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# **User experiences and efficiency of Instagram Advertising**

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Abstract  <p>Most mobile applications depend on advertising when funding their operations nowadays, and in September 2015, the image-sharing mobile application Instagram introduced advertisements to its users on a global basis. The advertisements were welcomed with enthusiasm by the online advertising industry. However, many users found the targeting of the advertisements to be poor and irrelevant to their interests.</p> <p>The aim of the thesis was to examine Finnish Instagram users' attitudes and experiences related to Instagram advertising and to determine whether it was efficient in producing desired results. Another objective was to help the assignor of the thesis, FlowHouse Oy, to gain a comprehensive view on the success of their advertising campaigns implemented in spring 2016 and, in general, assemble guidelines for companies on how to improve their campaigns on Instagram by describing what users wished to see in the application.</p> <p>The research method of the study was quantitative with a user survey as the main research instrument. The user survey was targeted at Finnish Instagram users of all ages, and in the analysis phase, the respondents were divided into groups the analysis of which would be most beneficial for advertisers. The survey was carried out by using the feedback and analysis tools provided by the Webropol software. Moreover, Microsoft Excel was used for additional analysis in addition to a Facebook Ads Manager report.</p> <p>The results of the study showed that the majority of users found poorly targeted advertisements on the application and that their presence was not highly appreciated. The cost-efficiency of Instagram advertising was clearly lower than on Facebook, yet certain engagement behaviors occurred more often. The users acknowledged that proper targeting and eye-catching, relevant content by interesting brands would bring the most benefit to both customers and advertisers.</p>		
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Tiivistelmä <p>Useimmat mobiilisovellukset ovat nykyään riippuvaisia mainonnasta toimintansa rahoittamisessa, ja syyskuussa 2015 myös kuvanjakamissovellus Instagram julkisti mainokset käyttäjilleen maailmanlaajuisesti. Verkkomainonnan ammattilaiset ottivat mainokset vastaan innostuneesti, mutta monet käyttäjät kokivat mainosten kohdentamisen olevan huonoa ja mainosten olevan epäkiinnostavia.</p> <p>Opinnäytetyön tavoitteena oli tutkia suomalaisten Instagram-käyttäjien mielipiteitä ja kokemuksia Instagram-mainonnasta ja selvittää mainosten tehokkuus toivottujen tulosten tuottamisessa. Toinen tavoite oli antaa opinnäytetyön toimeksiantaja FlowHouse Oy:lle kattava käsitys yrityksen opinnäytetyötä varten keväällä 2016 toteuttamien kampanjoiden menestyksestä. Opinnäytetyö myös kokosi yleisiä ohjeita yrityksille Instagram-kampanjoiden parantamiseksi pohjautuen käyttäjien toiveisiin siitä, mitä he halusivat nähdä sovelluksessa.</p> <p>Työn tutkimusmetodi oli kvantitatiivinen ja päätutkimusväline oli käyttäjäkysely. Kysely suunnattiin kaikenikäisille suomalaisille Instagramin käyttäjille. Analysointivaiheessa vastaajat jaettiin ryhmiin, joiden analysoinnista olisi eniten hyötyä mainostajille. Kysely toteutettiin käyttäen Webropol-ohjelmaa ja sen palaute- ja analyysityökaluja. Microsoft Exceliä käytettiin myös data-analyysin apuna ja Facebookin Ad Manager -raportin analyysissä.</p> <p>Tutkimuksen tulokset osoittivat, että suurin osa käyttäjistä näki heikosti kohdennettuja mainoksia sovelluksessa eikä mainosten läsnäoloa arvostettu. Instagram-mainosten hintatehokkuus oli selkeästi alemmalla tasolla kuin Facebookissa, mutta tietyn tyyppistä matkailun kynnyksen sitoutumista esiintyi useammin. Käyttäjät tiedostivat, että asianmukainen kohdentaminen sekä katseenvangitseva, käyttäjälle olennainen sisältö kiinnostavilta brändeiltä hyödyttäisivät eniten sekä kuluttajia että mainostajia.</p>		
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## Key terms

<b>Instagram</b>	An image-sharing social media networking application launched in 2010.
<b>Instagrammer</b>	A person who has a personal Instagram account, posts content, and interacts with other users and their content.
<b>User experience</b>	A person's overall experience of using a product, in the thesis a mobile application, "especially in terms of how easy or pleasing it is to use". <sup>1</sup>
<b>Efficiency</b>	In the context of the thesis, efficiency relates to ads' capability of producing desired results taking into account the resources spent on the ads and the environment in which they are shown.
<b>Algorithm</b>	"A process or set of rules to be followed in calculations or other problem-solving operations, especially by a computer" <sup>2</sup> : in the context of mobile applications, algorithmic newsfeeds show the content that should interest the user the most first, as opposed to a chronological order.
<b>Conversion</b>	A consumer who is receiving a marketing message behaves in a desired manner, e.g. clicks on an online advertisement to receive more information. <sup>3</sup>
<b>Social media</b>	Enabled by the Internet, social media is communication platforms and tools for people to interact, share and consume information. <sup>4</sup>

<sup>1</sup>: [https://en.oxforddictionaries.com/definition/user\\_experience](https://en.oxforddictionaries.com/definition/user_experience)

<sup>2</sup>: <http://www.oxforddictionaries.com/definition/english/algorithm>

<sup>3</sup>: <http://sherpablog.marketingsherpa.com/marketing/conversion-defined/>

<sup>4</sup>: <http://webtrends.about.com/od/web20/a/social-media.htm>

## 1 Introduction

Companies' online presence is necessary and increasingly diverse nowadays as the global digitalization keeps on increasing. Embracing several social media platforms as a part of companies' online marketing is becoming a standard, and standing out from a myriad of competitors and a vast number of content is more important than ever for companies who wish to remain relevant. Consumers have moved from reading newspapers and watching TV to mobile platforms, and in order to reach them, companies must stay up-to-date and promptly determine the most profitable channels for online marketing and advertising.

Mobile devices allow companies to reach and interact with their customers at any time of the day, anywhere. One dimension of this reach is advertising without which not many a company can thrive. Many mobile platforms and applications depend on advertising in financing their operations, and applications without any advertisements are very rare nowadays. Advertisements are an integral part of many of the most popular social media platforms, such as Facebook, Twitter, LinkedIn, and YouTube, and in September 2015, the image-sharing mobile application Instagram opened advertising for businesses worldwide as a new channel for reaching customers, too. This gave companies a novel opportunity to connect with their customers in an engaging and action-inspiring way through visual means, and businesses varying in size from start-ups to multinationals have seen notable results from their Instagram ad campaigns (Advertising on Instagram 2016).

Instagram's core lies in visualisation: all content in the application is in the form of photos and videos. Its opportunities for companies relate to the fact that the users not only look at, but also share content about their experiences with brands (Klie 2015). Since its launch in 2010, Instagram has seen a steady rise in the user numbers, and today its global user base consists of 500 million Instagrammers. The demographic distribution of the users is also predominantly on the younger generations: 90% of users are under the age of 35 (Lowe 2015). Furthermore, companies are attracted by Instagram's engagement levels, in other words, the rate of users interacting with accounts and content on the platform through, for example, commenting or liking. All this is on a much higher level than in any other social network platforms.

However, one of the main issues with Instagram advertising, especially in the beginning, was the fact that users experienced the advertisements to be poorly targeted. Instagram Advertising launched in Finland in September 2015, and, based on the general opinion and the author's experience, it was not welcomed entirely positively. According to Heine (2016), Instagram's global head of business and brand development, J. Quarles, also noted the negative feedback of the "early days" of Instagram Advertising to be related to bad targeting and irrelevant advertisements.

It was discussed multiple times in the meetings between the author and the assignor of this thesis, FlowHouse, how marketers can only affect the targeting issue so far, as it is the algorithms and the data they can collect on individual users' online behavior that ultimately determine which advertisements are shown to whom. This issue can be seen as a paradox of sorts: even if an advertising campaign was as precisely targeted as possible, it would still be possible that the applied algorithm fails to collect relevant data, resulting in advertisements that the consumer does not view as useful or appropriate. This is partly affected by the users themselves who can choose to limit the information they give about their online actions, for example, with the help of ad blockers and specific browsers. However, it can be argued that the phenomenon in general still has plenty of room for improvement: advertisers may not always pay attention to the targeting settings very carefully or put resources in creating an impressive advertisement.

### **Case company and assignor**

Three Instagram ad campaigns created for the case company during spring 2016 were researched in the thesis. The company was Docendo, a Finnish non-fiction book publisher founded in Jyväskylä in 1990. They are widely known for their quality books and renowned authors. The book shop Docendo.fi was furthermore founded in 1994 to sell the company's own books, but in the later years, it expanded to selling other publishers' works too. They specialize in photography, IT, sports and wellbeing, and also sell books on topics, such as economy, history, nature and leisure activities. Docendo publishes about 60 books a year and provides custom-made books for companies and communities (Docendon yritysesittely [Introduction to Docendo] 2016).



Docendo is a client of FlowHouse Oy, the assignor of the thesis. FlowHouse is a Jyväskylä-based digital marketing and social media specialist providing companies with training and consulting in digital marketing, social media and digital customer experience since 2008. FlowHouse carries out digital marketing campaigns and designs strategic digital sales as well as training for companies and organizations about these topics (FlowHouse 2016). FlowHouse planned and executed the Instagram ad campaigns analysed in the thesis.

### **Research question and objectives**

The thesis aimed to examine the phenomenon of Instagram advertising in Finland from September 2015 to summer 2016, focusing on the users' point of view. In addition, the aim was to help both Docendo and FlowHouse gain a comprehensive understanding of the success of the campaigns and the attitudes towards Instagram advertising on a general level. In order to identify the advantages and issues with Instagram advertising the thesis explored customers' reception of the ad campaigns as well as the phenomenon in general, the results regarding costs and brand image, and whether Instagram was ultimately a profitable channel for reaching and attracting target audiences effectively. Thus, the thesis aimed to explore the efficiency of Instagram advertising with the following research questions:

- What is the user experience of and response to advertisements on Instagram?
- How efficient is Instagram Advertising?
- How could Instagram advertising be improved from a company point of view?

Since the concept of Instagram advertising is so new and since it had existed for less than a year at the time of writing the literature review in the spring and summer of 2016 – it was introduced globally on the 30th of September in 2015 – existing research on the topic is scarce. Most sources found online focused on tips for advertisers and companies on making efficient Instagram ad campaigns. There is a great number of Instagram marketing guides created for companies from all industries at this point and they have been the topic of many theses, for example, but what is missing from many of them is Instagram advertising because the concept is still so novel.

## **Research methods**

The thesis employed a quantitative research method as the primary method with a quantitative Instagram user survey as the main research instrument. The scarcely researched user perspectives and Finnish users' attitudes towards and experiences on Instagram advertising were the focal point of the thesis. Facebook Ad Manager's metrics, such as Actions and Cost-per-Click, were included as well in order to gain an understanding of the campaigns' success and financial aspects. Engagement with the advertisements was another key topic in the study. Conversion rates of the advertisements were essential in determining whether the process is sufficiently effective to be included in a marketing strategy as a recurring method. Additionally, an interview with the assignor company FlowHouse employee provided an expert view on the phenomenon and how it could be best approached as a supplement for the literature review.

Analysis of the survey data provided FlowHouse with valuable user perspective on Instagram advertising in general as well as consumer behaviour patterns. Moreover, the company gained feedback on the success of their Instagram ad campaigns including qualitative customer views from the user survey. Such views are unattainable via mere numerical metrics normally used in online advertisement effectiveness analyses. The results of the study can be utilized by both FlowHouse and other companies in the industry in planning social media marketing that would help to raise visibility and sales through social media in the most effective way possible while paying careful attention to user-friendliness. The study will also help Instagram users understand the phenomenon better, and since every Instagram user receives sponsored advertisements on their Instagram feeds nowadays, the audience of the research can be said to be global.

## **Structure of the thesis**

The following two chapters introduce the theoretical framework mainly focusing on social media marketing, advertisement targeting and consumer behaviour first. The social media networking application, Instagram, is introduced in the third chapter along with the framework of advertising on Instagram. The fourth chapter covers the research methodology and data collection process of the thesis. The results of the

study are introduced in chapter 5 and discussed in chapter 6, assembling recommendations for efficient, contemporary and user-friendly Instagram advertising.

## 2 Theoretical Framework

The theoretical framework familiarizes the reader with the concept of digital and social media marketing, closely examining their features and advantages as the ever-growing marketing channels of today. Consumer behavior relates closely to the thesis topic as behaviors and motivations of Instagram users regarding adverts on the application are at the very core of the research subject of the thesis. Issues with online advertisement targeting, as aforementioned, largely contributed to the formulation of the research problem, and thus its principles are introduced in the chapter as well.

### 2.1 Digital Marketing

The concept of marketing is defined simply by Kotler, Armstrong, Harris and Piercy (2013) as managing profitable customer relationships with the aim of creating value for customers and capturing value from them in return. Its goal is to attract new customers by promising superior value, while keeping the current customers by delivering satisfaction. Marketing is critical to every company, whether for- or non-profit, that wants to succeed in the competitive business environment of the present day. Today, marketing has expanded from the traditional print, TV, and radio media to online and mobile platforms, where the marketers “want to become a part of your life and enrich your experiences with their brands” (ibid. 4-5).

The marketing process, illustrated in Figure 1, applies to both traditional and digital marketing. The first steps focus on the customers: understanding their needs, creating value for them, and allocating resources in building lasting customer relationships. These lead to capturing value from the customers themselves in return as the final step. (ibid. 4-5.)

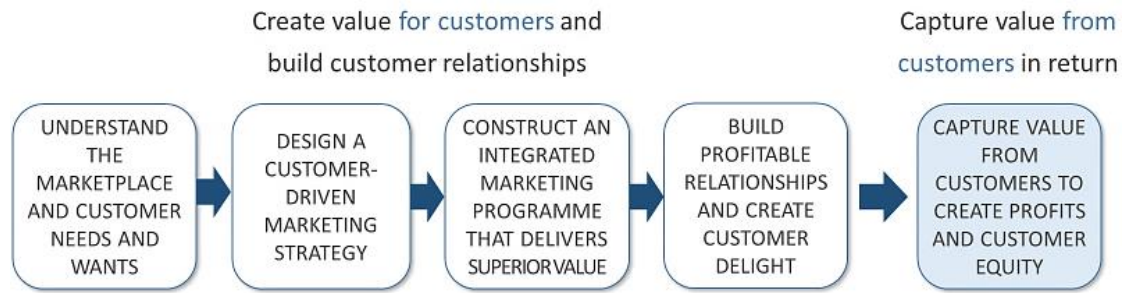


Figure 1. The marketing process (Kotler et al. 2013, 5).

The digitalization process in recent years has led the marketing industry into a state of constant change and to digital marketing gaining foothold. Digital marketing is simply “achieving marketing objectives through applying digital technologies” (Chaffey & Ellis-Chadwick 2012, 10), and it is essentially managing companies’ online presence through platforms, such as computers, mobile phones and tablets (ibid. 10). This is enabled by Web 2.0, a concept introduced in 2004, consisting of interactive and social online services and technologies and encouraging users’ participation and content creation. The techniques include, for example, blogs, communities, video streams, and social networks. (ibid. 33-34.)

The core of Web 2.0 is what also makes digital marketing so beneficial, namely the possibilities for new ways of communication and information exchange between companies and customers. Understanding these underlining factors affecting the marketing environment and customer needs is the basis for the next step in the marketing process, designing a strategy, as shown in Figure 1.

According to Chaffey and Ellis-Chadwick (2012), a digital marketing strategy needs to be integrated with other channels and support the company’s overall business objectives. A digital marketing strategy focuses on decisions on utilizing the channel to support existing marketing strategies, managing the channel’s strengths and weaknesses, and its relation to other channels, combined to achieve efficient multichannel marketing (ibid. 191). Chaffey and Ellis-Chadwick also note the importance of determining the best value propositions for online customers in the competitive environment, and the selection of media: digital marketing strategies to attract customers and increase brand awareness are often ongoing or “always-on”, as are the Internet and especially social media, so investment decisions require a long-term perspective.

## 2.2 Social Media Marketing

As consumers spend more and more time online, use various applications, and engage in global and growing social media platforms, companies must follow in order to reach their key audiences effectively. In the recent years, social media has become an increasingly prominent channel for marketing and reaching customers. Social media marketing, as a part of digital marketing, is largely characterized by the unforeseen possibilities for a two-way interaction between a company and its customers. Stratten (2012) argues that social media is conversations and actions instead of media (27) and points out that social media also allows customer service to happen in public, whether it be positive or negative (47).

Social media marketing aims to increase website traffic and attention to the brand through various social media sites, and the content should encourage users to share it with their social networks (Social Media Marketing 2016), possibly to the extent that the content becomes viral. “Viral” is defined in the Merriam-Webster dictionary as “spreading very quickly to many people especially through the Internet” (Viral 2016). Viral content can spread even globally reaching a vast number of people, and regarding advertisements, people who were not initially part of the target audience as well.

