our results.

In the second part of the analysis we look for underlying factors that could be responsible for the increase in sales. We look at how the respondents have answered to the different questions and see if there are any patterns. We find one explainable pattern or factor and we do a multiple regression analysis to see how this factor relates to increase in sales.

In the last part we will look at the questions that are relating to the validation of our answers as well as some concluding thoughts.

5.2 Analysing the individual elements

In order to see how each of the elements are related to the increase in sales we have done a correlation analysis of our responses to the questionnaire as described in the method chapter. The following is an excerpt from the correlation matrix between the answers to all the questions looking only at how question 3 (Increase in sales) correlates to the other questions (the full correlation matrix can be found in appendix 9.4).

<table>
<thead>
<tr>
<th>Question</th>
<th>Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>n2</td>
<td>-0.019</td>
<td>0.881</td>
</tr>
<tr>
<td>n3</td>
<td>1.000</td>
<td>0.000</td>
</tr>
<tr>
<td>n4</td>
<td>0.454**</td>
<td>0.000</td>
</tr>
<tr>
<td>n5</td>
<td>-0.137</td>
<td>0.276</td>
</tr>
<tr>
<td>n6</td>
<td>-0.125</td>
<td>0.323</td>
</tr>
<tr>
<td>n7</td>
<td>0.067</td>
<td>0.012</td>
</tr>
<tr>
<td>n8</td>
<td>-0.067</td>
<td>0.000</td>
</tr>
<tr>
<td>n9</td>
<td>0.067</td>
<td>0.000</td>
</tr>
<tr>
<td>n10</td>
<td>0.067</td>
<td>0.000</td>
</tr>
<tr>
<td>n11</td>
<td>0.067</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Figure 5-1 Excerpt from correlation matrix

This correlation matrix states the correlations between the different variables in the topmost row of the table. The second row related to significance, labelled Sig, is a measure of how reliable the correlations are. For a correlation to be acceptable it also has to have a Sig value of lower than 0.05.

The last row shows the number of respondents that were used to create the statistics. We did not exclude any of the respondents (we will discuss this further in the validity section).
5.2.1 Question 4 - Post questions and/or competitions

As we have shown in figure 4-4, the degree to which our respondents implement this element is quite varied. The correlation coefficient between the frequency of posting questions/competitions and the perceived increase in sales is 0.464. This implies that there is at least a weak correlation between these two variables, which leads us to believe that this practice has to some degree influenced the amount of sales the respondents have gotten from their Facebook marketing attempts.

As we noted before in the argument from Zhu (2010) these posts serve to engage the company’s potential customers and to get them interested in what is happening on your page. This ability to engage customers with your company is also argued to be an integral part of succeeding with your marketing strategy by Brown (2009) and Quiq (2008). By having people return more frequently to your page to answer your questions or participate in competitions would also serve to improve the customer-seller relationships that is described by Hawkins & Mothersbaugh (2010). They state that contributing to having customers feel more included in the social group following like the company Facebook page, will lead to a better return customer rate and therefore improved sales.

5.2.2 Question 5 - Posting content (news, images, video etc)

The figure 4-5 shows that most of our respondents do post some sort of content to their Facebook pages frequently; around 70% do so at least every other week or more often. This element also has the highest correlation of all our variables, 0.662, when compared to the increase in sales. This strong correlation shows that the more frequently a respondent posts material the higher their perceived increase in sales has been as well. Thus, our data indicates that this is an important contributing factor to an increase in sales.

We believe that this strong relationship between posting material and sales can be explained by the theoretical argumentation presented concerning the potential that social networks have for word-of-mouth marketing. This is argued by among others Trusov et al. (2009) that conclude that WOM communication is a critical factor for companies looking for new customers. Posting material is a foundation to initiate WOM since Facebook’s information sharing is built on the ability of users to “like” any material (text, images, video etc) that is posted on the network. These likes are visible for the friends of the person that liked that content and will show up in their news feed. This makes it very easy for content to be carried around the network by WOM. As it is argued by Dobele et al. (2005) recommendations that reach users in this way are positively received because the forwarding of that message is a voluntary task rather than a paid action or mass ad campaign. The importance of reaching customers with your message (or content) by posting it and having it shared in these channels is also argued further by Trusov et al. (2009) as they claim that the 25% of users on the social network that act as opinion leaders heavily influence the opinions of the other 75%. This strong correlation seems to be a validation of the popular argument that social networks can indeed be very potent WOM marketing tools discussed in theories above.

