

Advertising efforts in social media – effective or not?

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Preface

This thesis is done as a final part of International Business and Management studies at Hogeschool INHolland and European Business Administration studies at Metropolia Business School.

I would like to express my gratitude to the following people, who have helped and supported me during the process of preparing and writing this thesis. First of all, I would like to thank Brian Downey and Michael Keaney for their support and guidance. For peer support and sharing of good ideas, I would like to thank my brilliant roommates. For encouraging and motivating through the moments of diffidence I would like to thank my boyfriend. Lastly, I would like to thank my parents for their continuous and unconditional support.

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Abstract

The purpose of this study was to investigate the methods of advertising that are currently in use in social media and especially in social network sites. Another aim was to find out if these methods are an effective way of promotion for the advertisers and are they effectively used as a part of the advertisers' promotion mix.

This study was made using secondary and tertiary research from academic and business literature, articles from newspapers as well as from internet resources and furthermore studying some results from researches conducted on topics related to this thesis. An advertising expert has also been consulted when preparing some conclusions relevant to this research.

The results of the study were that social media is an effective channel for marketing, when a well planned strategy, consisting of several different marketing tools, is followed. However, it was also found that many times this is not the case and many advertisers count on using simply advertising elements without taking advantage of other more efficient promotional tools.

The principal conclusion was that the way advertising is currently used in social media, is not very effective since not all the possibilities are taken advantage of.

Key words:

Social media, social network sites, advertising

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Explanation of terms

Social media	A collection of online platforms for various communities with different connective features.
Social networks sites (SNSs)	A certain type of social media websites, which are used for networking purposes.
Spyware	Software that intrude computers via Internet and operate in the computer as a parachute, spying for information (e.g. passwords) and reporting it to the host computer.
Tweet	Posts send in Twitter (max. 140 characters)
Viral marketing	Word-of-mouth promotion taking place online.
WLAN	Wireless Local Area Network
Word-of-mouth (WOM)	A form of promotion where satisfied customers share their opinions about a business, product or service, with other people.
YouTube	A social media website for sharing video content.

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1. Introduction

Social media is becoming more and more popular every day. Companies are continuously coming up with new ideas of using social media for their advantage and advertising is only one of the many purposes that social media can be used for. The expectations concerning the power of social media as an advertising channel have been set very high. Social media is expected to be a very effective channel for marketing with minimum investments. The recession has only boosted the usage of social media by marketers since the assumed cost effectiveness attracts many marketers with tight budgets. It is true that social media can bring good results for the marketers, but it seems that sometimes advertisers forget that there is no such thing as a free lunch. In the middle of all this hype, are the advantages of social media as a marketing channel too good to be true?

This thesis studies social media as a promotional channel and especially whether advertisers use social media effectively in their marketing efforts. This thesis focuses on social network sites (SNSs), which are the most popular social media platform amongst advertisers. The research question of this thesis is: “Is advertising in social media effective?” In order to answer this main question, four sub questions need to be answered:

1. What is meant by advertising?
2. Which methods of promotion in SNSs can be considered advertising?
3. What kinds of promotional methods are found effective in SNSs?
4. In comparison to the effective forms of promotion, can the advertising methods be considered effective as well?

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The topic of this thesis is interesting because social media is a relatively new advertising channel and therefore not that much academic research has yet been conducted on it. Furthermore, continuously growing number of companies plan on stepping into social media and thus many are interested in getting more information about it.

The first part (Chapter 4.) of this research will look into social media definition and define the focus points of the research. The nature of social media as a marketing channel will be discussed including the advantages and disadvantages of the new media. Furthermore, a comparison between social media and the traditional media, including TV, radio, outdoor and print media, has been made consulting an advertising expert. The findings of the media comparison will be presented in the end of the chapter.

In the second part (Chapter 5.) social media will be analyzed as a promotional channel. The chapter will introduce the different methods of promotion and analyse the nature of them by dividing the methods into the five different categories of promotion mix (advertising, PR, personal selling, sales promotion and direct marketing).

Finally, the third part will discuss the effectiveness of advertising in social media. This will be done by analyzing some research findings about companies' social media experiences and drawing conclusions of them. The consumers' response will also be taken into consideration when evaluating the effectiveness of the advertising initiatives of the marketers.

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2. Methodology

This thesis is written based on the information gathered by secondary research and my own observations of marketing communication taking place in social media, especially in social network sites. In addition, an advertising expert has been consulted in order to obtain a better insight of the topic.

This research project was started in September 2009, by gathering preliminary information. In the preparation phase of this research project the foundation was created studying some up-to-date academic and business literature. Later on, the research was taken further by researching few recent studies and several articles from newspapers, websites and business publications in order to map out the current situation in the market. Furthermore, the research has included observing and studying some real-life cases of marketers using social media for promotional purposes. Using all these three approaches I wanted to study the problem from different angles to get a better overall picture of what the situation in the market really is.

Some limitations have occurred when conducting this research. The lack of academic research of the strategic and commercial aspects of social media has not only complicated conduction of this research, but also many of the articles referenced in this report also acknowledge the same problem. The shortage in attention from the academics is most likely caused by social media being such a new concept. Furthermore, this research being focused primarily on SNSs has limited the research. In the future, for example the situation among other social network sites could be researched. Furthermore, it could be researched how the situation differs in different continents or countries.

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3. Theoretical framework

When studying the effectiveness of advertising in social media, it is relevant to define how we understand the meaning of advertising. The terms marketing, advertising and promotion are often misused and mixed up, which causes misunderstandings and confusion when discussing social media. Advertising comprises only one part of a larger concept of promotion, which can be analyzed using the promotion mix theory.¹ In this research, the promotion mix will be used as an outline, in analysing the variety of promotional methods the theory is discussed using the definitions of Kotler and Armstrong.