It is important for companies to build honest and trustful relationships with their customers, as it is not only the sellers and customers who exchange information, but also the customers who share their experiences with one another, too. Social media has provided companies a way to reach more customers, build communities, and encourage customer participation. Relatable user-generated content can have a remarkable impact on customer satisfaction and loyalty, and involving customers in product or service development increases customer satisfaction significantly. On the various social platforms, customers who engage with a brand can influence others through word-of-mouth, and those with positive emotional bonds can become advocates for the company (Sashi 2012). This advocacy consequently benefits the brand through increasing positive awareness – free of any charge.

## Customer Engagement on Social Media

Customer engagement is an essential concept in the digital and social media marketing today. It is vital for companies competing for customers in the online environment to strive for not only interested but actually engaged customers because they hold the power to decide where they will invest their time and money in the vast number of choices.

Customer engagement consists of “repeated interactions that strengthen the emotional, psychological or physical investment a customer has in a brand” (Chaffey & Ellis-Chadwick 2012, 319). Van Doorn et al. (2010) propose that “customer engagement behaviors go beyond transactions, and may be specifically defined as a customer’s behavioral manifestations that have a brand or firm focus, beyond purchase, resulting from motivational drivers”. They continue that customer engagement can be positive, in other words, it has positive financial and nonfinancial consequences for the company, or negative, and it includes behaviors such as “word-of-mouth, recommendations, helping other customers, blogging, writing reviews, and even engaging in legal action”.

Evans (2010) introduces four steps of customer engagement as illustrated in Figure 2: Consumption, Curation, and Creation lead to Collaboration rather than “content consumption” as the final step (ibid. 15).

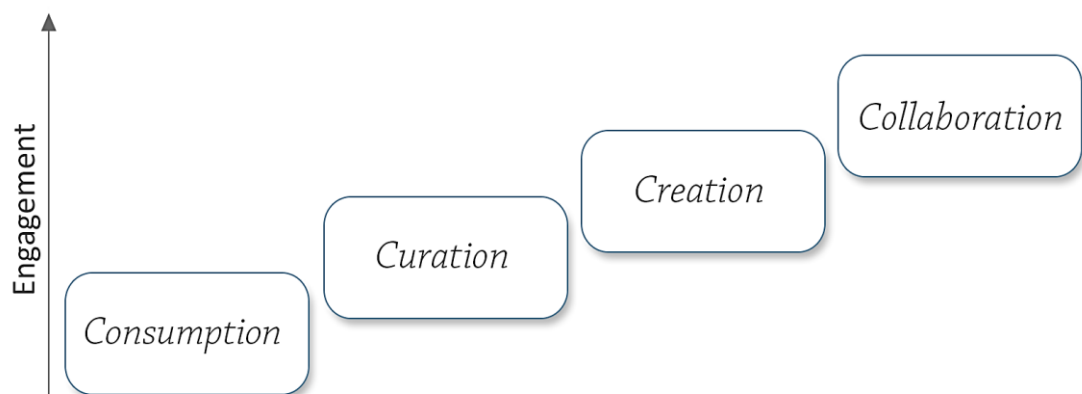


Figure 2. Four steps of customer engagement (Evans 2010, 15).

**Consumption** is basic online activity, including for example watching, reading, listening or downloading online content. Consumption has to take place before sharing, as sharing content without reading it first can have poor consequences. The next step, **Curation**, means describing the content with rating, commenting, or tagging, to name a few methods. For example, creating an online review of a product that no one reads is not very useful, but when others curate it by rating its helpfulness, it becomes more valuable. Curation is a low-threshold activity that brands should encourage to begin building a community.

**Creation** takes place when members of a community make something and share it for others to see. The brand should provide support in content creation and make it as effortless as possible in order to increase both the quantity and the quality of consumer-created content and, consequently, the reputation of the brand. Finally, **collaboration**, an essentially social activity, fosters conversation between the company and its customers as well as customer involvement in product or service design. Customers' comments and opinions provide the company the direction to which to develop their business. When customers feel they can have a say in production, they are likely to engage and, as the end goal, become advocates who spread the message about the company on online platforms as well as in their respective social networks. (Evans 2010, 16-20.)

Social media platforms make consumer participation and engagement with their favorite brands easy. Engagement in Instagram can be tangibly measured in comments, likes, and mentions (“@username”). The application began seeing steady growth in engagement rates from 2012 onwards: the rates increased roughly by 400% in two years, from less than 5,000 engagement actions per post to 20,000 actions per post from September 2012 to September 2014 (Simply Measured 2014, 7). The application was even hailed as the “king of customer engagement” in 2014, and when compared to other platforms, such as Twitter and Facebook, its engagement rates were on a level beyond the reach of other prominent social media networks: Instagram's rate of 4.21% was 58 times more than that of Facebook (0.07%), and 120 times more than Twitter's (0.03%). (Elliott 2014.)

The year 2015, however, saw steep decline in Instagram's engagement rates. Saric (2016) noted in March 2016 that Instagram's engagement rates were at their lowest



in 12 months, going down by around 70 % during that period in total. Saric suggested that the rising number of users and brands on the application, advertisements as well as people following more accounts than before were the main reasons for the drop in engagement. The phenomenon is addressed further later in the thesis.

### **Return on Investment – or how to measure online advertising**

Rojas (2016) predicted that the percentage of marketing budgets that companies spend on social media would rise from the current 9.4% to 21.4% over the next five years. With social media taking up an increasing share of the marketing budget in a financially unstable environment, companies need to know how efficient their social media marketing efforts are.

The traditional calculation of Return on Investment alone is not suited for measuring social media marketing efficiency according to Hoffman and Fodor, who propose that “returns from social media investments will not always be measured in dollars, but also in customer behaviors (consumer investments) tied to particular social media applications” (2010, 42). Traditional marketing measures such as “Reach” are inherently quantitative, but the interactive nature of today’s marketplace requires qualitative measurements to capture a true image of the success of the campaigns (Fisher 2009). Online advertisements can be and are still measured with, for example, Page Views and Cost-per-Click – which are included in the data analysis in the thesis as well – but Fisher argues that “we need to look beyond that, into the buzz, the opinions, voices and experiences that people are sharing about your brand”.

Hoffman and Fodor (2010, 45-47) introduce Brand Awareness, Brand Engagement, and Word of Mouth as the relevant metrics for social media. Individual metrics for social networks in these respective categories include, for example, “number of installs of applications”, “numbers of user-generated items”, and “number of reposts and shares” which, while numerical, are effective in measuring the impact of social media ad campaigns. Fisher presents Owyang’s view on measuring social media programs from 2006, which points out that the definition of a goal is a necessary starting point without which it is not possible to measure anything effectively. The attributes to measure are:

- *“activity (web Analytics of blog or site);*
- *tone (sentiment);*
- *velocity (spread over time, URLs, trackbacks);*
- *attention (duration on site);*
- *participation (comments, trackbacks);*
- *many qualitative attributes (comments, what did they say, what did they mean)” (Fisher 2009).*

New tools for measuring these metrics are being developed constantly, and while they may be automatized to a certain extent, Hoffman and Fodor emphasize the importance of consistent tracking of a launched campaign. Once it is launched, consumers do not only “consume” the content but they are free to comment, share and edit it without any censorship. Consequently, questions must be answered and commentary monitored in case of problems. Hoffman and Fodor conclude that using these metrics instead of ROI, for example, is beneficial because they involve the objectives of both the brand and the customer – customer objective being the satisfaction of their needs to connect and create. (Hoffman & Fodor 2010, 49.)

### 2.3 Online advertising

Online advertising is an integral part of a digital marketing strategy. It can be defined as “the use of the Internet as a medium to obtain website traffic and target and deliver marketing messages to the right customers” (Online Advertising 2016), with the latter part presenting the fundamental advantage as there are no geographical boundaries for the spreading of the messages.

Chaffey and Ellis-Chadwick (2012) use the term display advertising when discussing online ad placement. An advertiser pays for an ad placement on a third-party site, for example a social network, for a specific period in order to increase clicks to the website, consumers’ brand awareness and familiarity, and purchase intent. The advertisement can be displayed on the entire website, one section of the site, or according to keywords that a consumer has used in a search engine (520-521).

The advantages of online advertising include for example: direct response (click to website where purchase can take place); brand awareness (especially due to repeated exposure to an ad); achieving brand interactions; cost (often cheaper than traditional media); the flexibility when it comes to updating an ad campaign while it is active; and targeting (see Online Advertisement Targeting below). Disadvantages include low click-through rates as consumers ignore the advertisements, relatively high costs, and damaged brand reputation if the ad is displayed on ill-fitting sites (ibid. 521-524).

Chaffey and Ellis-Chadwick continue that online advertisements' results can be measured in different ways, focusing on online behavior or costs. Click-through rates (the user clicking on the advertisement and ending on a webpage designed to give more information about the advertised item) are one often-used metric, but the view-through rate takes into account if the user visits the website of the company whose advertisement they have seen in a pre-determined time span after seeing the advertisement. The costs of the advertisements are usually measured with CPM (cost per a thousand displays of the ad) or Cost-per-Click (524). These are discussed later in the Methodology section concerning the cost of Instagram Advertising.

### **Online Advertisement Targeting**

Advertisement targeting on the Internet and social media can be seen to take place on two different levels: first, the "manual" targeting that advertisers do by, for example, defining customer profiles and choosing the topics of interest of the target audience upon creating an online ad campaign. Secondly, the actual display of the advertisements on online and mobile platforms with the help of various algorithms that track consumers' online behavior and, consequently, analyze the optimal content to show them by utilizing the conditions and limitations determined by the advertisers.

Traditional targeted marketing is "the process of identifying customers and promoting products and services via mediums that are likely to reach those potential customers" (Targeted Marketing 2016) and while limited in capacity, it produces better results than broad, untargeted marketing because it is planned according to distinct customer preferences (ibid.). Digitalization and the era of social media have brought unprecedented opportunities to targeted marketing to use the data that the users

create while using their devices. This provides a vast amount of useful information from location to individual interests.

After advertisers have published their advertisement campaign, the algorithms of the platform in question begin displaying the advertisements to the consumers whom they deem the most suitable. Advertisement targeting with algorithms is based on data created by the users as they use their devices. It is collected anonymously and helps in placing advertisements that match the users' past behavior on the screen of a mobile device or computer (Ad Targeting 2016).

Facebook's ownership of Instagram has an essential influence on the extent to which the advertisements on Instagram can be targeted in the first place. Advertising on Instagram is especially appealing to marketers as it uses the same tools as Facebook: Facebook Advertising has been claimed to have "the most advanced targeting options available for any advertising platform in modern marketing" (Cooper 2015). The user information collected by Facebook includes demographic information, such as age, gender, location, educational background, work and relationship status, and also interests and hobbies, liked pages, used keywords, clicked advertisements, purchase behaviors, and a great deal more (How to target Facebook Ads 2016). Linking one's Instagram account to their personal Facebook account upon registration is recommended, meaning that the user's Facebook activity also has an impact on the advertisements they see on Instagram.

## 2.4 Consumer Behavior in Digital Marketing and Advertising

When discussing social media and engagement, for example, consumer psychology is in a central position in helping to understand why consumers behave the way they do: what motivates them to engage and what does not. Today, consumer behavior is a globally recognized research interest mainly focusing on the Internet and e-commerce. Consumers have access to products and services all around the world, 24/7, and researchers must figure out how to track and analyze these behaviors: social media, privacy issues, and consumer-to-consumer interactions have become the most prominent topics (Close 2012, x-xiii).

When the topic of the thesis was being defined issues in mobile marketing were brought up frequently, and it can be stated that users' dissatisfaction with adverts on Instagram relates to consumer behavior concerning online advertising on a more general level.

Research on online advertising has concentrated mainly on banner advertisements, and they are seen as valuable for creating awareness and increasing purchasing probability with mostly attitudinal effects (Close 2012, 212). Additionally, it was noted that nowadays consumers increasingly ignore advertisements while browsing online, and even though their attention is elsewhere, they unconsciously process the advertising which leads to favorable brand attitudes (ibid. 213). Arguably, the same takes place on Instagram since its advertisements take up the whole screen of a mobile device: while it is easy to scroll past, users usually see at least the name of the brand before the "Sponsored" mark (more in Chapter 3.1).

Online advertisements can be divided into two categories: intrusive and nonintrusive. An intrusive advertisement is one that suddenly appears in the user's online experience, not prompted by a search or need (Close 2012, 214). Social media platforms can usually have both, but on Instagram, the advertisements are specifically intrusive. While they appear on the newsfeed similarly to users' posts, they are not related to the user's current need of information, for example, but the targeting determined by the advertiser is the only metric of relevance. The intrusive nature of some Internet advertisements has motivated research on the topic, and Acquisti and Spiekermann (2011) discovered that some intrusive online advertisements can actually reduce willingness to buy the item in question (ibid. 214).

Mobile advertising filters through the consumer's private space, and if it is nonintrusive and consumers have the power to decide if and when they receive marketing messages, it can succeed. (ibid. 214) In order to regain this control, the reaction from the users' end has increasingly been installing various ad blocking software: ad blocking grew globally by 41 % in 2015 (PageFair 2015). Half of the respondents in a 2016 survey on ad blocking by HubSpot and Adblock Plus justified their use of ad blockers with "It is my Internet experience and I want to be in control of it", while 70 % of respondents were of the opinion "I dislike mobile ads". While ad blockers have seen an increase in popularity in recent years, users are not looking to get rid of all adverts,

but only the “annoying” ones: strongly disruptive advertisements, for example pop-ups, seem to give a bad reputation to all online advertisements. The survey summarizes that as long as advertisements look professional, are nonintrusive, and truly create value for the consumer, the online users are fairly accepting of them. (An 2016.)

Concerning Instagram, some mobile ad blocking software allow the user to block Instagram’s advertisements. These are not very common nor included in the scope of the thesis, however.

### 3 Instagram

On their official website, Instagram is defined as a “fun and quirky way to share your life with friends through a series of pictures” to “allow you to experience moments in your friends' lives through pictures as they happen” (Instagram FAQ 2016). To put it more simply, it is a free social networking application launched in 2010 with the main idea of visual sharing through photos and videos. The photos and videos of the people and brands you follow appear on your newsfeed, and those who follow you can see your posts on their feeds. Instagram’s key features include

- editing photos and videos and adding filters,
- adding captions to the photos or videos and using hashtags,
- tagging other users in the photos or videos,
- tagging a location and adding the photo or video to a Photo Map, and
- liking and commenting other users’ content.

Instagram has experienced remarkable growth in the past five years, and the number of users continues to grow rapidly: Instagram reached 500 million monthly users in June, and this year its growth is expected to be five times that of the social network sector in general (Instagram Continues Double-Digit Growth 2016). This means surpassing even Facebook, who bought Instagram in 2012: this year, its growth in the US was estimated to be only 2.9 % compared to Instagram’s 15.1 % (ibid.).

It is clear that the demographic of Instagram is as diverse as it gets with its 500 million users, meaning whatever users, or “Instagrammers”, are interested in they are likely to find content about it in the application. Similarly, it is safe to say there is a target audience for almost every brand on Instagram. The user base consists mostly of teenagers and young adults, and Instagram’s age limit for creating an account is 13 (Tips for Parents 2016). The amount of users is growing very fast as aforementioned, and it doubled in Finland from 2015 to 2016: in 2016, 28% of Finnish people use Instagram (DNA:n some-barometri [DNA’s social media barometer] 2016, 6). The majority of Finnish Instagrammers are young, mainly under the age of 30, as seen in Figure 3.

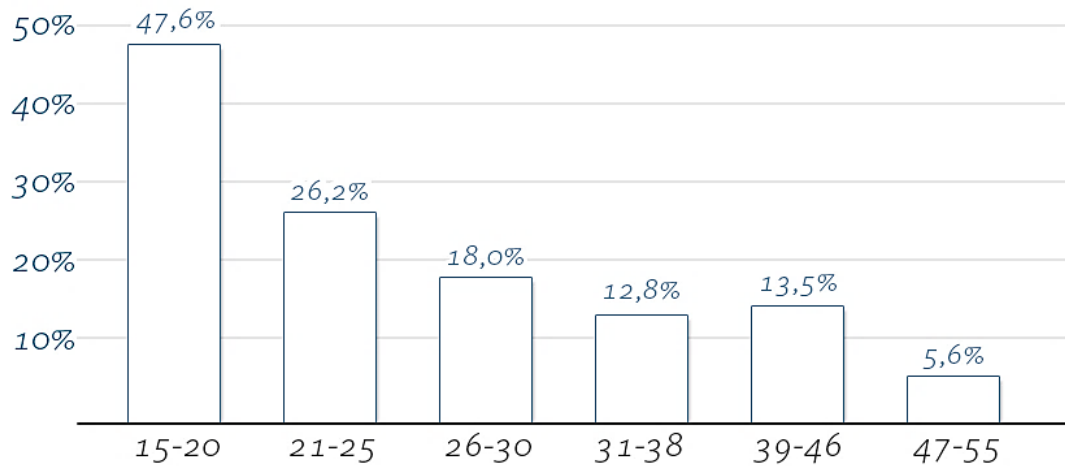


Figure 3. Instagram users in Finland by age group, percentage of users in each age group (Suomalaisten Sosiaalisen Median käyttö 2015 [Finns' Social Media Use 2015])

Since the launch of Instagram, the quality of photos produced by its editing properties and especially filters has been relatively high and even comparable to professional cameras (Bolt 2011). This has been an important aspect in setting Instagram apart from competitors and has increased the appeal of the application especially among photographers, artists and creative people in general, to name a few. Bolt also states that Instagram's filters allow users to feel their photos have artistic value, and this attention to photo quality is a key factor in the application's attractiveness.