5.2.3 Question 6 - Connecting with other social media

Figure 4-6 shows that a large majority of our users actually use other social media along side Facebook, only slightly less then one third of our respondents do not. There does not however seem to be any correlation between using these other services to sales as shown by the correlation coefficient. In fact, the mean perceived amount of sales in the group that did say that they do use these other platforms along with Facebook was slightly below that
of the group that did not use these other services. This means that we cannot, from our study, conclude that making sure your material is available at these other social media platforms as well will lead to increased sales.

While it is hard to find reasoning why these additional social media outlets would not produce additional sales, it can be argued that this is an effect of Facebook dominant position among social networks in Sweden. With over 30% of the population connected (which is a low estimate based on the figure presented before) the others pale in comparison. This discrepancy might not be as large in other places such as the United States, which would explain the focus that is given this advice by the marketers we investigated.

5.2.4 Question 7 - Creating a custom landing page

Very few of our respondents had constructed a custom landing page. As shown in the figure 4-7, only 15% claimed that they did. Looking at the respondents that did have them does not indicate any pattern of increase in sales either, as is implied by the correlation coefficient of just below 0.

Since we have so few respondents using these landing pages it is hard for us to say anything about their effectiveness. The ability to create these pages was relatively recently introduced at the time of writing this thesis and the effectiveness of these pages might be further studied when they have become more commonplace.

5.2.5 Question 8 - Involvement in conversations with customers

The answers to this question are presented in figure 4-8. As we can see there seems to be a division in between a large number of respondents that very frequently comment on others post while almost 17% answer that they do so less than every other month or never. Interestingly this frequency and the increase in sales are also strongly correlated with a correlation coefficient of 0.651. This indicates that the rather large group of respondents that claim that they do get involved in the conversations happening on Facebook are also seeing a relatively large increase of sales from using Facebook.

A large part of our theoretical framework consists of motivations of why customer relations are important and it is the key concept in relationship marketing theory. As Baumeister (2002) states a true customer relationship exemplifies that same qualities as a personal relationship where each party has a voice to express needs and preferences. This argument clearly illustrates the theoretical importance of listening and responding to your consumers that seems to be reflected in our empirical study.

Several of the theories that we have included in our framework present trust as a very important factor in building customer relationships (Hennig-Thurau et al., 2002; Rich, 2000). McKay and Reece both point to the fact that social networks can be very useful in building this trust with your consumers but it is reliant on that you talk to your customers and how you talk to them. This might be an explanation for the importance of interacting actively with your consumers. Morgan & Hunt (2004) also support this theory when they claim that commitment and trust are two factors that are directly linked to success in relationship marketing. Facebook is primarily a platform for communication and it seems that companies that are not using their Facebook presence to actively communicate with their followers are not benefiting much from this type of marketing. These findings also support the findings of Alba & Stay (2008) who point out that companies that engage with
consumers on these social networks are expected to contribute to the conversations and not just pitch their products.

5.2.6 Question 9 - Posting video content

Figure 4-9 shows how frequently our respondents post videos on their Facebook profiles and as we can see this only happens very infrequently with most of them. The correlation coefficient between this variable and sales is 0.309 which is just on the limit of what can be called a weak correlation.

What makes accentuates video from the general material that may be posted which is covered in question 4 is its interactivity and making your Facebook page much more lively and inviting, as argued by Dorfner (2010). Our survey however, shows only very little support that utilizing video on your Facebook page will lead to an increase of sales and the data indicates that video should not be considered a top priority for Facebook marketing.

5.2.7 Question 10 - Exclusive deals or material for Facebook followers

As shown in figure 4-10 exclusive deals or material aimed at the Facebook followers seems to be a rather infrequent behaviour from our respondents. Despite this the correlation coefficient between frequency of having these deals and sales is quite high at 0.592 signalling a fairly strong correlation. Similarly to the case with question 8 this indicates that the few that do have these exclusive deals are also the ones with highest sales and that those that do not rarely see an increase in sales at all.