In order to evaluate the effectiveness of advertising in social media, all the promotional methods used in social media need to be categorized. In the following chapter the theory of promotion mix will be introduced, and different promotional tools will be defined.

3.1 Introduction to the theory of Promotion Mix

Promotion mix consists of five different promotional tools: advertising, personal selling, sales promotion, public relations (PR) and direct marketing. Each of these tools possesses some unique characteristics, which will now be briefly looked into.

¹ e.g. Kotler Philip, Armstrong Gary. (2006) *Principles of Marketing 11th edition*, Pearson Prentice Hall

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Advertising

Advertising, which this thesis is mainly focusing on, is defined as: “Any paid form of nonpersonal presentation and promotion of ideas, goods, or services by an identified sponsor.”²

Personal selling

Personal selling, as the name suggests, refers to a sales representative or a consultant personally selling products of an identifiable sponsor. This is effective, but often also the most often the most expensive form of promotion for the companies.³

Personal selling is often mixed up with advertising. For example when an ad has a phone number (e.g. in TV Shop) or other contact information where the product can directly be purchased, it is personal selling, not advertising.

Sales promotion

Sales promotion includes a variety of different tools for increasing sales, such as coupons and exclusive deals. The purpose of sales promotion is to boost sales of a certain product for a short period of time.⁴

Public relations

Public relations can be defined as indirect promotion communicated for consumers without the selling aspect. News, press releases, sponsorships, charity or anything

² Kotler and Armstrong, 2006. p.455

³ *ibid.*

⁴ *ibid.*

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that boosts the company's image and increases the demand can be considered as public relations.⁵

Direct marketing

Direct marketing can take various forms, but it has four distinctive characteristics. It is non-public, immediate, customized and interactive. Simple examples of direct marketing are for example telemarketing and direct mail.⁶

The idea of the promotion mix is not simply to choose one of the five promotional tools described, but to use several of them to create a combination suitable for company's strategic objectives. When creating promotion mix, companies can choose from two basic strategies: push or pull. Push strategy, as the name suggests, is based on "pushing" the product forward in the distribution channel by influencing the channel members (e.g. retailers and wholesalers). In push strategy the emphasis of the promotion mix is usually on sales promotion and personal selling. Pull strategy, on the other hand, attempts to influence the consumers and thus increase the demand of a product. Pull strategy's emphasis in the promotion mix is on advertising and sales promotion.

Internet is considered to be media for pull strategies⁷, because customer behaviour on the Internet is independent. People can access any website they want, when they want. The content they are exposed to, cannot be controlled by any outsiders, unlike in TV where the networks choose the programs and the advertisements broadcasted.

⁵ Kotler and Armstrong. (2006)

⁶ Kotler and Armstrong. (2006)

⁷ Chaffey Dave, Ellis-Chadwick Fiona, Johnston Kevin, Mayer Richard. (2003) *Internet Marketing Strategy, Implementation and Practice 2nd edition*, Pearson Education Ltd.

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Later in this research we will look into, how promotion mix and social media can be integrated. First however, the concept of social media must be further examined.

4. Overview of social media

Social media as a concept still has quite a short history, since it only started forming after the Internet became more available for the general public in 1995⁸. In the beginning the Internet was more of a read-only media, but when it started developing further it has become more of a read/write web⁹. There are dozens of definitions of social media, but the academicians still have not agreed upon one single congruent definition.¹⁰ However, the most cited definition even in the academic circles seems to be the one from the English Wikipedia¹¹. The definition according to Wikipedia is:

“**Social media** are media designed to be disseminated through social interaction, using highly accessible and scalable publishing techniques. Social media use web-based technologies to transform and broadcast media monologues into social media dialogues. They support the democratization of knowledge and information and transform people from content consumers to content producers...”¹²

Basically, social media are online platforms for various online communities with different connective features. These connective features can be, for example, networking, meeting new people, role playing, sharing content, or communicating. In comparison with the traditional media, the distinctive feature of social media is that the

⁸ Leino, Raili. (2005) *Kaupallinen Internet täytti vuosikymmenen*. [Internet] Tekniikka & Talous.fi. Available from: <http://www.tekniikkatalous.fi/ict/article32725.ece?v=n#> [Accessed 20th May 2010]

⁹ Erkkola, Jussi-Pekka. (2008) *Sosiaalisen median käsitteestä*. Helsinki School of Art and Design: Master's Thesis

¹⁰ Constantinides et al. (2008) Social media: A New Frontier for Retailers? *European Retail Research*. Vol. 22, pp. 1-28

¹¹ *ibid.*

¹² Wikipedia. (2008) *Social Media*. [Internet] Wikipedia.org. Available from: http://en.wikipedia.org/wiki/Social_media [Accessed 20th May 2010]

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content is generated by the audience. This audience is formed by different communities consisting of people who share similar interests, hobbies, goals, or simply backgrounds.

4.1 Social media landscape and point of focus

Since the definition of social media is somewhat complex and one single approved definition of it does not yet exist, the concept can be better understood using visual demonstration. According to a popular model¹³ demonstrated in Figure 1, social media can be divided into ten different subgroups, each of them having slightly different characteristics and purposes. In the figure, the ten different subgroups are surrounded by different logos, which are examples of web pages that belong to that subgroup. For example, the sub group of social networks is surrounded by Facebook, MySpace, LinkedIn and other social network sites.