Another essential feature of Instagram is the usage of hashtags, which can be any words or phrases relevant to the photo or video in the form of #WordOrPhrase. Hashtags help organize the vast number of photos and videos on Instagram and allow people to find content they are interested in. Consequently, carefully chosen and distinctive hashtags provide marketers a means to more exposure and brand recognition (Sornoso 2014).

Instagram is continuously improving its user experience and making modifications in the application, which is why the theoretical base about the application requires continuous updating and a significant change can take place immediately after finishing the thesis, for example. A few notable changes took place during the thesis process: today Instagram shows the "best" posts by accounts you care about most first when you open the app instead of a chronological order. A new algorithm that organizes



the content based on “likelihood you’ll be interested in the content, your relationship with the person posting and the timeliness of the post” was introduced in spring 2016 (See the Moments You Care About First, 2016). In the beginning of August Instagram launched Stories, allowing users to share moments of their day that appear in a slideshow and disappear after 24 hours: now it is possible to “share your highlights and everything in between, too” (Introducing Instagram Stories 2016).

### 3.1 Instagram Advertising

As a highly popular social network especially amongst young people, Instagram’s appeal for marketers is inevitable. However, from the first advertisement launched on November 1<sup>st</sup> 2013 until the 30<sup>th</sup> of September, 2015, the possibility of advertising in Instagram was limited to established brands that already had a notable follower base on the application in a few selected countries (Sorokina 2014). Accordingly, when the first Instagram advertisement of all time was introduced it was by the internationally renowned fashion brand Michael Kors. The image can be seen in Appendix 1, p. 75.

Since September 30 2015, companies of all sizes have been able to advertise on Instagram, and by February 2016 more than 200,000 advertisers in over 200 countries had already utilized the possibility (200,000 Advertisers on Instagram, 2016). The advertisements on the application are in the form of photos, videos and carousels (multiple photos that can be viewed by swiping horizontally; a feature only for advertisers) that appear on users’ feeds similarly to the photos and videos uploaded by Instagrammers. The only distinction is the word “Sponsored” next to the brand name and a possible “Call to Action” button visible under the photo or video. Instagrammers can also like and comment the advertisements in the same way as they would user-created content. The advertisements are now an integral part of Instagram and it is not possible to, for example, buy an upgrade or a premium version to have them disappear, but users do have the option of hiding single advertisements.

#### **The technicalities**

Instagram Advertising Solutions provides brands with distinct objectives of visibility and engagement growth they can pursue with their ad campaigns. Currently available objectives (July 2016) are listed in Table 1.

Table 1. Instagram Advertising objectives and explanations (Advertising on Instagram 2016; Facebook Ads Guide 2016)

<b>Objective</b>	<b>Explanation</b>
<i>Page Post Engagement</i>	Get consumers to engage with your Instagram ad. Engagement can include likes and comments on your ad.
<i>Clicks to Website</i>	Send people to important sections of your website.
<i>Website Conversions</i>	Optimize your ad to get people to take specific actions on your website, such as signing up for a newsletter or buying a product.
<i>Mobile App Installs</i>	Get people to install your mobile app.
<i>Mobile App Engagement</i>	Get more activity on your mobile app.
<i>Video Views</i>	Tell a story using a video in your ad.

The objective is chosen as the very first step in the creation process of an Instagram ad campaign and it can slightly affect the rest of the process: for example, choosing “Website Conversions” requires creating a conversion-tracking pixel. Reaching these objectives is made easier by providing “Call to Action” buttons to include with the ad, such as “Shop now”, “Learn more” or “Download” (Website Conversions: Instagram Links, 2016). An Instagram account for the brand is not required, but it is needed if the advertiser wishes to respond to and track comments on the advertisement. A Facebook page on the other hand is necessary, and creating Instagram advertisements happens through Facebook’s Ad Manager.

### 3.2 Campaign planning process

Today, the internet is overflowing with guides to Instagram marketing and advertising, and tips on making the most of the platform are numerous. The most common ones from a few industry specialists’ websites are collected in this chapter

which aims to introduce the advertiser's viewpoint on Instagram advertising and the currently common methods to make the advertisements as efficient as possible.

As with all marketing or advertising campaigns, advertising on Instagram should begin with a carefully laid out strategy. Jackson (2016) suggests clarifying what is advertised, what is the goal, and what are the metrics used to measure success are the very first steps in the process. After deciding on these, carefully creating customer profiles is the next step.

### **Targeting**

The highly advanced targeting options employed by Facebook are in use in Instagram Advertising as well, and, described as "extremely effective", they are an essential factor of the appeal of Instagram as an advertising platform. Instagram requires age, gender, and location as the minimum targeting settings, but also provides options to target people who have already visited a company's website or people who are similar to its existing customers. Detailed targeting options allow selecting single interests and keywords – that can be virtually anything – that the target customer is interested in, at least according to their online behaviour. (Cooper 2015; Jackson 2016.)

Virtanen (2016) said in the interview conducted for the thesis that advertisers should be careful with targeting, in the sense that it should not be too broad ("Finnish people aged 25-35 interested in traveling" is too general according to Virtanen) but dividing customers to specific customer profiles and making the advertisement precisely from that profile's point of view is the key. This may result in more work for the marketer, but it can pay itself back when the user feels that targeting has succeeded. Simmonds (2015) writes in *How to Create Instagram Ads* on Social Media Examiner, that while it is not mandatory to use all the targeting options, he encourages "leveraging" the targeting features since better control of who sees the advertisements ensures the marketing message will resonate with the target audience. He adds that if the advertisement is created with a certain, distinct target group in mind, the targeting settings must correspond.

## **Visual content**

Visuality and inspiring content make Instagram's appeal, so this phase requires the most planning and effort: Jackson (2016) summarises that the key is to make an advertisement that does not look like one. Rothstein (2016) emphasizes that images and videos must be high-quality, and the advertisements that manage to naturally integrate in the respondent's newsfeed receive the best results – photos that make the user feel something is being sold directly to them should be avoided. He continues that while the brand logo should be subtle, having a great amount of text on the photo or video is not an option (or allowed) either, again returning to the significance of the actual visual content.

Nanigans, a US-based Instagram Partner company, advises brands to aim for “more stylized, atmospheric photos that convey your brand's unique message and value” in their online manual *The Marketer's Creative Guide to Instagram Advertising* (2016). The guide lists strong focal points, bold color use, and mobile-friendliness as the advertisements' most important attributes. According to them, differentiating the content so that it can be recognized without the brand's logo should also be given attention to.

The most important aspect surfacing in most of the guides and tips is keeping the content “native” and relevant to the platform, for the advertisements that drive most engagement – and therefore are the most relevant – will also be displayed to users more frequently (Carlson 2015).

## **Captions and hashtags**

The use of hashtags has been the topic of many a debate online, and for example the optimal number of hashtags per post has been researched with relatively unified results. For example, Sornoso (2014) argues that overusing hashtags can come across as desperate, while the optimal number of hashtags per post is three to five. At Locowise's blog a research they conducted showed that posts with three hashtags had the highest engagement rate, and the overall benefits of using hashtags declined if more were used (Mullane 2015). Hashtags can also be used to encourage users to create content themselves. User-generated content (UGC) is 50 % more trusted than other types of media, and includes photos, videos and conversations created by a

brand's followers (Jackson 2016). The key to accessing UGC on Instagram is creating a hashtag for the users that they can tag their posts that feature the brand with, whether the tag is the brand name or related to a certain campaign. UGC is a manifestation of customer engagement at a high level, collaboration, which was introduced in Chapter 2.2.

Regarding captions on the advertisements, they should be kept short: Rothstein (2016) argues that social media users have small attention spans, they are looking to get as much information as possible by reading as little as possible, and on Instagram people want to read even less: this is why posts with captions of 40 characters or less have often seen the best results. The visuality should remain as the focal point of the advertisement, and the caption can be used to provide context for the photo or video, make the ad more engaging by using conversational and creative language, or ask questions to drive engagement, for example (York 2015).

### **Budgeting**

Instagram Advertising can be included in a company's social media strategy which requires its own budget. Furthermore, spending on advertising and marketing on Instagram must be clearly defined as a part of the total marketing budget.

Budgeting, in short, means allocating a certain amount of money to various expenses, but for companies, being able to evaluate their spending performance is of equal importance. Budgets have a time frame, and their usefulness as tools that support decision-making comes from flexibility: first, a static budget is made for a period of time, and after the period is finished, a flexible budget with the actual financial output is drafted and compared to the original which shows the accuracy of the initial predictions (Elmerraji 2016).

Rojas (2016) shares a premise that companies budget an average of 10% of their annual revenue to marketing, and that the average company spends \$4000-\$7000 per month on social marketing. The costs are evidently high but cover many tasks, such as managing social media accounts, writing blog posts, creating advertisements and other content, monitoring and analyzing statistics, and so on.

The choice of who will be executing the marketing has a great impact on the total budget. Hiring interns or training staff is cheap, and while using freelancers is possible for many companies, their loyalty might pose an issue. Based on their level of income, companies can also hire full-time employees or choose to work with small marketing firms or corporate agencies. In the meetings between the author and FlowHouse in the spring of 2016, the heavy workload of planning the campaigns was discussed. If professional graphic designers are used for every campaign the costs can quickly become excessive, yet making the advertisement without outside help can take a lot of time and clients' photos do not often correspond the advertiser's vision.

Jackson (2016) notes that expecting an immediate increase in sales following an Instagram ad campaign is not realistic, but the platform is more suited for spreading awareness about the brand and gaining trust in the long-term – eventually resulting in sales.

### 3.3 Results from Instagram Ad Campaigns

More than one hundred examples of successful client cases can be found on Instagram's Case Studies webpage (2016). The majority of the brands are multinational or U.S.-based. A few examples are presented in Appendix 2, p. 76.

It can be deduced from the screenshot in Appendix 2, that "ad recall" is the most frequently used criterion for the effectiveness of Instagram ad campaigns. Ad recall measures a person's recollection or remembering of an advertisement, and it decreases over time (Ad Recall 2016). Having ad recall as the most common measure of campaign success complies with Jackson's (2016) statement in the previous subchapter about Instagram being most appropriately suited for spreading brand awareness. It was established in Chapter 2.4, *Consumer Behavior in Digital Marketing and Advertising*, that even if a user's attention is mainly elsewhere and they are focused on scrolling past advertisements in an online environment, they unconsciously process the content and brand name upon seeing an advertisement. This can consequently lead to favorable brand attitudes (Close 2012, 213).

Other measurements seen on the Case Studies webpage include, for example, decreased cost per conversion, increased app installs or online traffic, and increased return on ad spend. Instagram uses points (pt) to indicate positive lift or decrease of costs relating to the various measures, and with ad recall, most results vary between considerable 20 to 50 point lifts: for example, a 20-point lift means the rate of recipients' ad recall increasing from, for instance, 5 % to 25 %.

Most reports from independent sources reflect the campaigns' effects very positively as well. Eldan (2015) wrote on VentureBeat that Instagram advertisements received notably more likes than comparable versions on Facebook (as in, higher low-threshold engagement), and the key benefit lies in the exposure the brand receives from the likes and comments on the advertisements which make users, that were not targeted in the first place, aware of the ad as well. Cohen (2015) noted that Instagram advertisements had more success than advertisements on Facebook, with twice the click-through-rate despite the smaller user base, and that the form of the advertisements – taking over the whole screen of the mobile device – is highly efficient and has a great deal of potential.

### **Metrics and ratios point of view**

While the early studies showed Instagram ads' click-through-rate to be impressive, costs per thousand views were 90% higher than the comparable costs on Facebook (Cohen 2015). Sources for cost-per-click rates vary notably, though, with some claiming Instagram advertising is 50 % more expensive than Facebook (Eldan 2015) and others finding the difference between Facebook and Instagram to be almost nonexistent. Such was the case with Instagram Partner Nanigans when they studied the key benchmarks of their clients' Instagram and Facebook ad campaigns in 2015 and 2016 (see Table 2).

Table 2. Global Advertising Performance Benchmarks of Facebook and Instagram Advertising, 2015 (left) and 2016 (right). Source: Instagram Advertising Benchmark Report December 2015 and Instagram Advertising Benchmark Report June 2016.

	Facebook	Instagram		Facebook	Instagram
<i>CTR</i>	0.9%	0.9%	<i>CTR</i>	1.3%	0.4%
<i>CPM</i>	\$5.99	\$5.78	<i>CPM</i>	\$6.28	\$5.68
<i>CPC</i>	\$0.64	\$0.65	<i>CPC</i>	\$0.50	\$1.41
<i>2015</i>			<i>2016</i>		

The December 2015 table on the left shows the Click-Through-Rate (CTR) and Cost-per-Click (CPC) to be virtually the same, and Cost-per-Thousand (CPM) is lower on Instagram. In June 2016, the CPM had stayed cheaper, but Instagram's CTR had declined and CPC had doubled from December: users were clicking on the advertisements less than before, and the cost per one click was rising. Facebook, on the other hand, saw opposite results in increasing CTR and decreasing CPC. Advertisements' performance in online environments in general is largely affected by user reactions, and these changes potentially result from decreasing customer engagement, which has posed an issue for Instagram for the past year.

### **Instagram's engagement on the decline**

As aforementioned, customer engagement on Instagram was exceptional until recent times, as in the beginning of 2016 many industry operators reported on a steep decline in growth of user amount and decreased engagement rates. Saric (2016) noted in March 2016, that in addition to Instagram's follower growth declining by over 90% since April 2015, engagement rates were at their lowest in a year, going down by around 70 % during that period in total. Saric suggested, that the rising number of brands and users in the application, increasing advertising, and people following more accounts than before as the main reasons for the drop in engagement, and correctly predicted the adoption of a content-arranging algorithm on the application.

Rogers (2016) took into account the numerous, albeit positive, changes and additions that took place during 2015 in Instagram, such as looped video posts, photo collage application Layout, allowing users and brands to post vertical or horizontal photos in addition to squares, and the advertisements. Rogers also addressed the continuously



falling engagement rates especially with large accounts with over 1,000 followers. He argues that the main reason is likely to be fake user accounts, but that Instagrammers' dismay with the advertisements is another clear problem. Cohen (2016) stated straightforwardly that "Facebook is killing Instagram engagement with the advertising ramp up" in February 2016, even though the engagement rates had remained considerably higher than those of Facebook and Twitter's, and that Facebook pushing Instagram to deliver higher ROI is at the source of this development.

### 3.4 User reception of Instagram advertisements

*"Any social network, especially one known for providing an authentic experience, is bound to generate negative sentiment whenever it injects ads." (Rogers 2015.)*

When the very first advertisements were introduced in 2013, the response was usually very negative from the users' end with negative comments flooding the advertisements' comment fields. However, despite the outrage from the users, the brands themselves experienced surprisingly positive results. Instagrammers were very vocal about their dissatisfaction with the first advertisement by Michael Kors, but it received four times more likes than an average post on the account, and the account itself gained over 30,000 new followers in the 18 hours following the launch of the advertisement (Taube 2013). Some of the brands chosen by Instagram for the early sponsored posts saw better results than others. Ice cream company Ben & Jerry's succeeded with advertisements which focused on awareness instead of sales, integrated to users' feeds seamlessly, and received more likes than any of the other brands, whereas the majority of comments on luxury car maker Lexus' advertisements, for example, were mostly negative (Sloane 2013).

For approximately two years the advertisements were only visible for users in certain countries, some having more success than others and users becoming accustomed to them. Then, after the launch of global Instagram advertising on September 30<sup>th</sup> in 2015, a new wave of varied reactions hit Instagram as users with previously ad-free newsfeeds around the world – also in Finland – began receiving them. Rogers (2015) argued that over half of daily users were unhappy and "restless" with the new ad frequency, which amounted to a few hundred million people at the time. Others were

nonplussed about the sudden appearance of advertisements and saw them as unobtrusive and even natural, because the people you follow continuously post photos of products and services they use so the advertisements blend in (Ratcliff 2015).

Since the introduction of the advertisements the reactions seem to have neutralized both online and in real life, and similarly to other social networks that have gone from ad-free to ad placement, a claim can be made that users do get used to the advertisements with time.

It must be noted that several Google searches with various keywords related to the topic provided very few articles that would include user response more broadly than mentioning the negative commentary on the early advertisements, yet in real life it was evident that Instagrammers were not happy with the newly introduced advertisements.