Exclusive deals and material is another way for companies to attract new and return visitors to their Facebook page. In a way it is similar to the element that is covered in question 4 concerned with posting questions and competitions and some of the theoretical motivations for this still holds true, however it does differentiate in that it gives the company an ability to very effectively targeting customers that they know already have an interest in their products with product offerings. Companies that do this are at the same time showing appreciation to their followers and this may lead to a closer consumer relationship. The effectiveness of these promotions could be explained by and support research done by Hartline et al. customers already engaged with the company through social networking are more likely to be receptive to advertising from them (2008).

5.3 Looking for underlying factors and multiple regression

5.3.1 Factor analysis

As mentioned before, purpose of factor analysis is to detect meaningful relationships among the variables by clustering those variables into one factor that later on can be labelled according to its underlying meaning. Later the extracted factor/s is used in multiple regression analysis. When conducting the factor analysis we used all the questions between 2 and 11 except question 3, which is “increase in sales”. Since our main attempt is to learn which variables may be the best predictors of sales we chose “increase in sales” variable to be the dependent variable in our model and as factor analysis can be conducted only for independent variables, therefore question 3 was eliminated from the test. Question 1 also was not tested for Factor analysis because it bears a nominal value.
During factor analysis we initially examined the factorability of all 9 items (questions) by using well-recognized criteria. Firstly, 5 out of 9 items correlated at least 0.3 with at least one other item, suggesting reasonable contributions of variables to our model. Next, the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was examined (figure 5-2). KMO in our case was 0.658, which is above recommended value of 0.5 and Bartlett’s test of sphericity $X^2(36) = 105,642$, $p<0.05$, indicated that correlations between items were sufficiently large for principal component analysis. Finally, in the Commonalities table (see Appendix 9.4.1, figure 9-8) all values were above 0.3, which further confirms that each variable shared some common variance with other variables. Consequently, being supported by overall indicators, we conducted Factor analysis with all 9 items without eliminating any of them.

<table>
<thead>
<tr>
<th>Component</th>
<th>Initial Eigenvalues</th>
<th>Extraction Sums of Squared Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Variance</td>
<td>% of Variance</td>
</tr>
<tr>
<td>1</td>
<td>2.678</td>
<td>29.754</td>
</tr>
<tr>
<td>2</td>
<td>1.23</td>
<td>13.740</td>
</tr>
<tr>
<td>3</td>
<td>1.14</td>
<td>12.725</td>
</tr>
<tr>
<td>4</td>
<td>1.04</td>
<td>11.556</td>
</tr>
<tr>
<td>5</td>
<td>.953</td>
<td>10.589</td>
</tr>
<tr>
<td>6</td>
<td>.678</td>
<td>7.531</td>
</tr>
<tr>
<td>7</td>
<td>.563</td>
<td>6.257</td>
</tr>
<tr>
<td>8</td>
<td>.419</td>
<td>4.655</td>
</tr>
<tr>
<td>9</td>
<td>.287</td>
<td>3.194</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.

Figure 5-3 - Factor analysis - Total variance explained (SPSS output)
The component analysis (table “Total variance explained”, figure 5-3) was used in order to identify related variables. SPSS identified 4 factors in our sample. According to Kaisers criterion, that is used in SPSS by default, the factors that bear eigenvalues greater than 1 are retained in the model (figure 5-3). Factors are meant to be used as an explanatory tool and it is therefore up to researchers to interpret its results. The most important decision to be made in factor analysis is determining which factors should remain in the model and name them according to their underlying commonality and meaning. By Kaiser’s criterion we should maintain 4 factors and which is what we are given by SPSS results (first 4 factors in “Total variance explained” table bear eigenvalue over 1, figure5-3). The table called “Component matrix” (figure 5-4) states which variables were included in each factor. We can see that first factor is the strongest one since it explains around 30% of total variance (other factor vary between 11% and 13%). It is composed of questions 5, 10, 4, 8 and 9. Factor 2 is composed of questions 9, 2, 6, factor 3 is composed of questions 6, 11 and finally factor 4 is composed of questions 8, 9, 2 and 7. When trying to label the factors we looked at the commonalities among different variables in the factors however, we were only able to label the first factor. This decision was also supported by the retrieved scree plot (see Appendix 9.4.1, figure 9-7), which was used as a final argument for our decision. As it tails off before component number 2, the plot suggests that only 1 factor should sustain in our model.