Figure 1. Social Media Landscape

¹³ Cavazza, Fred. (2008) *Social Media Landscape*. [Internet]. FredCavazza.net. Available from: <http://www.fredcavazza.net/2008/06/09/social-media-landscape/> [Accessed 20th May 2010]

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Social media being such a wide concept, the research of this thesis will only focus on social network sites, and briefly sidestep microblogs. The main focus of this research is demonstrated in the Figure 2. Of all the numerous social network sites this research will mainly focus on Facebook, but also MySpace and LinkedIn have been observed during the research, as well as Twitter as a part of the microblogs sub group. The reason for choosing these focus points is that among the advertisers, Twitter, Facebook and LinkedIn are the most commonly used social media tools.¹⁴ MySpace is not the most popular social media tool anymore, but it used to be the biggest social network site not that many years ago.

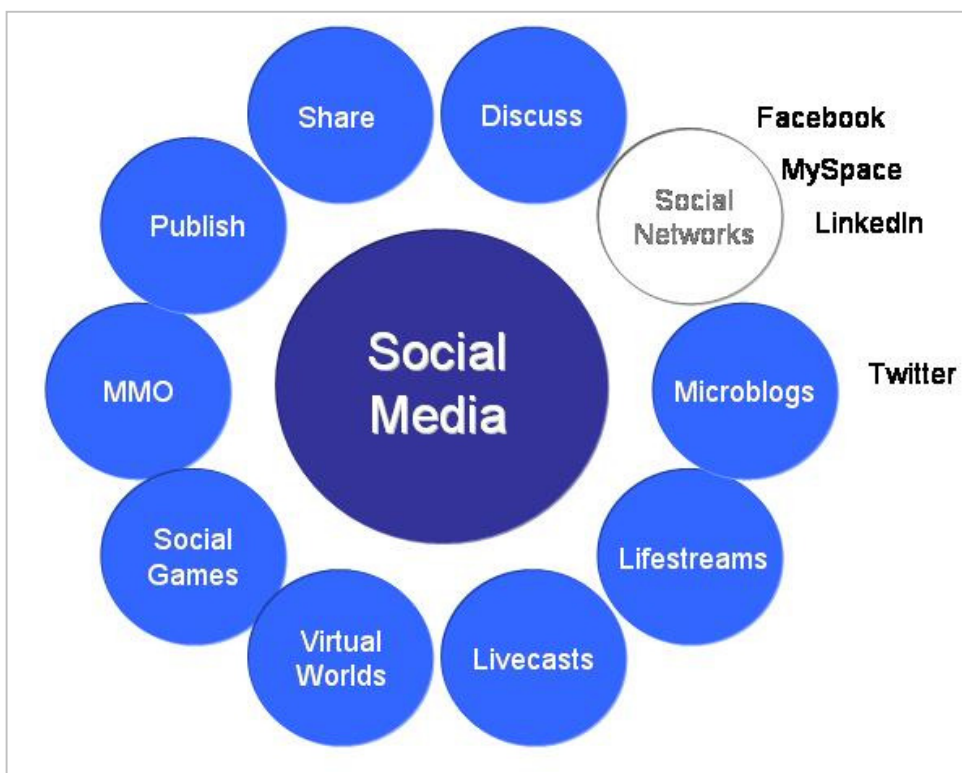


Figure 2. Main focus points of this thesis

¹⁴ Stelzner, Michael. (2010) *2010 Social Media Industry Report, How Marketers Are Using Social Media to Grow Their Business*. [Internet]. White Paper Source. Available from: <http://www.socialmediaexaminer.com/social-media-marketing-industry-report-2010/> [Accessed 20th May 2010]

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4.2 What are social network sites (SNSs) and microblogs?

As already mentioned, social media consists of various online communities with different connective features. As the name suggests, the connective feature of social network sites is social networking. However, in different SNSs, there are still variations. LinkedIn, for example, is a professional networking site, where people represent themselves with their professional background and status, and connect with their colleagues, former and current employers, and business acquaintances. Facebook, being the most popular SNS in the world, is nowadays a networking site for anyone who wants keep in touch with childhood or family friends, for example.

Microblogs are webpages where registered people follow and send new status updates, called “tweets”, using their mobile phone or computer. The tweets culminate to the question “what are you doing right now?”. The idea is that the messages are short (max. 140 characters), because the microblogs are meant to be used via mobile phone with internet connection. This enables people to send and browse through new messages where ever they are. Companies use Twitter to send announcements or promotional purposes. According to a recent survey, 54% of the Fortune 100 companies had a Twitter account (in comparison, only 29% had a Facebook account)¹⁵.

¹⁵ Ostrow, Adam. (2009) *Twitter is Top Social Media Platform at Fortune 100 Companies*. [Internet] Mashable.com. Available from: <http://mashable.com/2009/08/03/twitter-fortune-100/> [Accessed 20th May 2010]

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4.3 Social media as a channel for marketing

Due to the fact that social media has only a short history in comparison with some other media (e.g. TV is over 80 years old¹⁶), availability of academic studies is still limited. Since most of the little research of social media and especially social media marketing are done by companies or consultancies, instead of academic researchers, most of the studies are not public and not easily accessed. Large scale studies conducted either have to be purchased or are not available for public.

Pauli Aalto-Setälä, the CEO of Aller Media Inc. one of the biggest publishing agencies in Finland, was interviewed about social media as a marketing channel.¹⁷ According to Aalto-Setälä, when social media was created many companies thought they could now get consumers' attention with only little costs. This was true, but the companies had forgotten that simply getting attention is only the first step of marketing. The second step is getting the consumers interested, and then getting them to take action (e.g. buying the product). These steps are then followed by the after sales, meaning the viral marketing effect. Aalto-Setälä states that social media tools are very effective in the last step of marketing. He also explains that the expected low costs of social media campaigns are not true when an effective campaign is wanted, since the new media, being still a bit unknown, takes even more planning and resources than the traditional media.