### **The marketing industry**

The marketers themselves seemed to welcome the possibility of advertising on Instagram opening to global markets with enthusiasm. Davies (2015) reported about industry-wide excitement on UK-based website Digiday, and Swant (2015) noted that third-party vendors, who sell Instagram advertisements, reported doubling or tripling ad sales. It was also stated that users should have no problems with the advertisements as long as they would be targeted successfully and timely, and the content was kept relevant and to the high standard of the application (Newman 2015; Swant 2015). The appeal of Instagram as an advertising platform became evident in mere numbers as well, as it gained over 200,000 advertisers globally in half a year (200,000 Advertisers on Instagram, 2016). In June 2016, it was reported that Instagram had passed social networking service Twitter as the more popular advertising platform, mainly due to larger user amounts and the opportunity to utilize Facebook's renowned ad targeting tools (Abutaleb 2016).

Davies (2015) addressed the fears concerning the introduction of the advertisements which were mainly about the users possibly abandoning the application because of the advertising, and the advertisements' quality going down as the cost of advertising was set relatively low. Soon after the launch in October 2015, it was already argued that the quality had indeed weakened: Welch (2015) wrote that "the quality of

ads on Instagram is taking a very noticeable dive” when initially many advertisers took care to post photos that fit seamlessly in users’ newsfeeds. He also noted that while the bar on photo quality should be set high, bad advertisements will not make Instagrammers stop using the platform, but they will make Instagram and the advertisers look lazy.

### 3.5 Insight from industry expert

Due to academic literature on the thesis topic being scarce, an interview with an industry expert was included in the study to gain a professional’s experiences and opinions. The interview was conducted on April 20<sup>th</sup> 2016 with assignor company FlowHouse employee, Digital Marketing and Social Media Specialist Sanna Virtanen.

#### **The early stages**

As established before, the reactions to advertisements on Instagram received mixed reactions in the beginning, and this did not go unnoticed by Ms. Sanna Virtanen either. FlowHouse was one of the first companies in Finland to test out advertising on Instagram. The first advertisement they ran on the application was by the FlowHouse account and the caption said “Comment if you see this ad”, activating people to leave a comment if they did see it on their feeds. The first campaign was not very specifically targeted, and according to Ms. Virtanen, the reception was varying: some were clearly opposed to having advertisements on their newsfeed while others commented appropriately that they could see the advertisement. The first client campaign was launched soon after, and the reports showed positive results and reactions with one neutral comment.

Ms. Virtanen says the industry-wide hype around Instagram Advertising truly began after seeing the user reactions: the clearly negative reactions of young users created more conversation around it. The professionals in the industry were aware of the possibility, but at the time of conducting the interview in April 2016, Ms. Virtanen reckoned that many clients still did not know that it was possible to advertise, or as she would rather phrase it, “sponsor your posts”, on Instagram.

### **User response versus client experiences**

Talking about users' attitudes, Ms. Virtanen noted that on the client campaigns she had done, the advertisements hadn't received very many comments over time. On the other hand, the client companies had experienced the campaigns positively as they gained more followers on their channels, perhaps simply because the possibility to advertise on Instagram didn't exist before. Ms. Virtanen noted that many advertisements did receive radically negative and positive commenting at the beginning, but today very negative comments are highly rare, and her view was that users have become accustomed to the advertisements by now.

### **Current issues with Instagram advertising**

Ms. Virtanen saw Instagram to be very different compared to other social media channels, and that Instagram and social media advertising in general is done with an "old" attitude and traditional methods at the moment: focusing on the product, price, and availability. Instead, a totally different viewpoint should be adopted, that of aiming to create appeal, attractiveness, and interest in what your company offers instead of trying to only sell. This attitude should also utilize the most notable strength of the channel, which is also its basic idea – visualisation, and today videos as well, resulting in a kind of storytelling through photos.

The weaknesses of advertising on Instagram also relate to the content and approach that many companies have at the moment: Ms. Virtanen found that companies do not put enough effort in getting to know the channel and its nature, and they tend to think that a video they have made for TV, or to publish at a trade show as a product promotion video, can easily be uploaded in Instagram as an advertisement. On the contrary, companies should first and foremost adopt a boldly different point of view and test out something that has never been tried before, Ms. Virtanen suggested.

### **Customer-centric targeting in the spotlight**

In the early meetings with FlowHouse in the spring of 2016, advertisement targeting issues in social media marketing often arised. According to Ms. Virtanen, it is all about what users tell Facebook about themselves when it comes to Facebook and Instagram advertising – the scope of user information collected by Facebook was

briefly introduced in Chapter 2.3. Advertisers should be careful not to target the advertisement too broadly, but rather to divide the target audience to specific customer profiles. Ms. Virtanen set an example of “Finnish people aged 25-35 interested in traveling” which alone is far too broad a target audience. Instead, it should be specified what type of travellers are targeted and what their interests are, and make multiple advertisement versions based on these notions. This can result in more work for the company or the marketing department, but when the advertisement is actually thought out from the customer’s point of view, it is far more interesting for them and more likely to elicit a positive reaction.

Customer-centric content should be given attention, as prime content is the foremost means to tackling the algorithm Instagram introduced in the spring of 2016 (aforementioned in Chapter 3). Priority is given to posts that are timely and more likely to interest the user, so Ms. Virtanen was of the opinion, that as long as you can produce content that is interesting for your followers they are also more likely to comment, react, and like, which means they will continue seeing the content and posts in the future as well. If you can truly engage your followers and they are interested in what you do, Ms. Virtanen maintained that the algorithm does not have any meaning as such anymore. Another noteworthy thing was that updating one’s social media accounts with offhand content if or when one remembers to is not enough, but content that customers truly find interesting is key.

One remark Ms. Virtanen made concerned the way Instagram can be utilized as a part of a company’s online presence. While the user base is quite young, companies with older audiences can also integrate Instagram activity and the photos shared there as part of their overall online visibility. Especially in tourism and traveling, it can be a channel through which companies activate their customers to share their experiences, and then feature these photos on their website. There are many ways for how to be present on Instagram, regardless the respective audience’s age – being active as a company, or activating the customers to share content, and so on.

### **The power of videos**

The feature that Ms. Virtanen often referred to as an inarguable asset of the platform that more companies should try out is videos. Nowadays, when videos can be

even 60 seconds long, chances for creative storytelling are more expansive than before. When asked about the features of a good Instagram advertisement, in addition to it being “original and distinct”, Ms. Virtanen stated that videos could even be preferred in the sense that they are more effective in drawing the user’s attention than photos. Photos must have something special and different, not just the product itself in regards of product marketing, but also the environment in which the product is used.

The video and its purpose – what it is supposed to inform in precisely that channel – should be carefully thought out, as publishing a one-minute video that happens to be buried in your files is not effective. Since Instagram’s core idea leans on visualisation and storytelling so strongly, its 60-second videos provide valuable opportunities through which it is possible to see exceptional results.

## 4 Methodology

The thesis aimed to examine the phenomenon of Instagram advertising in Finland from September 2015 to summer 2016, focusing on users' attitudes towards Instagram advertising with the aim of providing advertisers and companies help and direction in executing Instagram Advertising in a user-friendly manner. In order to identify the advantages and issues with Instagram advertising, the thesis explored customers' reception of the advertisements and the success of the case company Docendo's advertising campaigns.

The research questions were formulated as the result of the overarching research problem as well as the literature review – and partly the lack thereof concerning the user point of view. A contradiction could be found between the tone of online literature on the topic of Instagram Advertising and the seemingly prevalent user opinion. Consequently, user views on the phenomenon had not been studied in-depth before, neither in Finland nor worldwide at least in an accessible form. These aspects motivated the following research questions:

- What is the user experience of and response to advertisements on Instagram?
- How efficient is Instagram Advertising?
- How could Instagram advertising be improved from a company point of view?

Empirical data was collected via two different sources: Facebook Ad Manager reports and a user survey targeted at Finnish Instagram users. Due to the numerical nature of these sources, the most applicable research method was chosen to be the quantitative method.

Quantitative study requires understanding of the phenomenon in question as well as knowledge of existing theories. Lee and Lings (2008, 319) also emphasize the researcher's familiarity with and "intimate knowledge" of the data before an analysis can begin: the trustworthiness of the findings and the researcher's conclusions depend on the data set, so understanding its nature is essential.

Meaning from the data is extracted with the help of variables and correlations, which must be clear to the researcher. A quantitative research process is regulated by strict rules: a mistake made in, for example, composing a survey (the most common quantitative research instrument) or selecting an appropriate sample for the survey can be expensive. (Kananen 2011, 72-73.)

The results of quantitative research are presented in the form of tables and statistics. Tables include frequency distributions, in other words, how the answers to a question are distributed between the alternatives, and cross tabulations, which allows examining two variables at the same time. (ibid. 101-102.)

The survey platform Webropol used in the thesis process allowed for an analysis of the survey results within the platform, and it was possible to draft, for example, cross tabulations with self-determined variables. The variables used in the analysis were age, gender, the amount of time spent on Instagram daily, and the device on which Instagram was most commonly used. These variables were formed as a result of the literature review, including the interview, as differences between the aforementioned attributes frequently surfaced in the process of mapping out the existing literature. The focus was on the age variables, because exploring their differences provides the most useful data for advertisers. Consequently, the online behavior of different age groups has distinct divergence, and precise targeting often requires dividing target audiences by age.

#### 4.1 User survey

The motivation for the thesis emerged largely from Instagram users', including the author's, dissatisfaction with the advertisements and ad targeting after they were launched on the application in September 2015. When writing the literature review, very few articles actually focusing on users' point of view could be found, which led to the interest in exploring the issue in a more straightforward manner. A survey was chosen as the research instrument because it allowed the collection of a large number of responses in a more efficient and convenient manner, without geographical limitations, compared to, for example, an interview. The aim of the survey was to



collect feedback which would interest advertisers and help them in improving advertising on the application to a more user-friendly direction.

The survey (in full in Appendix 4, p. 78) was targeted at Finnish Instagram users of all ages and was conducted in Finnish, or in other words, the sample consisted of Finnish Instagram users of all ages. The survey was anonymous, self-administrated and available online with Webropol as the survey platform. The survey link was shared on Facebook, Instagram and LinkedIn, and it was also included once in FlowHouse's newsletter. The link was open from the 1<sup>st</sup> of July to the 14th of August 2016, and during this period of time, 154 responses were received. One response was deducted from the analysis to ensure validity, and, thus, the final number of responses was 153.

### **Survey formulation**

Eighteen (18) of the questions were closed, meaning the respondents chose between a ready set of responses. Following the guidelines of research literature (Lee & Lings 2008, 281-282), closed questions were chosen to ensure comparability, and there was a maximum number of five (5) response choices per question to ensure reasonable effort for the respondent. Questions on background information of the respondents were included in the beginning of the questionnaire in order to gather variables for the quantitative analysis. The actual questions focused on users' reactions to advertisements on Instagram, and on how they behaved upon seeing one. In addition, the survey also included a question in which the respondents were asked to arrange the six Docendo advertisements from the most to the least appealing one.

One qualitative, open-ended question was included in the end of the survey in order to give the respondents a chance to freely express their views on the phenomenon if they wished to do so. Two questions that were consecutive to choosing a certain response option in a preceding question also included an open-ended "Other" choice, and a few respondents chose to write down their own responses. These were not analyzed in-depth but briefly mentioned in the Results chapter when discussing the respective questions.

## Data Analysis

Webropol provides its own tools for analysing survey data, and graphs taken directly from the survey report were utilized in the data analysis.

Frequency distributors were the most commonly used means for survey data display. The responses were also cross-tabulated according to attribute variables, such as age and gender that were the most relevant for the thesis. These variables were chosen to be under 18-year-old, 18 to 24-year-old, and 25 to 34-year-old respondents of both genders. This was sensible because the user base is young and because older people have not yet adopted Instagram as extensively as the younger generations. Male respondents were also treated as a variable of their own where applicable, as there are less male users of Instagram than female users and their online behavior differs from that of females as evidenced by the survey results. The frequency distributors and tables displaying differences between these groups can be found in Appendices where relevant.

## Qualitative analysis

The final question in the survey was open-ended (qualitative) and translated into English as follows: *“What kind of thoughts do you have about Instagram advertising in general, do you have especially good or bad experiences related to it, or what would you like to say as a consumer to companies who advertise on Instagram?”*. The question was voluntary and it received 55 responses in total, of which 52 were acceptable (i.e. answers other than “-“ or “No comment”). Therefore, the response rate to this question was 34.0%.

The qualitative question was used to further answer the research problems while the survey’s multiple-choice questions provide a quantitative foundation for the solution. As the survey and the answers were in Finnish, the qualitative data was analyzed in Finnish, also because it allowed the assignor to utilize the results as agreed. The key findings were translated to English and are presented in Chapter 5.3.

The first step in a qualitative data analysis is cleaning up the data. In the present case the data was in electronic form, and the cleaning up included eliminating errors, such as spelling mistakes and irrelevant answers as mentioned in the previous chapter

(Saunders et al. 2009, 487). Following the guidelines of the research literature (ibid. 492) the data was then categorized, here according to the three distinct dimensions of the survey question itself: general thoughts on Instagram advertising, good or bad experiences, and feedback for companies advertising on Instagram. However, during the analysis the initial categories were altered to further divide the answers to manageable-sized sets, and some new categories emerged from the data: opinions on targeting and the number of advertisements, and user perception of the usefulness of Instagram advertising.

The process continued to summarizing the responses according to the categories, including direct quotations where relevant. Including both negative and positive user opinions was given attention to in order to ensure that all viewpoints were covered.

## 4.2 Facebook Ad Manager Data

The quantitative data provided by Facebook's Ad Manager was an essential part of analyzing the Instagram advertisements made for Docendo from a budgeting and cost point of view. The data can be exported in the form of an Excel sheet from the Ad Manager, and it was agreed to be the simplest way of accessing the data for the thesis analysis. After the three advertising campaigns finished, the Excel file was sent to the author via e-mail by Sanna Virtanen. The Ad Manager data was analyzed and graphs drawn with Microsoft Excel. The data is mainly presented in tables that simultaneously show the results of each campaign.

The report from the Ad Manager includes a few dozen metrics, but the key ones concerning the analysis in the scope of the thesis are displayed in Table 3 below. Comments were not tracked, because at the time of executing the campaigns, Docendo did not have an Instagram account required for it. The advertisements' effects on Docendo's sales are not addressed in the thesis, as necessary tracking pixels were not employed during the campaigns.

Table 3. Metrics and explanations from Facebook Ad Manager report used for analysis in the thesis. Source: Facebook Ad Manager's Advertiser Help Center (2016).

<b>Metric</b>	<b>Explanation</b>	<b>Metric</b>	<b>Explanation</b>
Results	<i>The number of actions as a result of your ad. The results [-] are based on your objective.</i>	Impressions	<i>The number of times an ad was viewed. With a few exceptions, an impression is counted each time an ad can be viewed when it enters a person's screen on Facebook [or] Instagram [-].</i>
Reach	<i>The number of people your ad was shown to.</i>	Results Rate	<i>The number of results you received divided by the number of impressions.</i>
Cost	<i>Cost per the results of the ad. [Author's note]</i>	Actions	<i>The number of actions taken on your ad, Page, app or event after your ad was shown to someone, even if they didn't click on it. Actions include Page likes, app installs, conversions, event responses and more.</i>
Clicks (All)	<i>The total number of clicks on your ad. This may include offsite clicks to your website, Page likes, post comments, event responses or app installs.</i>	Relevance	<i>A rating of 1 to 10 based on how your audience is responding to your ad. This score is calculated after your ad receives more than 500 impressions.</i>
CPC	<i>Cost per click for all clicks on your ad. The amount you're charged each time someone interacts with your ad.</i>	Positive Feedback	<i>A rating based on the number of times your audience took a desired action after seeing your ad, such as shared or liked it, or otherwise helped you achieve your objective, such as visiting your website.</i>
CTR	<i>Click-through rate for all clicks. The total number of clicks you received (ex: offsite clicks, likes, event responses) divided by the number of impressions.</i>	Negative Feedback	<i>A rating based on the number of times your audience hid your ad or otherwise indicated a negative experience, such as choosing not to see ads from you.</i>
Frequency	<i>Frequency is the average number of times your ad was shown to each person.</i>	Likes	<i>The number of likes on your Page's posts as a result of your ad.</i>

## Data Analysis

The Facebook Ad Manager data was mainly used to discover which advertisements had most success conversions- and cost-wise. Furthermore, the correlation between how the advertisements were rated in the user survey and what their performance was like according to Ad Manager is examined briefly.

The aforementioned metrics on the previous page are displayed in tables in Appendix 5, p. 82, that enable the viewer to easily conclude which advertisements saw the most favorable results.

## 4.3 Interview

The interview was included in the study to supplement the theoretical basis of the thesis with an expert's perspective and experience. This was due to the existing literature on the topic being scarce. The interview had no effect on the results of the thesis whatsoever.

The interview was conducted in FlowHouse's office in Jyväskylä on the April 20<sup>th</sup>, 2016, with FlowHouse employee, Digital Marketing and Social Media Specialist Sanna Virtanen. The one-to-one interview was semi-structured, containing a pre-determined set of questions that broadly covered the phenomenon of Instagram advertising, yet allowed additional questions to surface during the interview. Due to this unpredictable nature of the discussion, the interview was recorded with a mobile phone.