We named it “Engaging customers” because all of its variables (or elements) were based on marketer’s action to engage the customer. Question 9, although included in “Engaging customers” factor, was eliminated, as it did not fit well enough with other variables in the factor. The decision to remove this variable from the factor 1 was based on two reasons. Firstly, after examining the “Component matrix” (figure 5-4) it is clear that there is a considerable difference between loadings of questions 5, 10, 4, 8 and question 9 which indicates that question 9 is less related to the whole factor then the rest of the questions. Secondly, SPSS indicated that question 9 could be also incorporated with factors 2 and 4 and according to its loadings it would better fit in factor 4 due to the similar loadings of the variables. The questions that ended up composing our factor are:

<table>
<thead>
<tr>
<th>Question</th>
<th>Component 1</th>
<th>Component 2</th>
<th>Component 3</th>
<th>Component 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question 5</td>
<td>0.778</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Question 10</td>
<td>0.768</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Question 4</td>
<td>0.742</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Question 8</td>
<td>0.738</td>
<td>0.305</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Question 9</td>
<td>0.518</td>
<td>0.425</td>
<td>-0.423</td>
<td></td>
</tr>
<tr>
<td>Question 2</td>
<td>0.721</td>
<td></td>
<td>0.460</td>
<td></td>
</tr>
<tr>
<td>Question 6</td>
<td>-0.640</td>
<td>0.537</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Question 11</td>
<td></td>
<td></td>
<td>0.839</td>
<td></td>
</tr>
<tr>
<td>Question 7</td>
<td></td>
<td></td>
<td></td>
<td>0.583</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.

a. 4 components extracted.

Figure 5-4 - Factor analysis - Component matrix (SPSS output)
Q5: How often does your company post new content (such as news, images, videos) on your Facebook page?

Q10: How often do you have exclusive deals that are aimed at your followers on Facebook?

Q4: How often does your company post questions to followers or host competitions on your Facebook page?

Q8: How often does your company engage with your visitors by commenting on your own or your fans posts?

As we stated above the label of the remaining factor was chosen based on the one major communality of the questions in the factor, a common intention to engage the customers by providing them with various triggers to start an interaction. All of the questions also asked “how often” the marketer used the particular element.

This factor corresponds very strongly to the model (Figure 2-2) which we presented earlier in the summary of the theoretical framework. The presented factor represents the underlying aspect of establishing a relationship and constant communication between the audience and the company that we illustrate in the model. This further strengthens our choice of this factor, as it is reflected in our theory. This factor will be used in the next section when we do a multiple regression analysis.

5.3.2 Multiple regression analysis

Multiple regression analysis is designed to test the relationship between a dependent variable and a set of independent variables. This test is useful in determining how the set of chosen elements can together as a group predict the increase in sales. The elements that we used as the predictor variables in our multiple regression analysis were taken from the extracted factor that we proved above to be significant to our model. Thus, the variables checked for effect on increase in sales were: Q4 - hosting competitions on the Facebook page, Q5 - posting new content, Q8 - commenting on fans’ posts and Q10 - releasing exclusive deals for followers (see in the Appendix 9.1, figure 9-8).

Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>R</td>
<td>R Square</td>
</tr>
<tr>
<td>1</td>
<td>.772</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Question10, Question8, Question4, Question5
b. Dependent Variable: Question3

Figure 5-5 - Multiple regression - Model summary (SPSS output)

The most important measure in this test is R Square that can be found in the “Model Summary” table above (figure 5-5). In statistical terms this number should not be lower than 3 (this would indicate the absence of relationship between dependent and independent variables) and a number higher that 8 (could be a sign of multicollinearity). In our case R square was found to be 0.596. This number implies that almost 60 % of the variance in the sales increase can be explained by the combination of 4 engagement elements, meaning that an increase in of all four engagement elements from one level of frequency to the next
would predict a relative perceived sales of increase up to 60%. Another significant measure is $R$, which states the strength of correlation between sales and our cluster of 4 elements. In our case $R$ is 0.772 which is also a very important finding because if we look again at our correlation matrix, we can see that none of the correlations between the individual elements paired with sales were stronger than 0.772 (the highest correlation was between increase in sales and question 8 which has a correlation of 0.662). Hence, we can state that the grouped elements in our factor together have a stronger relationship with increase in sales than each of the elements on their own. This allows us to come to the conclusion that marketers on Facebook have a bigger chance of increasing their sales when using all important engagement elements together rather than just focusing on one or two of them heavily. This seems to confirm the theories put forward by among others Morgan & Hunt (1994) and De Matos & Rossi (2008) who both point to the importance of overall commitment to the consumer in order to successfully market your company.