¹⁶ First Television Invented (2009) The first television ever invented. [Internet] FirstTelevisionInvented.com. Available from: <http://www.firsttelevisioninvented.com/> [Accessed 20th May 2010]

¹⁷ Helsingin seudun Kauppakamari (2010) Pauli Aalto-Setälä yhteisöllisestä mediasta 1: markkinointi. [Internet] YouTube. Available from: <http://www.youtube.com/watch?v=Xepo7SIIRuk> [Accessed 20th May]

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4.4 Social media marketing cuts both ways

Even though it can be argued that marketing efforts in social media are worthwhile, there are two sides in every coin. Social media, just as any other media, comes with both advantages and disadvantages. Privacy, rapidity, costs, target group sorting, ubiquity, unlimited possibilities, short history, and time consumption are considered to be issues of social media. Many of these issues are considered to have advantageous as well as disadvantageous results. These issues will now be presented and discussed through, and in the end of this part all the issues will be summed up in Table 1. The + and – signs indicate the nature of the issue, plus representing advantages and minus disadvantages.

Privacy (+/-)

When discussing social media advantages or disadvantages, privacy issues seem to be the first topic arising from the literature and newspapers, as well as from the research and discussion forums. Especially in the SNSs, the privacy issues seem to heat up the discussion, since it is the personal information of the network users that can be misused in the case of data leakage.

Not all the privacy concerns, however, arise from the threat of spy wares or website invasion. Many times the privacy concerns might be caused by the webpage itself by abusing the information that has been entrusted to them. Facebook, for example has come across some privacy issues with former service called Beacon, which traced its users' purchases from other websites, and automatically alerted their

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friends about it. This service was eventually abandoned due to the angry feedback from the users¹⁸.

On the other hand, it is the privacy of the SNSs that encourage people to share their personal information in the first place¹⁹. The better the privacy of the website is, the more people might join and the more information they will share about themselves. Most SNSs have encountered this fact and offer a set of tools and filters for the users to control what information they share with whom. This way people feel comfortable about sharing their views and interests with their assorted network, and the more people join and share, the better the company can profit from this knowledge.²⁰

Rapidity (+/-)

On the Internet, all kinds of information can run smoothly and rapidly around the world. This means that also promotional messages can be sent to thousands of people simply by one click, in one second, and with the same price the message can be sent to fifty or fifty thousand people. Moreover, the messages can continue even further when the receivers forward them to their network. This can be seen from YouTube, where video clips can reach millions of viewers in just a couple of days, in case the viewers find the content interesting enough to spread the clip to their friends. This is called viral effect, which means that people spread the message to their network. It could be compared to gossiping, where people tell their friends

¹⁸ Economist. (2010a) *Special Reports. Global swap shops*. [Internet]. Economist.com. Available from: http://www.economist.com/specialreports/displaystory.cfm?story_id=15350972 [Accessed 20th May 2010]

¹⁹ *ibid.*

²⁰ *ibid.*

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something, and the friends then tell it further. The chain goes on regardless of the accuracy of the message, and the message spreads fast.

This can also cause negative consequences, since also the negative messages are spread rapidly. Recently, KFC confronted this problem in China where their online sales promotion got out of hand when fake copies of discount coupons were virally spread around the Internet. As a result the demand for KFC's chicken exceeded the expectations resulting in angry customers and negative publicity.²¹

Costs (+/-)

Especially accelerated by the ongoing recession, the interest in using social media has increased due to its expected low cost of use. Sites like Facebook and Twitter have become popular marketing tools for companies because these network sites are free to sign up and easy to use²².

Due to the fact that signing up and using Facebook, Twitter and some other socialth networks sites is free of charge, also the small company owners have equal chance with large corporations to promote their products. This is not always the case with the traditional media, since for example TV advertising is often simply too expensive for small companies to afford. In order to attract new customers, in 2009 17% of Britain's small businesses were using Twitter, and many of them said that due to social media use, they had made remarkable savings by being able to cut out

²¹ WARC. (2010a) *KFC faces word-of-mouth crisis in China*. [Internet] WARC News. Available from: <http://www.warc.com/news/topnews.asp?ID=26580> (Accessed 20th May 2010)

²² Needleman, Sarah E. (2010) *Entrepreneurs question value of social media*. [Internet] Wall Street Journal Online. Available from: <http://online.wsj.com/article/SB10001424052748703909804575123691040422082.html> (Accessed 20th May 2010)

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other forms of marketing²³. Still not all entrepreneurs find the advantages of social media use worthwhile. A survey of 500 small business owners conducted in October 2009 found that most of the respondents had not used online networks at all because they thought it would be waste of time²⁴.

Even though the registration and using websites such as Facebook and Twitter is for free, it does not mean that effective campaigns could be done with a low cost. Often social media campaigns might end up being very expensive, since effective campaigns require careful planning and often consulting a social media expert or a media agency.²⁵ This is partially due to the fact that social media still has only a short history, and therefore for many companies it is still an unknown media.

Target group sorting (+)

One advantage of social media, especially SNSs or other sites that require registration, is that the target groups for ads or other forms of marketing can be easily and precisely sorted and reached. However, this does not directly mean that simply presenting an ad to the right group of potential buyers would automatically bring new customers or even increase brand awareness amongst this group. Nevertheless, when the ad gets the attention of the right group of people, the chances of raising interest towards the brand are higher than in random selection.