Choosing the interview questions was motivated by the core topic of the thesis: understanding the phenomenon of Instagram advertising and user views, and exploring its profitability and potential disadvantages. As a FlowHouse employee, Ms. Virtanen had also taken part in executing the advertising campaigns for Docendo which are studied in the thesis. As the interviewee was someone who had personal experience on advertising on Instagram, questions on, for example, users' reactions to the advertisements as well as strengths and weaknesses of advertising on Instagram were justified and grounded in real-life experiences (Saunders et al. 2009, 320-321; 332).

The interview was conducted in Finnish, transcribed in Finnish, and then translated into English. For the display of the qualitative interview data in the thesis with the aim of supplementing the theoretical framework, the questions with similar themes were categorized and grouped together and the key points summarized as seen in Chapter 3.5. The Finnish and English versions of the interview questions are shown in Appendix 3, p. 76.

### Summary of methodology and results

Table 4. Summary of the research methods employed in the thesis

<b>Quantitative method</b>	The most suitable method for analyzing scaled survey questions and obtaining answers to the research questions. Also employed to compare the success of the advertisements based on numbers and rates in the Ad Manager report.
<b>Qualitative method</b>	Used for analyzing the open-ended survey question, the purpose of which was to gain a more thorough view of the phenomenon by allowing users to express themselves freely. Users' commentary was also used to find out similarities and controversies between prior research and the quantitative results.
<b>Interview</b>	Included to supplement the theoretical basis and gain a view from an expert on the topic of Instagram advertising.

#### 4.4 Reliability and validity

A thorough research process covers the evaluation of reliability and validity of the study. According to Saunders et al. (2009, 156), reliability can be assessed as the degree to which the research method and process employed will result in consistent findings. This would require repeating the execution of the survey which, however, was not feasible in the time frame and the scope of the study. One threat to reliabil-

ity is participant error, and in the case of the survey, one response had to be deducted. One respondent's answers proved that they did not have an Instagram account and only browsed Instagram on computer where advertisements do not feature; thus the respondent was not an Instagram user.

One small error occurred in the devising phase of the survey: the first two options for the respondent's age were "18 or under" and "18 to 24", when the first one should have been "under 18". This may have confused 18-year-old respondents and affected the number of respondents in each age group. This did not have an impact on the data analysis, however, and the groups were manually corrected.

For the rest of the survey the content can be argued to be valid, because it covers the phenomenon broadly and was discussed and approved by the assignor who are experts on the subject matter. The sample of the survey is representative in the sense, that all users identified as Instagram users. The survey was distributed on Instagram and other social media platforms (Facebook, LinkedIn), and all distributors were over the age of 18, which could have had an effect on the respondents' age distribution and made reaching users under 18 difficult. Yet, the age distribution corresponds to prior research (90 percent of users being under the age of 35 according to Suomalaisten Sosiaalisen Median käyttö 2015 [Finns' Social Media Use 2015]). Finally, gender distribution of the respondents was not representative of reality even though there is a larger number of female users.

## 5 Results

First, the Instagram ad campaigns' results as reported by Facebook Ad Manager are examined. Second, the results from the user survey are addressed according to areas of interest, and the qualitative question included in the survey is covered in its own subchapter.

### 5.1 Ad Manager results

Excel tables showing the following results are presented in Appendix 5, p. 82. Any questions regarding the tables, the results and the report in general can be addressed to the author.

#### Results and reach

"Clicks to Website" was chosen as the objective in all the campaigns, hence "Results" measured individual clicks on the advertisement (=conversions).

Ads 1, 3 and 6 did not receive any clicks during their campaign periods of approximately one month. Both Reach and Impressions numbers of all three advertisements were less than 1,000. Ad 2 was clicked twice, Ad 5 eight times, and Ad 4 23 times. Ad 2's reach was c.a. 2,000 people, Ad 5's reach was about 3,000 people, and Ad 4 reached 4,700 people.

All advertisements were shown to their target audiences with the frequency of 1,1 or 1,2, except Ad 4 with the frequency of 1,8, resulting in more impressions: Ad 4 received 8404 impressions compared to the average of 1483 of the other five advertisements.

#### Cost, CPC and CTR

Ad 4 with the most clicks was consequently the most expensive advertisement when looking at total cost: 30,22€. Its CPC of 1,26€ was lower than Ad 5's, whose clicks cost 1,67€ with the total cost of 13,37€. Ad 2's CPC was 0,87€ and its two clicks cost 1,74€ in total.

CTR rates naturally increased along with other results: Ad 2 had a CTR of 0,1, Ad 5's rate was 0,2, and the most successful ad 4 had a CTR of 0,3.



### **Likes, Relevance, Positive and Negative Feedback**

The advertisements received 61 likes on average, with Ad 3 receiving the least likes of all six advertisements (14) and Ad 2 and Ad 5 the most (108 and 106). Ads 2, 3, 4, and 5 had a Relevance score of 6 or 7, indicating better than average relevance, and Ad 1 had a relevance score of 3. All ads had an “Average” amount of Positive feedback except Ad 6. Ads 1 and 5 received an “Average” amount of Negative feedback, and the rest had “High” Negative feedback.

Ad 6 did not gain enough views for the calculation of Relevance, Positive and Negative Feedback.

### **Effect of targeting settings**

The target audience was set to Finnish people aged 25 to 65+ in all advertisements with minor ad-specific alterations on the age limitations. These groups were not deemed as adequate alone, and therefore the target group of each advertisement was further defined according to areas of interest that should correspond to those of the recipient of the advertisement.

Ad 1 advertising “Kodin Sisustussuunnittelun Käsikirja” (*The Handbook to Interior Design of the Home*) was targeted to men who are interested in “Lukeminen” (*Reading*) and “Rakentaminen” (*Building*). Ad 2 advertising the same book was targeted to women interested in “Sisustus” (*Interior Design*) and “Reading” (*Lukeminen*).

Ad 3 on “Burgeri joka makuun” (*A Burger for Every Taste*) was targeted to people interested in “Mökkeily” or “Kesämökki” (*Cottage Living or Summer Cottage*) and “Grillaaminen” (*Barbecue*). The target group of Ad 4 on the same book was set to people interested in “Lukeminen” (*Reading*) and “Ruoanvalmistus” (*Cooking*). Ad 5 about Burgeri joka makuun was targeted to people interested in “Ruoanvalmistus” (*Cooking*).

Ad 6 about “Suuri juoksu- ja maratonkirja” (*The Great Running and Marathon Book*) was targeted to both men and women interested in “Juokseminen” (*Running*), “Maratonit” (*Marathons*) and “Lukeminen” (*Reading*).

All the target groups had two areas of interest defined except Ad 5, and its reach was second most extensive and it received the second most likes. At this point it must be noted that when a separate, identical version of Ad 4 was trialled for a short period in April 2016, the advertisement's budget was not spent fully. The expanded target group was "Finnish people aged 18 to 65+", and the results rate worsened: it can be concluded that too vague targeting made it difficult for the advertisement to stand out and gain displays.

### **Comparison to Facebook as an advertising platform**

Ad 1 (*Kodin Sisustussuunnittelun Käsikirja*) and 4 and 5 (*Burgeri joka makuun*) were also displayed on Facebook simultaneously to the Instagram campaigns. The advertisements had varying target groups and placements on Facebook, resulting in eight distinct ad versions altogether: three mobile advertisements, four computer advertisements, and one advertisement on a third-party site that is not addressed in the thesis. A table comparing these advertisements is presented in Appendix 6, p. 83.

Briefly put, Facebook advertisements (both computer and mobile) had lower CPC with mobile advertisements being the cheapest, and CTR was clearly higher (average of 1,53 versus 0,17 on Instagram). Facebook advertisements received 54 clicks, or Results, in total versus 31 clicks per all three Instagram advertisements. However, on Instagram, users took more Actions and "Liked" the advertisements a lot more: all advertisements received at least 40 likes on Instagram, with one receiving over one hundred, but the three Facebook mobile advertisements only received 8 likes in total, and the computer versions only five likes in total.

The Ad Manager Excel report included a sheet showing all of the age groups of all advertisements' target audiences. These would have provided an interesting insight into the behaviour of various age groups, but the analysis was made difficult by the fact that the numbers included both Instagram and possible Facebook versions' results, which could not be separated. A brief look at the Excel sheet indicated that of 188 Results, 101 (54%) were by men, and users aged 35 to 44 had clicked on the advertisements the most (from the age range of 25 to 65+).

## 5.2 User survey results

Of the Finnish Instagram users who responded to the survey (N=153), 141 were females and 12 were males. Half of the respondents were aged 18 to 24, the second largest group was 18 and under at 30.72%, and third 25 to 34 year olds with 9.8%. The older age groups amounted to 9.15% of all respondents, of which 5.23% were 35-44, 1.96% (3 people) were 45-54, and 1.96% were 55+ years old. Therefore approximately 81% of the respondents were of the age 13 to 24.

The responses on the amount of time spent on Instagram per day were divided relatively evenly between three options: 28.1% answered 5-25 minutes, 33.99% said 25-60 minutes, and 24.84% said they spent over an hour on the application every day. 7.19% said they spent less than five minutes on Instagram in a day, and 5.88% did not use it daily. Instagram was furthermore mainly used on mobile phones (96.08% of users) while two people stated they usually use a tablet and four preferred to browse their feed on a computer.

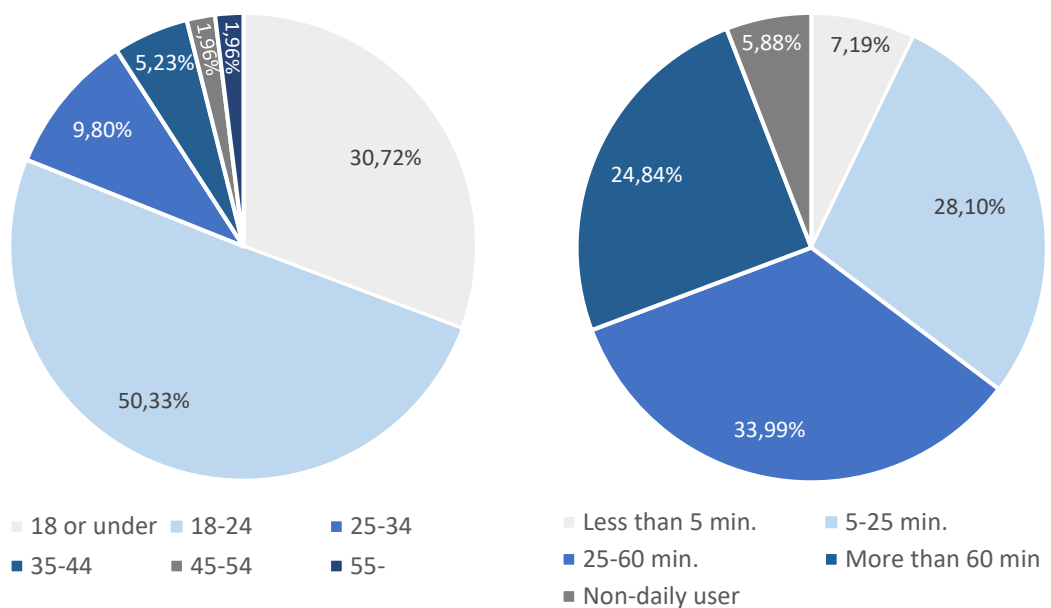


Figure 4. Respondents' age distribution (left) and time spent on Instagram daily (right).

### **Ad frequency and behavior consequent to seeing one**

Going into the questions concerning user experiences on Instagram Advertising, the first one asked how frequently the user sees advertisements on the application according to their own experience. "Often" was the most popular choice with 53.59% choosing it. 14.38% said "Very often", 16.34% "I don't know/Sometimes", and 15.69% "Seldom" or "Very Seldom".

83.34% of all male respondents responded they see advertisements "Often" or "Very often". Of those who used the application daily, there was some correlation between the time spent on the app and ad frequency in the user's opinion: 76.32% of those who spent over an hour on the app responded they see advertisements "Often" or "Very Often" compared to 67.44% of people who spent 5 to 25 minutes on the app and 63.64% of those who spent less than five minutes on Instagram daily.

When asked about the user's behavior upon seeing an advertisement in Instagram, only three people responded "I pause to look at the ad and finish watching videos, read the caption and comment/search for more information". A third of the respondents said they glance at the ad and may look at the caption, but are quick to continue scrolling. Another third said they scroll past uninteresting brands' advertisements, and one fifth scrolled past all advertisements. 5.88 percent of the respondents hid the advertisements they see to avoid seeing them again, but from this group, none said they see advertisements "Often" or "Very often" in the application.

Under 18-year-olds were the most likely to at least take a moment to glance at an advertisement, users aged 18 to 24 scrolled past all advertisements the most, and users aged 25 to 34 were most likely to hide the advertisements they see and usually scrolled past uninteresting brands' advertisements.

The respondents who said they scroll past all advertisements (N=44) mostly did so because they did not want to see advertising on Instagram (72.73%). 20.45% said the brands whose advertisements they see do not interest them. 6.82% (N=2) responded "Other" reason, and these answers were "they ruin the idea of instagram: I want to see the photos of my friends and the interesting users I follow and limit what I see

and don't see myself. Ads on Instagram are as annoying as on Facebook" and "I don't like seeing ads everywhere".

### **Advertisement targeting**

To the question "The targeting of the advertisements you see is usually...", a third (N=54) of the respondents answered "Somewhat successful: I feel I belong in the target group of some of the ads I see". Also a third (N=51) said "I don't know", and roughly one fourth (N=36) experienced the targeting to be "Hardly successful: I often see uninteresting ads". Five respondents thought the targeting they experience is "Successful" and seven users responded the targeting is "Very unsuccessful". Men experienced targeting to be "Very unsuccessful" more than women: 16.67 percent of men responded so compared to 3.55 percent of women.

### **Engaging with advertisements**

Questions 9 to 13 related to engagement and user behavior concerning Instagram advertisements.

20.26 percent of all respondents admitted to liking an ad, 1.96 percent to commenting on an ad, and 6.54 percent to both liking and commenting. 71.24 percent of respondents said they had never liked or commented on an advertisement on Instagram.

The following engagement-related statements had response options "Yes" and "No" or "X times" and "Never". The N of each following statement includes "Yes" or "1-2 times", "A few times" and "I do so often" answers, meaning the rest of all respondents answered "No" or "Never".

- 5.88 percent (N=9) said they had "tagged a friend in an ad because they might be interested or gain advantage from it",
- 11.76 percent (N=18) had "taken part in a competition through an ad",
- 14.38 percent (N=22) had "bought something or downloaded an app that was advertised after seeing an ad" at least once, and
- 24.84 percent (N=38) said they had "started to follow a brand's account after seeing an ad" at least once.

A noteworthy finding was that male respondents (N=12) did not admit to any of the aforementioned behaviors, except two admitted to having liked an ad and one responded they had “bought something or downloaded an app that was advertised after seeing an ad” once or twice.

Variance between age groups, including both genders, showed that under 18-year-olds had liked or commented on advertisements and tagged their friends in them more than other age groups. 25-34-year-olds were the second most active in this behavior, and users 18 to 24 were least active in engaging with advertisements in this manner. A figure of these results can be seen in Appendix 8, p. 84.

Users aged 25 to 34 had been most active in participating in competitions, buying something or downloading an advertised application, or starting to follow a brand’s account right after seeing an ad, even though the percentage of all users engaging with advertisements in the aforementioned ways is rather low as indicated by the list above. A figure displaying these results can be seen in Appendix 9, p. 85.

#### **Users’ attitudes towards the ads**

53.59 percent of the respondents maintained that Instagram advertisements do not have an effect on the user experience. 37.25 percent said they have a negative impact, and 3.92 percent said their effect is very negative. 4.58 percent chose the option “the advertisements improve the user experience slightly” and one respondent felt the advertisements “make [it] much better”. Male respondents perceived the effect on user experience is negative or very negative more than women (58.34% versus 39.72%).

Similarly, half (49.62%) of all respondents said their attitude towards Instagram advertising has remained the same from September 2015, when the phenomenon were first introduced, to the present day. 22.22 percent said their attitudes had become more neutral, and 7.84 percent responded that their attitudes were more positive nowadays. On the other hand, one fifth (20.26%) said their view on the advertisements had become more negative. It must be noted that the survey did not include specification on the tone of attitudes that had stayed the same, but of those whose attitudes had not changed (N=76), 61.84 percent said the advertisements do not have an effect on the user experience and 34.21 percent said the effect is

“Negative” or “Very negative”, leaving only 3.95 percent who responded the advertisements improve the user experience.

In case respondents stated their attitudes had become more negative, they were asked to specify why in the next question. Of the 34 respondents, 50% (N=17) found that there are too many advertisements, and 38.24% (N=13) stated they are uninteresting. Four people chose to write down their own response in the open “Other” field with following answers: “Most ads (mostly videos) clog up my Instagram and eventually crash the application”, “Instagram is better as an ad-free place”, “There are too many ads in other channels already, for example facebook, youtube, tv and radio”, and “Instagram is photography and art; I do not want to see ads”.