The table called “Coefficients” (figure 5-6) contains the $b$-values that are interesting for us because they state the relationship between increase in sales and each predictor variable. First of all we can see that all $b$-values are positive, meaning that there is a positive relationship between the variables. This implies that the more often each of the marketing elements is being used, the bigger sales increase is being experienced. Also, $b$-values can tell us to what degree each predictor affects the outcome if the effect of all other predictors is held constant. This indicates that as hosting of the competitions and questions on a Facebook page increases by one level in frequency, the corresponding sales increase would be predicted to go up 0.163 or 16.3% on it’s scale. The same goes for the other individual elements when increased in frequency, 

ceteris paribus,

but with their own corresponding percentages (38.8%, 30.8% and 25.6%).

In the same “Coefficients” table (figure 5-6) we can also check the significance measures (“Sig.” column in the table), which will inform us weather the predictor variables (elements) are making a significant contribution to the model. Our chosen alpha is 0.05 so
the contributing elements should bear Sig. measure lower than 0.05. The smaller the value of Sig. is, the greater the contribution of that predictor. We can see that all the elements except the question 4 meet the significance criteria. This means that hosting competitions makes a less significant contribution to our model. This result can also be verified by comparing b-values again (figure 5-6) where that element has the lowest value, which implies the same conclusion: hosting competitions has the smallest effect on increase in sales of our four elements. These b-values are naturally also a reflection of the individual correlations we investigated when going through each question separately.

5.4 Time since initiation of the Facebook page

In our questionnaire we also included a question as to how long the respondents’ organization had been using Facebook as a marketing platform. As can be seen in figure 4-2 our respondents are very spread out in how long they have been using Facebook. These answers were treated similarly to the answers to each element and given a number from 1 to 4 depending on how long they claim to have used Facebook, 1 corresponding to “one to three months” and 4 corresponding to “more than 12 months”. As shown in figure 5-1 the correlation between question 2 and question 3 however has no correlation. This indicates that simply having a Facebook page does not increase sales for the company, it how that page is used and the frequencies of use that do so. Some of the companies that have only had their pages for a short while have seen large increases in their sales while some that have had their pages for a long time have yet to see financial gains from them.

5.5 Validity of our survey

Two of the questions that we included in the questionnaire were included in order to check the validity of our answers. These questions were number 1 and number 11. There is also dependence between questions 9 and 5, which shows that our questionnaire has been answered responsibly as we present in the following paragraphs.

In order to see if there were inconsistencies in our answers between questions 9 and 5 we plotted the answers in each of the two questions from each respondent on graph. This graph has is plotted with frequency of use of the two variables on the Y-axis so that all the respondents answers to the two questions are represented with two lines. We can then check to see that the line representing video posting does not go above the line representing general posting of material line. In order to make these graphs more linear we ordered the respondents according to ascending frequency of video posts.

Figure 5-7 Comparison of answers to Q5 and Q9
As we can see from this graph above, almost all our respondents have responded to these questions in a logical manner, which leads us to believe that they have read the questionnaire properly and responded in a truthful manner. However as we can see, for two respondents the red curve drops below the blue, which indicates an incoherent answer. The numbers 1 and 2 correspond to the answers “less than every other month or never” and “every other month” respectively. Since these two answers are very similar and both relate to very infrequent behaviour, it would not be inconceivable for someone that is responsibly trying to fill out the questionnaire to make this mistake. For those reasons we chose not to exclude these two answers from our respondent pool. It did make us aware however of the importance to differentiate answer alternatives from each other in a good way.

When conducting this survey we were aware of the fact that we are measuring the subjective estimation of increase of sales that is being done by our respondents. Due to the time constraints and scope of this thesis we were not able fully investigate the exact number of sales that each responding company was getting from Facebook. Instead we tried to mitigate this issue by including a question at the end of the questionnaire concerning whether the company was measuring the amount of sales it received from Facebook.