²³ Economist. (2010b) *Special Reports. Peach of an Opportunity*. [Internet]. Economist.com. Available from: http://www.economist.com/specialreports/displaystory.cfm?story_id=15350940 [Accessed 20th May 2010]

²⁴ Economist. (2010c)

²⁵ Helsingin seudun Kauppakamari (2010)

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Ubiquity (+)

Since social media are an online media, it is not tied to any location or time to be observed or followed, but instead it can be accessed anywhere in the world at any hour of the day. Especially now when the mobile technology has developed, and more people own cell phones with WLAN, it is easy to access Internet from a mobile phone. Thus, the accessibility of the SNSs or other social media websites has increased significantly. The success of Twitter demonstrates this. As described earlier in this paper, Twitter is designed to be used via mobile phone (with WLAN) and at the moment Twitter manages to get about 6.2 million new users every month²⁶. This number suggests that more and more people actually use social media websites from their cell phone, which would indicate that the ubiquity of social media is getting larger measures.

The ubiquity will become even more important in the future, since in April 2010 Facebook started allowing its users to share their current location with their network²⁷. This will not only be a useful feature for the private users of Facebook, letting them know where their friends are at the moment, but also for local companies (e.g. cafés or restaurants) who can now send promotions, such as special offers and discounts, to those prospective customers that are nearby and could easily stop by. This feature will bring new opportunities for the marketers, the local companies especially, since utilizing this attribute will enable companies to reach exactly the right target group in real time.

²⁶ Gaudin, Sharon. (2010) *Twitter now has 75M users; most asleep at the mouse* [Internet] ComputerWorld.com. Available from: http://www.computerworld.com/s/article/9148878/Twitter_now_has_75M_users_most_asleep_at_the_mouse (Accessed 20th May 2010)

²⁷ Bilton, Nick. (2010) *Facebook will Allow Users to Share Location* [Internet] NYTimes.com. Available from: <http://bits.blogs.nytimes.com/2010/03/09/facebook-will-allow-users-to-share-location/> (Accessed 20th May 2010)

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Unlimited possibilities (+)

Since social media is based on the Internet, it enables the advertisers to use their creativity, since with the new web-based tools nearly any kind of campaign can be realized. This is certainly an advantage in comparison with the traditional media, where the different mediums have certain limitations (e.g. in print media the ads are always immobile).

Unknown (-)

Social media are still young in comparison with the traditional media. Hence, the topic is considered still quite unknown. For the marketers who are not yet familiar with this new media, it can bring quite unexpected results, since it differs from the traditional media, which marketers are already familiar with.

Time consumption (-)

For many marketers it may come as a surprise, but in order to build up a successful social media campaign, planning, executing and the most important, updating and joining the discussions in SNSs can be very time consuming. Some say that social media marketing takes only an hour a day²⁸, but not all the marketers manage to do it in such a short time. A survey that was conducted of 500 U.S small-business owners found that 50% of the respondents say that it takes more effort than expected.²⁹

²⁸ Evans, Dave. (2008) *Social Media Marketing. An Hour A Day*. Indianapolis, Wiley Publishing Inc.

²⁹ Smith, Robert. (2010) *Social Media Adoption By U.S. Small Businesses Doubles Since 2009*. [Internet] Smith School News. Available from: <http://www.rhsmith.umd.edu/news/releases/2010/021610.aspx> (Accessed 20th May 2010)

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To clarify and sum up the advantages and disadvantages of social media, all the main points are listed in Table 1. It is worth mentioning that many of these issues are considered both as advantages and disadvantages.

Advantages	Disadvantages
- Privacy of the SNSs gets people registering and giving out information about themselves.	- Privacy issues of the SNSs. Data leakages and misuse of people's personal information.
- Rapidity enables information to spread rapidly.	- Rapidity also enables the negative information to spread as rapidly.
- Costs of starting up are low. Registering to Facebook, Twitter or LinkedIn is for free.	- Overall costs of a well planned social media campaign can be surprisingly high.
- Target group sorting is easy with the profiles and the tools provided by the webpage (e.g. Facebook)	- Resources are still needed from the advertiser, in order to have a successful campaign (planning, updating etc.)
- Ubiquity . Social media can be accessed anywhere, if Internet connection available	- Time consuming . If the promotion is wanted to be effective, it takes a lot of time.
- Unlimited possibilities . Basically any kind of campaign can be realized.	- Still unknown . Being a new media, a lot is still unknown.

Table 1. Advantages and disadvantages of social media marketing

In the next subchapter the differences of social media in comparison with the different forms of traditional media will be discussed.

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4.5 Social media vs. traditional media

In comparison with traditional media (including e.g. TV, radio), characteristics of social media are quite unique. The biggest difference between social media and traditional media is that the nature of social media is interactive, whereas the traditional media is interruptive. This means that, in the traditional media, the content is decided and created by a company (e.g. TV channel, magazine, radio channel) and the audience is simply a receiver of the content. The only power the audience possesses is to decide, if they want to receive the information or not. If not, the viewer can turn the channel, put aside the magazine or turn off the radio. In social media, the content is mostly created by the audience. The promoter can start up a conversation (e.g. sending a tweet or a new status update in Facebook), but it is the audience who create conversation and “buzz” around the original topic.

The differences between social media and traditional media are often forgotten.³⁰ This can, and often does, lead to attempts to apply traditional means of promotion, such as interruptive advertising, in social media.³¹ Interruptive advertising works for example in TV, because people are used to having commercial breaks in the middle of the programs they were following. It is a known and expected fact, and therefore it does not cause annoyance in the same measures as it does on the Internet, where people are used to having their own freedom of choosing what they want to watch, read or hear. In social media ads and other promotions need to be interesting enough to get attention and response.