Regarding the age variables, users aged 18 to 24 provided most “the advertisements do not have an effect on the user experience” answers, but they also had most “my attitude has become more negative” responses. Users under the age of 18 saw the advertisements’ effect on the user experience to be mostly neutral as well, but they responded the advertisements’ effect on the user experience to be negative most frequently (42.55 percent compared to 32.47 percent in age group 18 to 24 and 33.33 percent in age group 25 to 34). The attitude on Instagram advertising of the age group 25 to 34 had mostly remained the same from the beginning until today, with “it has become more neutral” as the second most frequent response.

Those whose attitudes had become more negative were mostly aged 18 to 24 (N=20) and this was mainly due to there being too many advertisements on the application. Seven (N=7) under 18-year-olds and three (N=3) 25 to 34 year-olds said their attitude had become more negative.

### **Rating the Docendo advertisements**

The respondents were asked to rate the six advertisements according to their appeal in question n.o. 17: “Give grade 1 to the advertisement you find the most appealing and grade 6 to the one that least wakes interest”. Screenshots of the advertisements are displayed below in Figure 5. Video advertisements 4 and 5 only display one frame.

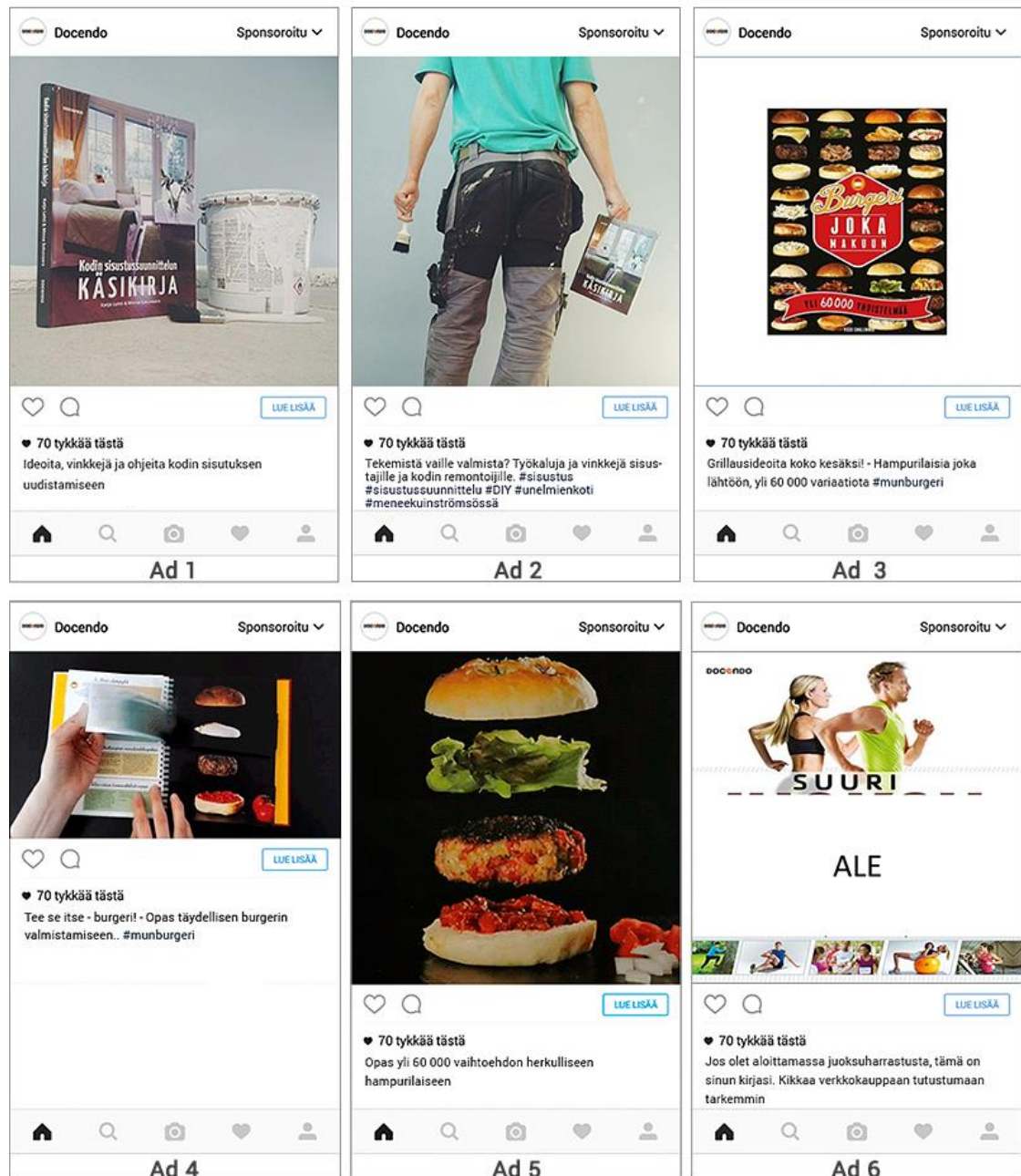


Figure 5. Modified screenshots of the six Docendo advertisements in the user survey.

The frequency distributor (seen in Appendix 7, p. 84) shows that Ad 4 was clearly the most appealing, with a third of the respondents (N=52) grading it with 1. Ad 5 received second most grade 1s (N=40) and Ad 1 was the third with 25 people giving it grade 1. Ad 6 was distinctly the least appealing, but it was also rated as the most appealing as many times as advertisements 2 and 3 together. Ads 1, 2 and 3 evenly received the most “second least appealing” or “least appealing” (5 and 6) grades, and Ad 3 can be interpreted to be the most neutral as it received the largest number of grades 3 and 4 (the middle of the scale).



After rating the advertisements, respondents were asked how seeing them affected “their impression of online book shop Docendo that sells the aforementioned books”. It can be assumed that the majority of respondents did not know about Docendo beforehand. 70.59 percent said “Neutral/I don’t know”, 16.99 percent said “Slightly positively”, and 7.84 percent said “Slightly negatively”. 1.31% (N=2) responded “Very positively” and 3.27% (N=5) “Very negatively”.

Users under 18 and users aged 18 to 24 had unified opinions on the appeal of the advertisements, but the age group 25 to 34 rated Ads 1 and 2 distinctly lower and Ad 3 higher than the other two groups. The responses to the question on the impression of Docendo were divided rather evenly in all age groups, but under 18-year-old users’ impression of Docendo was affected “Negatively” or “Very Negatively” more often than others: 17.02 percent responded with these choices, compared to 9.09 percent of 18 to 24 and 6.67 percent of 25 to 34-year-olds.

#### **Correlation of Ad Manager metrics and user opinions**

The ad that was rated as the most appealing in the user survey and that performed best according to Ad Manager was the same, advertisement number 4. The second best liked advertisement, Ad 5, was also the second most successful according to the report, having the second best result concerning many of the metrics.

Similarly, Ad 6 which was rated as the least appealing advertisement by users also performed weakly according to the report, with no clicks, second least likes, and second smallest Reach. However, Ads 1 and 3 had the least success of all advertisements in the report: Ad 1’s Impressions number was the lowest while Ad 3 received the least Likes, and neither were clicked on at all. Ad 1 received the third most value 1’s in the rating, and Ad 3 was the most neutrally viewed by users.

### 5.3 Qualitative results

The results of the user survey's final, open question are presented in this chapter divided into six categories. Direct quotes in Finnish can be accessed in Appendix 10, p. 85.

#### **Users' general thoughts on Instagram advertising**

The tone of the majority of responses was undoubtedly negative across all areas of interest the responses were divided to. Six people would have liked to remove all adverts from Instagram or were of the opinion that "ads do not belong on Instagram". Users would rather share their photos and see the photos taken by the accounts they follow, and determine what they see based on which accounts they choose to follow; the advertisements "ruin the idea of Instagram". One respondent found the fact that sometimes they did not notice the post is an advert but reacted to it as a "normal" Instagram post to be "distressing", but on the other hand, one user noted that of the surprisingly few advertisements, some integrate to the feed so well they do not even notice they are advertisements.

Also six people said they had neutral attitudes or had become accustomed to the advertisements, either aiming to scroll past them when they see the "Sponsored" sign or sometimes stopping to see visually interesting videos or photos from familiar brands. One respondent admitted to clicking "like" on pleasant-looking advertisements nowadays as long as they are aesthetic and youthful – even without paying attention to the brand or product.

#### **"Annoying" issues**

The word "ärsyttävä" (annoying) was the most often mentioned adjective in the qualitative responses. In addition to many responses stating the advertisements themselves are annoying – and especially those the user did not view as interesting – users were annoyed and disappointed that Instagram, which previously (in 2015) was largely the only social media channel without advertisements, began showing them.

A few responses also highlighted the presence of advertising on every possible platform. Adverts being pushed to consumers via every channel from TV and radio to the Internet was not viewed positively.

### **The number of advertisements**

Comments on the number of advertisements were both neutral and negative, with one user stating they were “surprised” at how few advertisements there have been. The neutral ones stated that the number of advertisements is very scarce, or that they are displayed with rational frequency. However, more people were of the opinion that there are too many or far too many advertisements, and that excess advertising is aversive and should be avoided.

### **Targeting**

Users clearly perceived that better targeting would benefit both advertisers and users: “I believe that correctly targeted advertising is the alpha and omega of everything – otherwise the ads only disrupt usage of the application”. Bad targeting and aggressive advertising bring negative reputation to the brand and annoy users. One user went as far as stating that they had not yet seen any advertisements that would have stirred positive emotions or interest in the advertised product or brand, but that it would be “possible with properly targeted advertising”.

Moreover, successfully targeted advertising is seen as positive, and users would welcome more interesting brands and especially themes meant for young people, particularly if the user gained some personal advantage from the ad. A few users suggested that targeting could be based on the accounts the user follows and the photos and videos that they like. At this point the user data collected by Facebook about user behavior on Facebook is the only basis for targeting on Instagram, but it remains to be seen whether Instagram will adopt this method in the future.

### **User perception of advertisements’ usefulness**

Findings on user views on the advertisements’ usefulness suggested that many users “do not care” about Instagram advertisements, and that they are “useless”. Advertisements are “in the way” when scrolling the feed, taking up space from the more important content, slowing down the application, and many do not pay attention to them at all: as one respondents put it, “my brains filter [the ads] as unnecessary information”. Another saw the advertisements as “spam” that cause additional effort

for the user when they have to hide the ads. One user liked to rather search for information when they wanted to, as otherwise the advertisements would feel “forced”.

Positive comments included the advertisements being “sometimes interesting” and some of them “useful”, and advertising on Instagram is “convenient”. One single user said that some advertisements are very interesting and the user was excited to see where the ad leads them to, but they would “do just fine” without the advertisements, too.

### **Feedback and improvement suggestions for companies advertising on Instagram**

When respondents were asked to provide suggestions for better advertising on Instagram they used words, such as “distinct”, “inspiring”, “attention-grasping”, “wow-effect” and “humorous”, with one commenting “I am happy to look at funny ads that make me laugh”. Advertisements that look like they have been put effort into, are self-made rather than commercial, and display everyday situations as opposed to mere product placement were also called for. One user wished for “the same interesting, open depiction of the everyday life that can be seen in normal posts. I will not become interested in the product unless I see it in active use”.

Another said that “selling a product should not be the starting point, but giving the customer a good feeling [as] many purchases are made based on emotions”.

First impressions are key, and advertisements that encourage the user to participate through a storyline, for example, create a more positive image of the brand. One respondent mentioned wanting to know about familiar online retailers’ sales, and regarding videos, the one single comment stated that the advertisements must not be “long novels or whole films. No one has time to finish watching long videos”. A respondent stating they work in a media agency hoped that advertisers would take into account the medium’s environment when planning creative content: advertisements should be made precisely for Instagram, which is a heavily visual mobile platform.

## 6 Discussion

**What is the user experience of and response to advertisements on Instagram?**

As with many other social media networks, users did not welcome Instagram advertisements without protest, and even after a year of Instagram Advertising, many found the advertisements to be “on the way” and the room for improvement to be considerable. Many users said they do not pay attention to the advertisements, but properly targeted ones are viewed positively by users.

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**How efficient is Instagram advertising?**

Instagram cannot yet compete with its owner company Facebook results-wise, but the difference is not impossible to overcome: high-quality advertisements can increase brand recognition through impressive reach. The advertisements’ intrusive nature produces many times more “Likes” than on Facebook, helping create a positive memory print of the advertisement. Conversion rates are moderate at best despite the high number of “Likes”, but Instagram’s higher engagement rates compared to other social media platforms indicate better chances for the advertisements to succeed, too.

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**How could Instagram advertising be improved from a company point of view?**

Advertisers should first and foremost utilize the specific targeting options provided by Facebook, and focus on creating an impressive advertisement that does not look like one: such that blends in the feed, yet catches the attention and gives the user a good feeling about the product or service being advertised. The need to know more about what is advertised would also increase conversions.

The present study aimed to explore Instagram's users attitudes towards and experiences on advertisements on the application as well as identify ways for brands to improve advertising on Instagram to a more user-friendly direction.

The process of writing the theoretical framework clarified that social media experts are ready to recommend Instagram as a new and exciting platform for advertisers, and tips on how to execute ad campaigns on Instagram most profitably are plentiful. Users' real life experiences on Instagram Advertising, on the other hand, were not as positive as the online hype would indicate, and recognizing the reasons for this was the ultimate purpose of the study. The user survey's results further indicated that Instagrammers from all age groups share some level of dissatisfaction towards the advertisements, and it is a clear minority that actually engages with the advertisements or takes action driven by seeing one. Similarly, Instagram advertisements cannot yet reaching the result levels of Facebook.

### **User view on Instagram Advertising**

A view supported by the literature review – Instagrammers being unhappy with the advertisements – was evidenced by the user survey results and partly by the Ad Manager metrics: users' free expression on their views about advertisements on Instagram was mainly negative, and while the phenomenon has already been present for one year, there is much to improve. With many people stating that there are too many advertisements and that the advertisements they see are useless and "on the way" of using the application, advertisers would benefit from careful targeting and user-focused content creation. Making the advertisements should not require excessive resources, though, and balancing the available amount of time resources reserved for making the advertisements can be challenging if companies want to ensure their high quality. The Docendo advertisements that were made by assignor FlowHouse from scratch saw best results, whereas mere product images did not impress viewers.

Users may not appreciate advertisements being pushed to them on every possible platform, and while this is not something companies can affect, they can gain advantage by actually taking time to get to know the channel and the target audience, and tailoring the advertisements whilst keeping in mind Instagram's

pronounced visibility. Users are “forced” to look at the advertisements as they take up the whole screen of the mobile device when scrolling, so advertisers who truly manage to capture the attention of the viewer – preferably without the user noticing they are seeing an ad – have the best chances at making a great impression and foster brand recognition in the long run.

### **Efficiency cost- and engagement-wise and comparison to Facebook**

Judging by the Ad Manager report on the Docendo advertisements, of which one half did not receive any clicks (conversions), the efficiency of the advertisements cannot be rated as very high. If an advertisement is shown to more than 4,000 people of which only 23 click on it, the results rate is evidently low. On the other hand, this has been a long-running problem for online advertisers starting from early banner advertisements at the advent of Web 2.0 as stated by Chaffey and Ellis-Chadwick (2012).

Moreover, only 14.38% of users who responded to the survey had “bought something or downloaded an app that was advertised after seeing an ad” at least once according to the survey results. Keeping in mind the advertisements’ goal of increasing brand awareness which could convert to purchase in the long run, this percent could be larger if it included people who have acted in this manner in, for example, one month after seeing the ad. This behavior is more difficult to track down precisely to the user being exposed to the ad, though, and represents another challenge in measuring online adverts. Returning to the theoretical framework, Close (2012) mentioned intrusive advertisements having the effect of decreasing the will to buy the advertised item. Because the advertisements are not prompted by the user’s needs at that moment, their intrusiveness is even higher, potentially leading to users’ annoyance with them.

The overall rate of engagement seems moderate as well, but of the listed behaviors in the survey, users were most active in starting to follow a brand’s account after seeing an ad. This, in turn, underlines the quality of the content the brand uploads regularly on its Instagram account. Converting an Instagrammer into a follower of a brand’s account is a positive result from seeing an ad, but from there, the importance of “everyday” content becomes essential. This is another topic in itself

and one for which guidelines and recommendations are readily available on the Internet.

An interesting find was that while all the advertisements had a fairly positive Relevance score, usually 6 or 7 out of 10, most of them still gained “High” negative feedback according to the report, meaning the advertisements were hidden by users frequently. Even Ad 4, which was clearly the most successful ad also in terms of appeal, had “High” rate of negative feedback. It is not known how Ad Manager calculates these ratings, and compared to the user survey, only 5.88 percent of respondents usually hide the advertisements they see. Therefore, it is possible that the Docendo advertisements’ target groups were more active in hiding them because of their age (most Docendo advertisements were targeted to users over the age of 25 and up to 55 or 60 years), or the content or advertisements’ visual look did not appeal to customers. The positive feedback was “average” on all advertisements, however, although the results could have indicated “Low” positive results. Interpreting the Ad Manager results is also a time-consuming process that advertisers become better at as time goes on, as they learn to recognize the most relevant ones to consider in managerial decision-making.