Interestingly a large number of respondents did measure this. As shown in figure 4-11 just around two out of three answered yes. This made us relatively confident in that these estimations were informed. Another factor that contributes to the argument that the estimations done by our respondents are reliable is that we asked them what positions they held in the company in order to help us know if they were suited to answer these questions. As we can see in figure 4-1 only 7% claimed that they had other positions then owner or marketing manager. These two questions indicate that the estimations made by our respondents are valuable.

As we have shown we asked respondents to estimate how much sales has increased on a scale in our third question. Since this is an important variable in our analysis we feel that it is worth mentioning that we are aware of the limitations of subjective estimations. One respondent’s estimation of increased sales as 3 (on our scale of 10) does not necessarily respond to the exact same amount of sales that another respondent associates with the answer 3 to our question. However all our respondents are in one niche of the online retail industry and as such should have about the same ability to generate sales from Facebook as a marketing channel. As we have stated before, this study does not try to explain exactly how much sales can be gained from using Facebook but instead what the most important factors to take into account are when trying to market a company on the social network. By comparing the answers between our respondents we believe that we have found clear indications of patterns that can help to make those marketing decisions despite the inherent inaccuracy of having respondents make estimations.
6 Conclusions

The purpose of this thesis was to investigate how online retailers can use Facebook to increase their sales. We chose to investigate apparel retailers specifically as they were very likely to be benefiting from Facebook marketing.

The analysis of our study has led us to draw the following conclusions.

- Overall the best way to increase sales with Facebook marketing is to consequently and frequently utilize the practices that make up our engaging the customers factor together, these include: posting questions and competitions on the company page, posting new content to the company page, being active in responding to posts on Facebook and publishing excluding material and deals to the company Facebook page followers.

- When examining which elements of Facebook marketing that are most important individually in order to increase sales two factors stand out considerably, these are posting new content and participating in conversations.
  1. Posting new content:
     This was the individual element that could be related most closely to an increase in sales from Facebook marketing. This illustrates the great potential that WOM marketing has in general but particularly on social networks.
  2. Participating with consumers:
     This element was also very strongly related to successful marketing on Facebook. Facebook is a communications platform and in order to gain credibility and momentum it is crucial that companies actively talk to their consumers. Our study shows that those who do get involved in conversations seem to benefit a lot from building these customer relations that have become an integral part of marketing.

Our study shows that in order to benefit from using Facebook for marketing it is important that the companies invest time and commitment to the platform. This result directly serves to validate some of the theories in our theoretical framework.

The research of Hartline et al. (2008), stating that customers engaged with the company are more like to be receptive of advertising from it, is one of the theories that is clearly validated by our results. The similar claim by Quay (2008), also stating that consumer engagement will lead to among other things profitability is also supported by this study.

This clear indication of the importance of commenting on posts and thereby engaging in conversations in order to increase your sales by using Facebook also heavily supports the claim of Alba & Stay (2008) that social networks are built for conversation and customers here expect companies to act as contributors to that conversation and not just pitch their products.
7 Closing discussion

7.1 Reflections on our study

This study has been done using many statistical approaches to analysing data that we have collected. Never the less we are aware of the high level of subjectivity that is implied when asking respondents to evaluate their own efforts in the way we have done. We have not collected exact statistical data on sales, exact number of posts etc, and this should be taken in consideration when we evaluate how accurately we have been able to investigate this phenomenon.

The results we have found does seem to be in line with much of the theory that we investigated however, which indicates that these results do correspond do depict this area of marketing properly. As we summarized in the end of the theoretical framework social networks are theorised to potentially be very effective ways of contributing to the goals of relationship marketing. What we have found supports this claim and also clearly illustrates the need for companies to invest time and resources to commit to the customers on this platform. We believe that our findings show that relationship marketing theories contribute to a good approach to take when dealing with evaluation and investigation of this problem.

We also acknowledge that our use of yes and no questions made the elements investigated in this way a little more difficult to evaluate, and it is possible that these criteria could have been more effectively investigated by rephrasing those approaches or separating them from the main study.

Also, deriving the elements that we wanted to investigate from marketing blogs may have given us a populist view of what is important in Facebook marketing. A more thorough investigation by for instance directly interviewing marketing professionals could have highlighted other areas that would be more important factors in success then the ones that we investigated in this thesis. Unfortunately, we did not have time to validate our elements in such a way.