³⁰ Tuten, Tracy L. (2008) *Advertising 2.0, Social Media Marketing in a Web 2.0 World*. New York, Praeger Publishers

³¹ *ibid.*

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The differences of traditional media and social media are demonstrated in Table 2. The table has been formed after consulting Ilkka Hellman, the former CEO of the global advertising agency Young & Rubicam Brands in Finland.

	Social Media	TV	Radio	Outdoor	Print
Nature of the medium	interactive	interruptive	interruptive	interruptive	interruptive
Rapidity of spreading a message	High	High	High	Medium-low	Medium
Possibility of reaching the specific target group	High	Medium	Medium	Low	Low-medium
Cost of campaign	Low-medium	High	Medium	Medium-high	Medium-high
Time investment needed for campaign	High	Medium	Low-medium	Low	Low
Level of usage by consumers	High	Medium-high	Medium	Medium	Low

Table 2. Comparison of social media vs. traditional media

Table 2. indicates, that there are significant differences between social and traditional media. Some of them favour the traditional media (e.g. time investment required for campaign) and some of them social media (e.g. cost). It does not mean that some media would be better than other, but they are simply different. Furthermore, the table is a general overview, and it should be kept in mind that usually the characteristics are very case sensitive (e.g. the costs).

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One thing clearly favouring social media is the growing amount of time people spend using it and are exposed to it on a daily basis. In 2006 there was a survey conducted on people's media use in America.³² The results indicate that the Internet is clearly taking the biggest proportion of people's time daily. The results of the survey are illustrated in Figure 3. From the figure it can be seen that computer and the Internet are clearly used more than any other media considered in the survey. Conclusion can be drawn that people are also more exposed to advertising in the Internet (including social media) than in any other media.

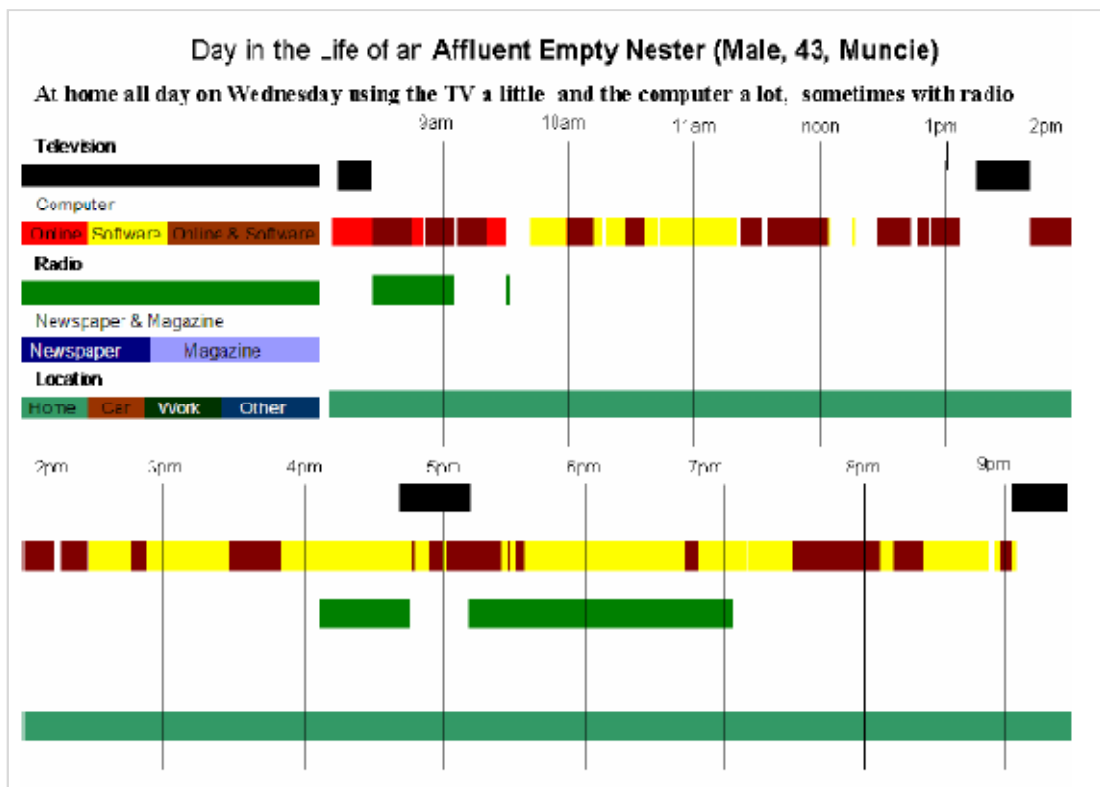


Figure 3. Survey of media usage

³² Online Publishers Association. (2006) A Day in the Life: An Ethnographic Study of Media Consumption. [Internet] Online-publishers.org. Available from: www.online-publishers.org/media/128_W_opa_day_in_the_life_jul06.pdf [Accessed 20th May 2010]

5 Social media and promotion mix

Like stated earlier, there are several different ways of promotion. In the first part of this chapter different ways of advertising will be introduced. The second part of the chapter discusses different ways of other possible and relevant forms of promoting. The definitions examined in chapter 4 are utilized.

5.1 Methods of advertising in social media

According to the definitions of Kotler and Armstrong,³³ different methods of promotion, only a few can actually be called advertising. These advertising methods are: search engine registration, banner ads, pop-ups and Facebook applications. These are the most relevant to the social media context.

5.2.1 Search engine registration

Search engine registration means the kind of links that occur on top, when certain search words are used in a search engine. These kinds of ads have large online reach and visitors are self selecting.³⁴ In a social media context however, this form of advertising does not have as much foothold, as it does outside SNSs in most Internet based search engines. In SNSs the search feature is used for searching people's profiles, certain applications or fan or group pages, but it does not have the same purpose as Google or Yahoo! or any other search engine.