The corresponding mobile advertisements on Facebook had better results concerning some metrics, evidenced in for example the higher CTR, but users did not bother to “Like” them, even when using the mobile version of Facebook on which the advertisements are as disruptive as on Instagram. These results are partly in line with prior research: Instagram advertisements receiving noticeably more likes than those on Facebook was discussed by Eldan (2015) but Cohen’s (2015) discovery of Instagram’s CTR being twice as high as on Facebook did not occur in this case.

Instagram advertisements may cost more at the moment, but their cost is likely to go down as the advertising function improves and develops over time; many articles in the literary review predicted Instagram only increasing the amount of advertising going forward, and those who can grasp what users want and utilize the platform’s strengths now, before ad oversaturation reaches all user groups, can see profitable results.



### **Docendo advertisements' rating**

The results of the rating of the Docendo advertisements in the user survey supported Virtanen's (2016) view that advertisers should embrace and try out video advertisements on Instagram: respondents clearly favoured the two videos over static images in terms of attractiveness, and Ad 4's success can be distributed in part to the fact that it showed how the book is used, which was what users hoped for in the user survey results. While Ads 1 and 2 also showed the book in its "environment", they were overshadowed by the two videos and rated neutrally by most survey respondents.

Mere product placement in Ad 3 was also viewed neutrally by most, somewhat more positively by users aged 25 to 34, and Ad 6's book cover with the words "Suuri ale" ("*Big sale*") was rated as the least attractive ad. It was rated as the most attractive ad as many times as two other advertisements together, however, which could indicate users appreciating its informative message: as one respondent wrote in the qualitative survey question, "I want notifications from familiar online shops if they are having a big sale".

The Ad Manager report is often the only source of data advertisers can utilize in judging the efficiency of their ad campaigns. It provides advertisers with important information in an easily readable format, and another useful source is the user commentary on an advertisement. Monitoring the comments would allow seeing the tone of the user response and the extent to which users, for example, tag other users in the advertisements. Monitoring the comments is only possible if the advertising brand has an Instagram account, however. Even though the case advertisements of the thesis did not receive many comments at all, monitoring the launched campaigns is made easier by keeping track of the commentary on the advertisements, which, for example, Hoffmann and Fodor (2010) emphasize as a vital phase after launching any online ad campaign.

### **Differences between age groups and gender**

The users aged 18 to 24 were the largest age group in the survey demographics which also made the group more diverse; the users with the most negative and the most positive attitudes were found in this age group. To sum it up, users aged 18 to

24 were most active in stating that they see the most advertisements and the ad frequency is highest, while they were also the least likely to engage with advertisements by commenting or clicking on them and so on – indicating that this age group is oversaturated with advertisements on Instagram at the moment.

Users aged 25 to 34, while clearly smaller as a respondent group, were the most neutral in their attitudes towards Instagram Advertising. Their engagement levels were also the highest concerning many behaviors brought up in the survey, such as taking part in a competition. This indicates that companies might benefit from targeting this age group more, although the danger of oversaturation is considerable.

Users who were under 18 had a “social” approach to advertisements on Instagram: they were the most active user group in tagging their friends in the advertisements and their engagement levels were also high. However, an interesting discovery was that they were the most vocal in stating their dislike of the advertisements. This presents a divided view on this respective age group: teenagers may share “Likes” and let their friends know about relevant advertisements the most, but in general, they also do not appreciate seeing advertisements on Instagram.

While the gender distribution of the respondents was very one-sided and hence the results cannot be generalized with confidence, there were some clear differences. Firstly, the male respondents did not engage with advertisements almost at all through, for example, liking or following a brand, and a larger percentage found that the advertisements’ effect on the user experience is negative than that of women. Men were also more frequently of the opinion that they see advertisements often or very often in the application, and a larger percentage said the targeting they experience is “very unsuccessful” compared to women. This could indicate that either most advertisements are made primarily for women which makes them unappealing for men, and that men are more easily annoyed by advertisements on Instagram.

### **Guidelines for advertisers on Instagram**

Prior research (Cohen, 2016) implies that the declining engagement on Instagram is in part due to increased advertising. These decisions on increasing ad frequency are ultimately made by Facebook and cannot realistically be affected by the general

public or companies. It is not to say that companies should not give Instagram Advertising a try, but if they do decide to test it, going in with first-class content and careful targeting is immensely important, because it is the only way to stand out from the masses. Consequently, relevant advertisements get more displays on the app as well.

Virtanen (2016) found that many advertisers currently treat Instagram like any other channel, with traditional approaches, even though it would allow for bold visual means and something that has never been tried before. This complies with Jackson's (2016) suggestion of aiming to make an advertisement that does not look like one. It is also precisely what users hope for based on the survey results: advertisements that catch the eye, cause a "wow-effect", and are interesting, yet blend in. Having a photo of the product on a white background is the least effective form of advertising it is possible to display on Instagram. In the survey results this kind of an ad did not provoke neither positive nor negative responses, and when taking into account that Instagram advertisements are best for increasing awareness, a neutral ad that fails to elicit any reaction is likely to fail in that purpose.

It can be assumed that people are more used to advertisements on Facebook, and while the larger user amount leads to broader reach, it does not automatically convert to more results. During the initial meetings between the author and FlowHouse, testing broader targeting for a short period of time did not result in larger reach or better results, but failure of Facebook's ad tools to spend the total budget: consequently, the number of Impressions decreased. The cause of this can be speculated at best, but it was most likely oversaturation of vaguely targeted advertisements: if the majority of advertisers set the target audience to "Finnish people aged 18 to 55", single advertisements do not stand out from the mass, and the predetermined budget is not spent. This experiment also supported detailed targeting of advertisements on both Facebook and Instagram.

### **Suggestions for the future**

The main issue that users still seem to experience with Instagram advertisements is that they are irrelevant to their interests, and that the advertisements disrupt their user experience. While the algorithms' functions cannot be affected by advertisers, it

is all the more important that brands and companies who try out Instagram advertising take explicit care of targeting their advertisements correctly with the help of the immensely broad Facebook user data and plan the content so that it appeals to a specific target group, and that group only. Both Ad Manager and the user survey results would indicate video advertisements to be more successful, but planning the content and length of the videos is vital because lengthy, uninteresting videos are not likely to outperform images. Users who responded to the survey found that badly targeted, low-quality advertisements only make the brand in question look bad which ultimately neutralizes the goal of Instagram Advertising – building a more positive brand image and awareness.

## 7 Conclusion

People's reactions to online platforms changing their familiar features, whether they be, for example, a new layout or adding advertisements, can vary from positive and indifferent to very vocal complaining. Companies must adapt their services continuously in order to stay in the competition and respond to user needs, and usually users do become accustomed to the changes over time. It has been almost a year since the launch of Instagram Advertising in Finland at the time of finishing this thesis, and the user survey was carried out a month or two prior. While an immense amount of advancements and changes take place – not only on Instagram, but in the world of social networks – in one year and users' online experiences "live" all the time, the results of the user survey imply that Instagrammers have not embraced advertisements in the application quite yet.

Concerning the user experience, users would be happy to see relevant and interesting advertisements, but the survey results prove that after a year of Instagram advertising in Finland they are still few in amount, leading to negative attitudes towards the phenomenon and users scrolling past the advertisements they see. The case advertisements of the study showed that the efficiency of Instagram advertisements is, at this point, moderate, with higher costs and less results than on Facebook. Low-threshold engagement in the form of users "Liking" the advertisements occurs more often, however. Both users and advertisers acknowledge the importance of precise targeting and exceptional, appealing content as the primary means to improving Instagram Advertising.

The discussion section of this study combining the literature review and research results can be utilized by companies looking to improve their practices in Instagram Advertising, whether they are already executing or only planning to trial it. Improved Advertising on Instagram would improve the users' attitudes, too. Companies may also find the interview in Chapter 3.5, Chapter 3.2 (*Campaign planning process*), and Chapter 5.3 (*Qualitative results*) useful. Chapter 3.2 especially summarizes the current advice from social media advertising experts, covering the key areas to consider when planning Instagram ad campaigns. It is evident in the research results that cor-

rectly targeted, good-quality advertisements can and will resonate well with Instagrammers, so putting effort in planning the ad campaigns can lead to great results in increasing brand awareness. Content that is relevant to the user is also favoured by the algorithm, helping the ad stand out from the competition.

While advertising on Facebook may reach more people and be cheaper at the moment, Instagram allows reaching especially young demographics with precise targeting and improving brand image through visually striking advertisements that are clever in, for example, displaying the advertised product in the environment in which it is used. Additionally, the 60-second video advertisements make compelling storytelling possible, and informing customers about current promotions and sales can take place on Instagram in a way that creates a positive mental image and encourages participation – increasing engagement even to the point of advocacy, which is free, yet immensely valuable for any company.

In this day and era, social media is filled with advertisements and companies who wish to stand out, yet are all on the same starting line: the one defined by the functions of algorithms. Resultantly, it is up to first-class content creation, advertising know-how, and precise targeting to begin reaching for engagement and conversions, and ultimately, sales.

## 7.1 Limitations and further considerations

The user survey was conducted in Finnish and the results apply to the Finnish demographic of Instagram. Because the number of Finnish Instagram users amounts to even hundreds of thousands, the sample of the survey could have been noticeably larger, which would consequently have allowed more reliable generalization of user attitudes. While there are more women on Instagram, the gender ratios of the sample were not representative of reality, so the sample would have called for more men as respondents as well. The age groups were also varying in size, and most responses should have come from under 18-year-old users for the sample to have been corresponding to real life.

Simply asking, "How many times have you clicked/Have you ever clicked on an ad's Call to Action button?" could have indicated advertisements' effectiveness explicitly.

Advanced questions regarding videos could have been added, as videos provide interesting opportunities for advertisers on Instagram. The case company was an online book shop, and seeing whether the results are similar or not for companies in other industries would be an interesting topic of research. The key differences might be found in, for example, the advertisements' respondents' attitudes changing after seeing an ad, and the Positive/Negative feedback metrics of the Ad Manager. Further research would profit from qualitative emphasis, as it would allow for a more thorough approach and a way for respondents to provide data that is less limited in terms of expressing opinions and suggestions for improvement (compared to closed questions). Advertising has featured on Facebook far longer, and users are likely to be accustomed to their existence at this point: implementing a similar study on Facebook could be an interesting topic of research and one whose results would be arguably more neutral.

This research has looked into users' attitudes towards Instagram Advertising in-depth as the first of its kind in Finland. Further exploration on the topic can be recommended, as customers who enjoy their experience on any given ad-featuring social networking platform, even if the advertisements are intrusive, are certainly better customers.

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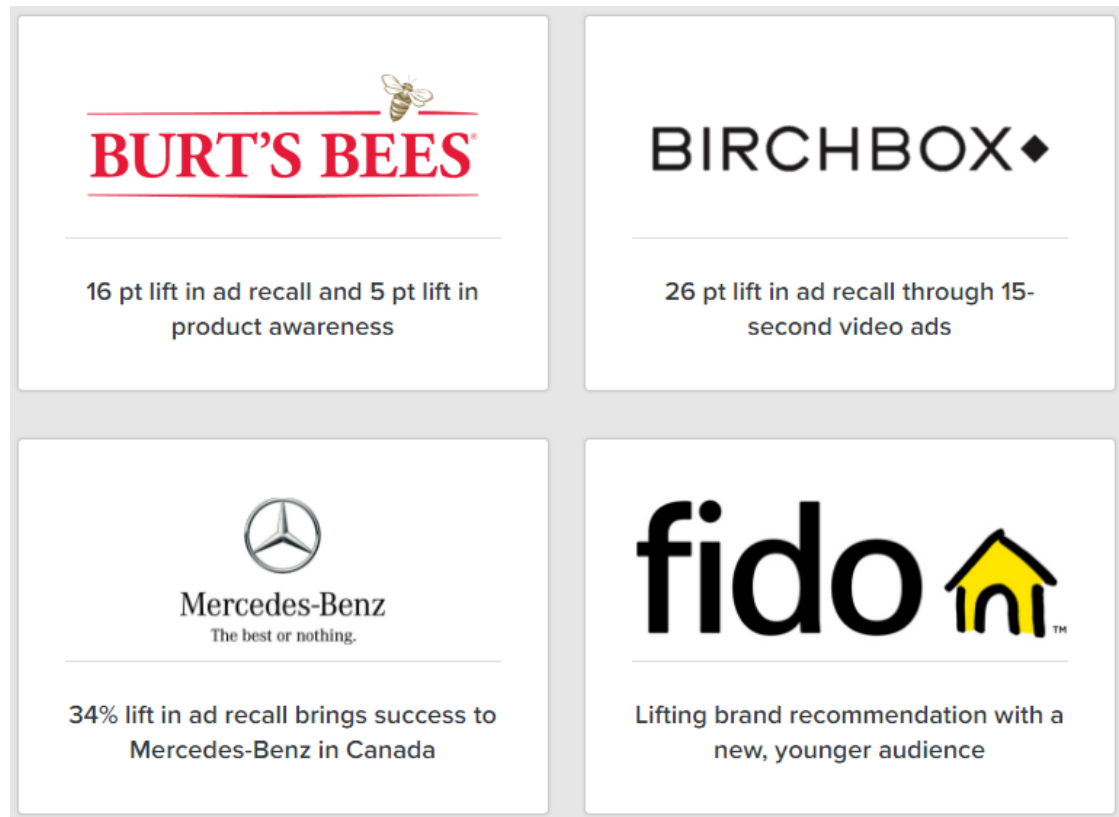
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## Appendices

### Appendix 1. The first ad on Instagram by Michael Kors (2013).



**Appendix 2.** Examples of results of Instagram ad campaigns. Screenshot of Instagram's Case Studies webpage (2016).



**Appendix 3.** Interview questions. The following questions were used in the semi-structured interview with assignor FlowHouse employee Sanna Virtanen on 20<sup>th</sup> April 2016. The title was "*Instagram-mainostus tähän mennessä: haasteet, mahdollisuudet, kokemukset*" and the interview was conducted in Finnish.

1. Olitte ensimmäisten yritysten joukossa Suomessa jotka aloittivat Instagram-mainonnan viime syksynä. Voitko kuvailla alkua: miten siihen suhtauduttiin alalla, miten kiinnostavana sitä pidettiin?
2. Mikä oli reaktio Instagram-mainoksiin omiin kokemuksiisi pohjautuen, yrityksen sekä käyttäjien puolelta?
3. Onko suhtautumisessa ollut muutosta ajan myötä?
4. Miten Instagramissa mainostus eroaa muista sosiaalisen median kanavista?
5. Mitkä ovat Instagramissa mainostamisen vahvuudet omasta mielestäsi?

6. Entä heikkoudet?
7. Mitä voitaisiin/pitäisi tehdä heikkouksien kehittämiseksi?
8. Mitä pitäisi tietää Facebookin ja Instagramin suhteesta mainosten kohdentamista tarkasteltaessa?
9. Instagram otti hiljattain (keväällä 2016) käyttöön uuden algoritmin joka järjestää sisällön kiinnostavuuden mukaan entisen kronologisen aikajärjestyksen sijaan. Mikä vaikutus tällä on ollut/tulee olemaan?
10. Muita huomioita?

The interview was originally drafted in English. Following are the final questions translated into English with the title *“Instagram advertising so far: challenges, opportunities, experiences”*.

1. You were among the first companies to begin Instagram advertising in Finland. Can you describe the beginning: what was the hype around it, how interesting was it deemed?
2. What was the reaction to Instagram advertising from your experiences, both from your side and users’?
3. Has there been a change in the users’ attitudes over time?
4. How does Instagram advertising differ from other social media platforms?
5. What are the strengths of Instagram advertising in your opinion?
6. What about the weaknesses?
7. What could/should be done to improve the weaknesses?
8. What should be known about the relation of Facebook and Instagram regarding advertisement targeting?
9. Instagram recently introduced a new algorithm (in spring 2016) which arranges the posts on the app according to the user’s interests instead of previous chronological order. What effects has this had/will have?
10. Any other remarks?



**Appendix 4. User survey “Käyttäjäkysely: Instagram-mainonta” [“User survey: Instagram Advertising”] conducted on Webropol from 1<sup>st</sup> July 2016 to 14<sup>th</sup> August 2016.**



### Käyttäjäkysely: Instagram-mainonta

Tämän käyttäjäkyselyn tarkoituksena on kerätä tietoa suomalaisten Instagramin käyttäjien kokemuksista liittyen Instagramissa esiintyvään mainontaan sekä mielipiteitä verkkokirjakauppa Docendon keväällä 2016 toteutetuista mainoskampanjoista.

Vastauksia käytetään Jyväskylän Ammattikorkeakoulun International Business –opiskelija Irene Pessalan ”Efficiency of Instagram advertising; Case: Docendo”-opinnäytetyössä. Opinnäytetyön toimeksiantaja on FlowHouse Oy.

Kysely on anonymi, eli vastauksiasi ei voida yhdistää sinuun. Vastaaminen vie noin 5-8 minuuttia. Kiitos ajastasi!