As we have learned in our study, how much time is spent on managing Facebook pages as a part of a company’s marketing strategy and what that time is used for makes a big difference. We would therefore have liked to also retrieve more information about who was actually doing the marketing on Facebook for the company so that we could see if companies that have made Facebook marketing into formalized tasks for some employees are more successful. It would also have been beneficial to know if companies have actively tried to learn about how to market themselves Facebook to evaluate if the more structured attempts are in fact more successful than those that just try to imitate what everyone else is doing.

Our respondents were all selling apparel in one form or another, but considering that our results could mostly be considered to reflect much of the research done in relationship marketing and particularly the literature on social networks it is likely that using these practices would also be beneficial to all online retailers regardless of the product they sell. This would of course require a larger study to conclude and it would be very interesting to see some study done that tries to validate or disprove our derived “engaging the customer” factor on a more general scale. A larger scale study would of course be more valuable because a larger sample will of course always benefit statistical analysis to make more accurate predictions.
7.2 Implications for marketing professionals

Many of the respondents that answered our questionnaire have also emailed us saying that they are very interested in the results that we find which shows us that this is a very relevant field of research which should be subject for lots of further studies.

We feel that our study despite its limitations has been able to illustrate some valuable insights that should help online retailers that are trying to come to terms with this new type of marketing. It also shows that there are at least some companies that are finding Facebook a very useful platform to find customers and increase sales.

We believe that anyone that is looking to use Facebook for marketing, whether an online retailer or in other industries would benefit from looking at our results. The main point for professionals to take away from this thesis is the importance of actively engaging in conversations with consumers and continuously posting interesting material for them to further circulate in order to turn Facebook into a good source for new sales.

Another implication for marketers is that since we have shown some of our elements to play roles in the increase of sales from Facebook marketing that indicates that the advice that is available online via the different marketing advisory blogs does contain valuable information. This also suggests that these blogs may be good resources for those wanting to keep up to date with developments in the marketing capabilities of this new medium.

7.3 Suggestions for further studies

It would be very interesting to see many further studies that work with companies to evaluate their sales statistics and monitor exactly how much the different marketing activates that can be undertaken on Facebook (and other social media platforms) do influence their sales. Many tools such as monitoring click-through traffic are available to help with such investigations. A larger investigation that tries to numerically measure the time put in to marketing on Facebook and the amount of sales it generates (i.e. a true ROI measure) should be able clarify for marketers what priorities to give these marketing efforts in comparisons with other means of marketing.

The companies that we have chosen to be our sample for this investigation are all Swedish, as we have stated in the method chapter. While it would be reasonable to argue that most countries with similar penetration of Internet technologies would produce similar results it would be very interesting to see if this is true. Other cultures may have very different buying behaviours and may respond differently to marketing, which would clearly affect how useful Facebook would be to marketing in these contexts. Studies on whether our findings can also be detected in other cultures would help to validate these results.

As we have discussed, Facebook and social media are very recent phenomena that are constantly changing. New features are added on a monthly basis and the landscape of social media is progressing so fast that it our belief that is hard for marketers to keep up. Investigations to see how much knowledge the marketers that are conducting marketing on Facebook have of the platform would also be valuable as this is very likely to influence how well companies manage to use Facebook for marketing.
8 References


Gunawan, G., Ellis-Chadwick, F., & King M. (2008). An empirical study of the uptake of performance measurement by Internet retailers, Internet Research, 18(4)


Haywood, K. M. (2007). Managing Word of Mouth Communications, The journal of service marketing, 3(2)


Shiffman, K. (2010). Small biz goes social, Profit. 29(1), 12-12;


9 Appendix

9.1 Background data for the Elements of Success

9.1.1 Breakdown of the advice from each blog

[Figure 9-1 - Breakdown of blog advice]
### 9.1.2 Page Index with URL for each entry in 9.1.1 and Google Queries

<table>
<thead>
<tr>
<th>Page Title</th>
<th>Page URL</th>
</tr>
</thead>
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<td>3. 6 Commandments to marketing a Facebook page</td>
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<td>6. Must haves in a Facebook fanpage aimed to impress your visitors</td>
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<td>8. Facebook page metric that defines if your Facebook page is successful or not.</td>
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<td>5 marketing your facebook fan page</td>
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</table>