³³ Kotler and Armstrong (2006)

³⁴ Chaffey et al. (2003)

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An example of search engine registration advertising is demonstrated in Figure 4. below (the ads are the sponsored links circled with red colour).

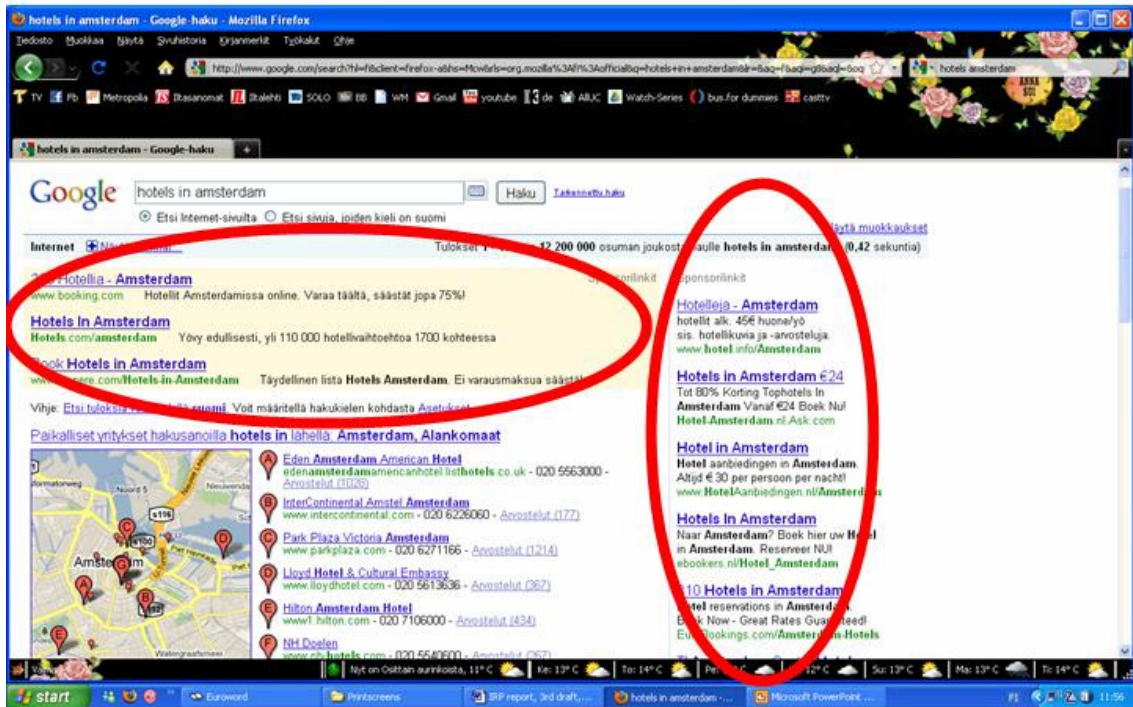


Figure 4. Example: Search engine registration

5.2.2 Banners

Banners are ads that appear on the sides of the actual content of a webpage. They can be static or animated. Animated banners can also be called tickers.³⁵ The main purpose of banners is usually to attract people to click them, and thus, visit the advertiser's website. The effectiveness of these ads is often measured by click-through rate, which is the number of clicks a banner receives in proportion to the total output it appears.³⁶ The responses these ads receive have declined over years

³⁵ Kotler and Armstrong. (2006)

³⁶ Chaffey et al. (2003)

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due to banner blindness.³⁷ This is a phenomenon, where people tend to be reluctant to pay any attention to anything that even resembles an ad.

An example of banner ads is demonstrated below in Figure 5. (the ads are circled with red colour).