**1. Sukupuolesi: \***

- Nainen
- Mies

**2. Ikäsi: \***

- 18 tai alle
- 18-24
- 25-34
- 35-44
- 45-54
- 55-

**3. Kuinka kauan suunnilleen vietät aikaa Instagramissa päivässä? \***

- Yli 60 minuuttia
- 25-60 min
- 5-25 min
- Alle 5 min
- En käytä sovellusta päivittäin

**4. Käytätkö Instagramia useimmiten: \***

- Älypuhelimella
- Tabletilla
- Selaan tietokoneen selaimella

**MAINOKSET INSTAGRAMISSA**

Ole hyvä ja vastaa kysymyksiin valitsemalla omia mielipiteitäsi lähinnä oleva vaihtoehto. Mainoksella tarkoitetaan julkaisua, jonka oikeassa yläreunassa lukee "Sponsoroitu" tai "Sponsored", ei yritystilien julkaisemia tavallisia julkaisuja.

**5. Kuinka usein koet näkeväsi mainoksia sovelluksessa? \***

- Hyvin usein
- Usein
- En tiedä/joskus
- Harvoin
- Hyvin harvoin

**6. Miten yleensä käyttäydyt huomattessasi, että seuraava julkaisu on mainos? \***

- Pysähdyn katsomaan mainosta ja katson videot loppuun, luen kuvauksen ja kommentoin/etsin lisää tietoa
- Vilkaisen julkaisua ja saatan lukea kuvauksen mainoksesta riippuen, mutta jatkan selausta nopeasti
- Selaan epäkiinnostavien brändien mainosten ohi
- Selaan kaikkien mainosten ohi
- Valitsen "Piilota tämä", etteivät kyseisen mainostajan mainokset näy minulle jatkossa

7. Jos vastasit vaihtoehdon 4 "Selaan kaikkien mainosten ohii", voitko tarkentaa miksi? Jos vastasit jotain muuta, voit siirtyä seuraavaan kysymykseen.

- En halua nähdä mainoksia Instagramissa
- Brändit, joiden mainoksia näen, eivät kiinnosta minua
- Muu:

8. Näkemiesi mainosten kohdentaminen on mielestäsi yleensä: \*

- Hyvin onnistunutta: koen kuuluvani useimpien näkemieni mainosten kohderyhmiin
- Jotenkuten onnistunutta: koen kuuluvani joidenkin näkemieni mainosten kohderyhmiin
- En osaa sanoa
- Huonosti onnistunutta: näen usein epäkiinnostavia mainoksia
- Erittäin huonosti onnistunutta: näkemäni mainokset/brändit eivät kiinnosta minua lainkaan

9. Oletko koskaan tykännyt mainoksesta tai kommentoinut mainosta Instagramissa? \*

- Kyllä, molempia
- Kyllä, olen kommentoinut
- Kyllä, olen tykännyt
- En

10. Oletko koskaan tagannyt kaveriasi mainokseen, koska he saattaisivat olla kiinnostuneita tai hyötyä siitä? \*

- Kyllä
- En

11. Oletko osallistunut kilpailuun mainoksen kautta? \*

- Kyllä
- En

12. Oletko koskaan ostanut mitään tai ladannut mainostetun sovelluksen heti mainoksen näkemisen jälkeen? \*

- Teen niin usein
- Muutaman kerran
- 1-2 kertaa
- En koskaan

13. Oletko koskaan alkanut seurata brändin tiliä heti mainoksen näkemisen jälkeen? \*

- Teen niin usein
- Muutaman kerran
- 1-2 kertaa
- En koskaan

14. Miten mainokset vaikuttavat Instagramin käyttökokemukseen? \*

- Ne tekevät siitä paljon paremman
- Ne parantavat käyttökokemusta hieman
- Eivät vaikuta
- Negatiivisesti
- Erittäin negatiivisesti

15. Onko suhtautumisesi Instagram-mainontaan muuttunut, jos vertaat tilannetta syksyyn 2015 jolloin se tuli käyttöön Suomessa? \*

- Kyllä; suhtautumiseni on positiivisempi
- Kyllä; suhtautumiseni on neutraalimpi
- Kyllä; suhtautumiseni on negatiivisempi
- Ei; suhtautumiseni on pysynyt samana

16. Jos vastasit vaihtoehdon 3 "Kyllä; suhtautumiseni on negatiivisempi", voitko tarkentaa miksi? Jos vastasit jotain muuta, voit siirtyä seuraavaan kysymykseen.

- Mainoksia on liikaa
- Mainokset ovat epäkiinnostavia
- Muu:



**CASE: DOCENDO**

Seuraavat kysymykset käsittelevät verkkokirjakauppa Docendolle toteutettuja Instagram-mainoskampanjoita keväällä 2016.

17. Aseta seuraavat Instagram-mainokset paremmuusjärjestykseen houkuttelevuuden mukaan. Anna arvosana 1 mielestäsi houkuttelevimmalle mainokselle, 6 vähiten mielenkiintoa herättävälle.

Mainostettavat kirjat ovat **Kodin sisustussuunnittelun käsikirja**, **Burgeri joka makuun** sekä **Suuri juoksu- ja maratonkirja**.

Videota mainoksessa 4 on nopeutettu.

 <p>Docendo Sponsoroitu</p> <p>70 tykkää tästä</p> <p>Ideoita, vinkkejä ja ohjeita kodin sisutuksen uudistamiseen</p> <p>LUE LISÄÄ</p> <p>Mainos 1</p>	 <p>Docendo Sponsoroitu</p> <p>70 tykkää tästä</p> <p>Tekemistä vaille valmista? Työkaluja ja vinkkejä sisustajille ja kodin remontoijille. #sisustus #sisustussuunnittelu #DIY #unelmienkoti #meneekuinströmsössä</p> <p>LUE LISÄÄ</p> <p>Mainos 2</p>
---	---

Docendo Sponsoroitu



LUE LISÄÄ

70 tykkää tästä

Grillausideoita koko kesäksi! - Hampurilaisia joka lähtöön, yli 60 000 variaatiota #munburgeri

Mainos 3

Docendo Sponsoroitu



LUE LISÄÄ

70 tykkää tästä

Tee se itse - burgerit! - Opas täydellisen burgerin valmistamiseen.. #munburgeri

Mainos 4

Docendo Sponsoroitu



LUE LISÄÄ

70 tykkää tästä

Opas yli 60 000 vaihtoehdon herkulliseen hampurilaiseen

Mainos 5

Docendo Sponsoroitu



LUE LISÄÄ

70 tykkää tästä

Jos olet aloittamassa juoksuharrastusta, tämä on sinun kirjasi. Kikkaa verkkokauppaan tutustumaan tarkemmin

Mainos 6

	1 Eniten houkutteleva mainos	2	3	4	5	6 Vähiten houkutteleva mainos
Mainos 1	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mainos 2	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mainos 3	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mainos 4	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mainos 5	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mainos 6	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

18. Miten mainosten näkeminen vaikutti käsitykseen verkkokirjakauppa Docendosta, joka myy edellämäinnittuja kirjoja? \*

- Hyvin positiivisesti
- Hieman positiivisesti
- Neutraalisti/en osaa sanoa
- Hieman negatiivisesti
- Hyvin negatiivisesti

19. VAPAAEHTOINEN: Mitä ajatuksia Instagram-mainonta yleisesti herättää, onko sinulla erityisen hyviä tai huonoja kokemuksia siihen liittyen tai mitä haluaisit kuluttajana sanoa Instagramissa mainostaville yrityksille?

**Appendix 5.** Metrics from the Ad Manager report with the most positive results highlighted (two tables).

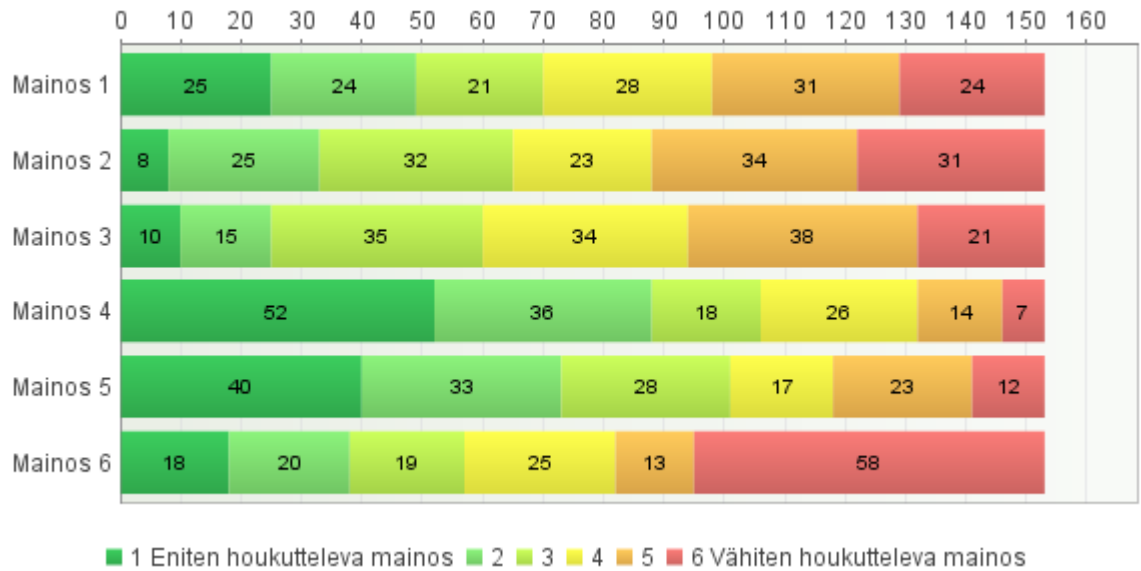
	Results	Reach	Cost (€)	Clicks (All)	CPC (EUR)	CTR (All)	Frequency	Impressions
Ad 1	0	319	0	0	0,00	0,0	1,1	341
Ad 2	2	2027	1,74	2	0,87	0,1	1,2	2447
Ad 3	0	600	0	0	0,00	0,0	1,1	676
Ad 4	23	4657	30,22	24	1,26	0,3	1,8	8404
Ad 5	8	3054	13,37	8	1,67	0,2	1,1	3475
Ad 6	0	392	0	0	0,00	0,0	1,2	478

	Results Rate	Actions	Likes	Relevance	Positive Feedback	Negative Feedback
<b>Ad 1</b>	0,00	42	42	3	Average	Average
<b>Ad 2</b>	0,08	110	108	7	Average	High
<b>Ad 3</b>	0,00	14	14	7	Average	High
<b>Ad 4</b>	0,27	1498	77	6	Average	High
<b>Ad 5</b>	0,23	1071	106	6	Average	Average
<b>Ad 6</b>	0,00	18	18	Not enough views	Not enough views	Not enough views

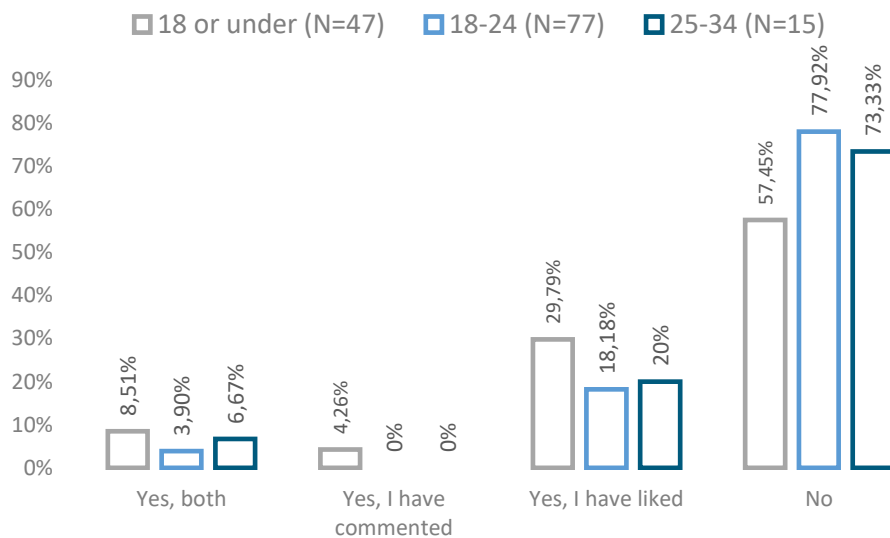
**Appendix 6.** Comparison of Ads 1, 4 and 5 on Instagram, Facebook on mobile and Facebook on computer with the most positive results highlighted.

	Metric	In- stagram	Facebook mobile	Facebook computer
<b>Ad 1</b>	<b>CTR</b>	0	0,80	2,2
	<b>CPC</b>	0	0,68	0,72
	<b>Likes</b>	42	7	4
	<b>Results</b>	0	38	11
<b>Ad 4</b>	<b>CTR</b>	0,3	1,9	1,6
	<b>CPC</b>	1,26	1,04	0
	<b>Likes</b>	77	0	1
	<b>Results</b>	23	3	0
<b>Ad 5</b>	<b>CTR</b>	0,2	2,0	0,7
	<b>CPC</b>	1,67	0,11	0,12
	<b>Likes</b>	106	1	0
	<b>Results</b>	8	1	1

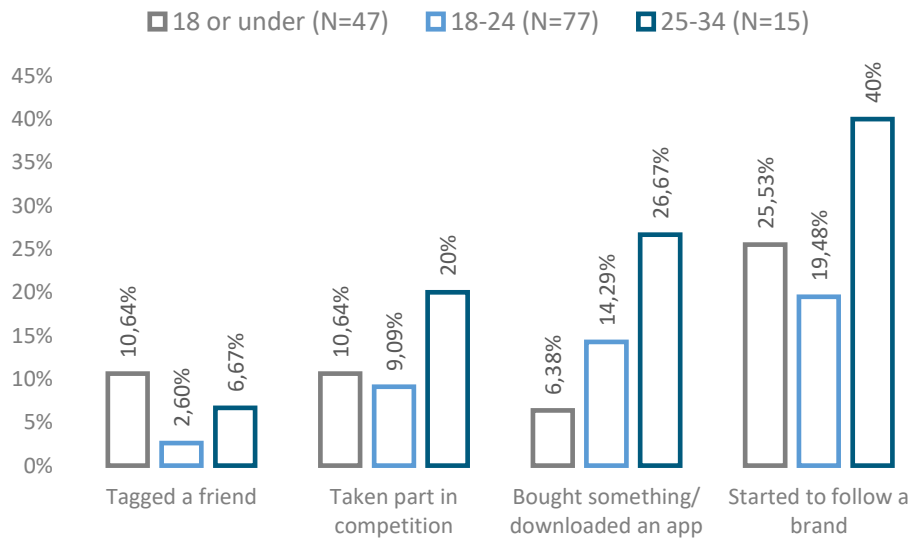
**Appendix 7.** Screenshot from Webropol of a stacked bar chart on the results of survey question 17: “Aseta seuraavat Instagram-mainokset paremmuusjärjestykseen houkuttelevuuden mukaan. Anna arvosana 1 mielestäsi houkuttelevimmalle mainokselle, 6 vähiten mielenkiintoa herättävälle.” (Rank the following Instagram advertisements in order according to attractiveness. Rank the advertisement you find most appealing with 1 and the ad that least wakes interest with 6.)



**Appendix 8.** Differences between age groups in survey question n.o. 9. “Oletko koskaan tykännyt mainoksesta tai kommentoinut mainosta Instagramissa?” (Have you ever liked or commented on an ad on Instagram?)



**Appendix 9.** Differences between age groups regarding ad engagement, % of the age group that has acted in the described way at least once.



**Appendix 10.** Direct quotations from the qualitative survey question.

“Mainokset eivät kuulu instagramiin.” (*Ads do not belong on Instagram.*)

“Mainokset pilaavat instagramin idean.” (*The ads ruin the idea of Instagram.*)

“Uskon, että oikein kohdistettu mainonta on kaiken a ja o - muussa tapauksessa mainokset lähinnä ärsyttävät sovelluksen käyttöä.” (*I believe that correctly targeted advertising is the alpha and omega of everything – otherwise the ads only disrupt usage of the application.*)

“Aivoni suodattavat sen ei tarpeellisena informaationa.” (*My brains filter it [the ads] as unnecessary information.*)

“Katson mielelläni hauskoja mainoksia jotka naurattavat.” (*I am happy to look at funny ads that make me laugh.*)

“Toivon mainoksilta samaa mielenkiintoista, avoimesti arkea kuvaavaa sisältöä kuin mitä normaaleissa päivityksissä näkyy. En kiinnostu tuotteesta, ellen näe sitä aktiivisessa käytössä.” (*I wish for the same interesting, open depiction of the everyday life that can be seen in normal posts from the ads. I will not become interested in the product unless I see it in active use.*)

“Lähtökohta ei saisi olla tuotteen myyminen, vaan hyvän fiiliksen luominen asiakkaalle. Moni ostos tehdään lopulta tunnepohjalta.” (*Selling a product should not be*



*the starting point, but giving the customer a good feeling [as] many purchases are made based on emotions.)*

*“Ei pitkiä romaaneja tai kokonaisia elokuvia. Pitkiä videoita ei kukaan jaksaa katsoa loppuun saakka.” (No long novels or whole films. No one has time to finish watching long videos.)*