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### 9.2 Questionnaire

#### 9.2.1 Full questionnaire with answer options

1. **What is your position in the organization:**
   - Owner/Manager
   - Marketing manager
   - Other (please specify):

2. **How long has your organization been using a Facebook page to market your company**
   - 1-3 Months
   - 3-6 Months
   - 6-12 Months
   - More than 12 Months

---

Figure 9.2 - Page index for element table
3. How much do you think that using your Facebook page to market your company has increased your sales, on a scale from 1 to 10 (1 being no new sales from Facebook, 10 being all your new sales come from Facebook)

1
2
3
4
5
6
7
8
9
10

4. How often does your company post questions to followers or host competitions on your Facebook page?

Daily
A few times per week
Every other week
Every month
Every other month
Less than every other month or never

5. How often does your company post new content (such as news, images, videos) on your Facebook page?

Daily
A few times per week
Every other week
Every month
Every other month
Less than every other month or never
6. Does your company use other social media (besides facebook, i.e twitter, blogs etc) that link to facebook and the material you post there?
   Yes
   No

7. When a facebook page is created, visitors are directed to the company "wall" page per default. Has your company created a new and unique welcome page for visitors of your facebook page?
   Yes
   No

8. How often does your company engage with your visitors by commenting on your own or your fans posts?
   Daily
   A few times per week
   Every other week
   Every month
   Every other month
   Less than every other month or never

9. How often does your company post videos on your facebook page?
   Daily
   A few times per week
   Every other week
   Every month
   Every other month
   Less than every other month or never

10. How often do you have exclusive deals that are aimed at your followers on Facebook?
    Daily
    A few times per week
Every other week
Every month
Every other month
Less than every other month or never

11. Does your company measure how much of your sales are coming from visitors that have been redirected from Facebook?

Yes
No

Figure 9-3 Questionnaire in english

9.3 Further information on Facebook

9.3.1 Individuals use of Facebook

A Facebook profile is a collection of facts about you: everything from where you went to school and how old you are, to what kind of romantic relationship you’re in (or hope to be in) and your favorite TV shows. (Veer, 2008)

By simply going to Facebook.com homepage individuals can easily register on the website by filling out some details such as their name, email address and preferred password. Once people confirm their registration by following the confirmation link that Facebook sends to their emails, they are registered and automatically logged in as well. (Veer, 2008)

In addition to your Profile page and Home page, there are a few other places you’ll be visiting from time to time on Facebook. The inbox, groups, events, notes and Facebook pages are all different parts of the Facebook.com site. They allow you to easily interact and...
communicate with others, each having its own purpose. (Awl, 2009) We later discuss how Pages can be used by businesses to support their marketing strategy online and attract a mass of users in order to contribute to brand awareness, visibility on the web and user interaction.

Individual people on Facebook are represented by profiles. Entities like businesses, movies, music bands and other public figures are represented by Pages. These pages look very similar to the profile pages but, instead of individuals becoming friends with them, they must “become fans” of these pages. (Awl, 2009)

Facebook’s Help Center also further describes how individuals can become fans of specific pages:

“If you see a Page that interests you – either on a friend’s profile or in a News Feed story – you can click on the link to that particular Page to learn more. Once on the Page, you click the "Like" button that appears next to the Page name.”

Facebook also has a Pages Directory where individuals can easily see their own Pages, their friends’ Pages and browse all Pages on Facebook. When individuals search for people through Facebook’s search engine, they can also locate Pages by selecting the “Pages” tab above their search results.

9.4 Statistical analysis

9.4.1 Factor analysis

![Scree Plot](image)

Figure 9.5 - Factor analysis - Scree plot (SPSS output)
### Communalities

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Extraction Method: Principal Component Analysis.

Figure 9-6 - Factor analysis - Communalities (SPSS output)
## 9.4.2 Multiple regression analysis

### Correlation Matrix

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<tr>
<th></th>
<th>Question 2</th>
<th>Question 4</th>
<th>Question 5</th>
<th>Question 6</th>
<th>Question 7</th>
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Figure 9.7 - Factor analysis - Correlation matrix (SPSS output)