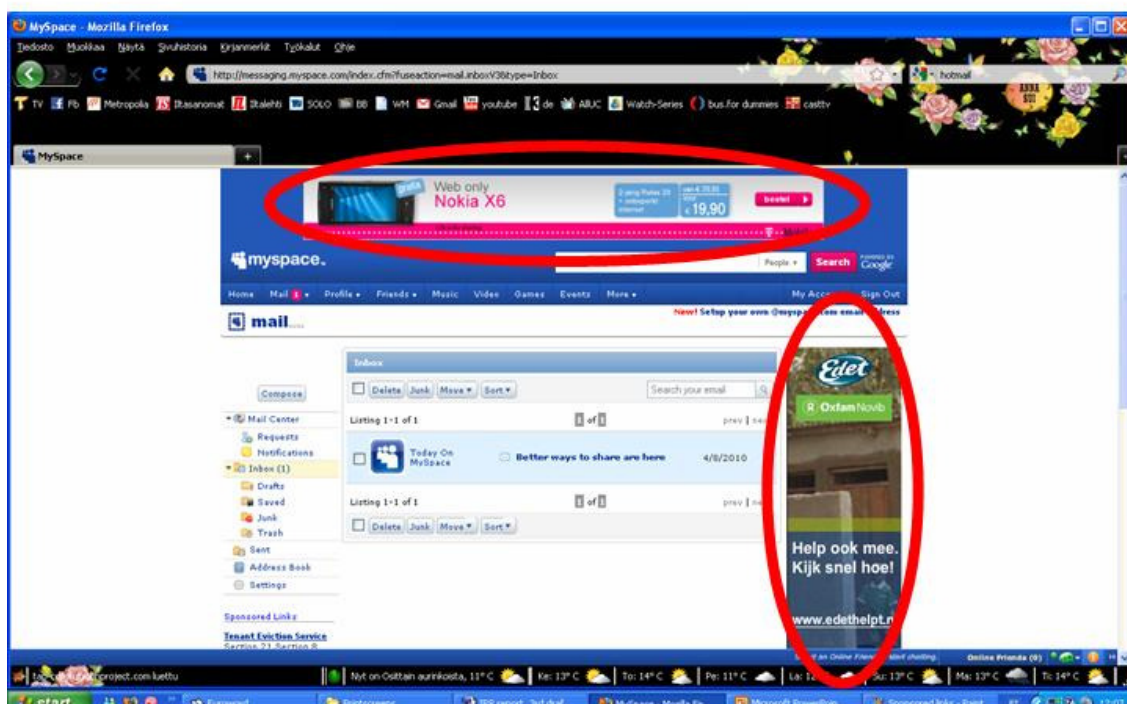


Figure 5. Example: Banner

There are several reasons for banner blindness. People are more aware of the safety problems on the Internet, and therefore some are reluctant to click any banners because they are known to guide users to other webpages where sometimes viruses or spy ware might get into the computer. Looking at this method in a social media context and SNSs especially, there are two reasons why people in SNSs are neither willing to click nor pay attention to banners.

³⁷ Nielsen, Jakob. (2007) *Banner Blindness Study*. [Internet] UseIt.com. Available from: <http://www.useit.com/alertbox/banner-blindness.html> [Accessed 20th May 2010]

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According to one perception, banner advertising in SNSs is inefficient because in those websites people are focused on networking, keeping contact with their friends, watching people's pictures and profiles or playing with different applications. They are not, however, looking for products to buy.³⁸ Thus, the ads are in a place, where even the actual target group of the brand is not paying attention to the message they normally might be interested in. Another reason why people are not willing to click or even pay attention to the banners, is because they do not want to be interrupted while they are focusing on activities such as chatting or playing with applications. Since people are occupied with other activities, they are less inclined to click on something that would take them away from the site.³⁹ Therefore it is arguable whether social network sites are the place, where banners receive much attention, or increase positive brand recognition.

5.2.3 Pop-ups

Pop-ups are ads that literally pop-up on the screen when browsing through another webpage. The pop-up ads can be divided into two different types: *interstitials* and *superstitials*⁴⁰.

Interstitials are ads that simply appear while waiting next web page to load. These ads give a viewer options either to click the ad, or wait for it to disappear when the next page is loaded. *Superstitials* can be pop-ups or pop-unders, in both of which an ad that appears to the screen requires action from the user to remove them. The difference between the two is that pop-ups usually appear immediately on top of the

³⁸ Shields, Mike. (2008) Facebook Friends Brands. *MediaWeek*. Vol. 18, p. 8 and Economist. (2010c) *Special Reports. Profiting from Friendship*. [Internet]. Economist.com. Available from: http://www.economist.com/specialreports/displaystory.cfm?story_id=15351026 [Accessed 20th May 2010]

³⁹ Shields, 2008

⁴⁰ Chaffey et al. (2003)

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current page, whereas pop-up ads become visible when the user closes the main window.⁴¹ An example of a superstitial is demonstrated in Figure 6.

Pop-up ads are said not only to have the biggest impact on the viewers, but also to cause annoyance because removing them requires action from the receiver.

Intrusive superstitials have been reported as unpopular, even though some advertisers consider them effective.⁴²



Figure 6. Example: Superstitial pop-under

5.2.4 Applications

Applications, in this thesis, mean software that operates in Facebook (and some other SNSs). They can be for example games or entertaining barometers that people can add to their Facebook profiles, if they find them interesting. Applications are add-ins, which the Facebook users can add to their profile pages. Most applications

⁴¹ Belch, George and Belch Michael. (2009) *Advertising and Promotion: An integrated marketing communications perspective 8th Edition*. New York, McGraw-Hill/Irwin

⁴² Chaffey et al. 2003

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are entertaining or made interesting in some other way (e.g. supporting a cause that people want to identify with).

Applications, as a means of advertising, are characteristic to SNSs. Many advertisers have therefore started creating their own applications. For instance H&M and Heineken have their own applications, where the user can win prizes. In the H&M Style Eye application the user can upload their own pictures, where they show their unique style, and people can give points for others' outfits. Three prizes are given out for the people who have scored the most points. In the Heineken Star Player application the users can play a football game, train their player and try to score a winning goal. As a prize, someone can win tickets to UEFA Champions League game to Madrid.

The advantage of these applications, if well designed, is that they engage users to the brand increasing the chance of viral marketing effect and thus increasing the positive brand image and awareness. Another advantage of the applications is that even, if the application would not be that interesting to the users, they can just simply ignore them. Due to the fact that these applications advertise in an invitive way, they do not raise irritation and annoyance in the way that for example banners or pop-ups do.

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5.2 Other methods of promotion in social media

There are also other methods of promotion, which have been found effective in social media. These methods fall into rather different categories of the promotion mix but are all relevant in the context of SNSs and Facebook in particular, will be looked into. These methods are viral marketing, company pages of Facebook, Facebook events and Facebook messages.

5.2.1 Viral marketing (PR)

Viral marketing is word-of-mouth marketing that takes place online. This means that customers recommend a good or a service to their friends, and this way act as opinion leaders to the others.

By the definitions used in this thesis, viral marketing falls into the category of PR, since it is promoting the company and boosting its image without the obvious or direct selling aspect. In the end of the day, viral marketing works with rules similar to PR. With good contacts you can get good publicity, but without them your public presence is limited to paid forms.

In Facebook viral marketing can take place for example in group pages. Anyone can set up a new group, and many people set up groups when they want to share their ideas and opinions with others with similar experiences. Similar kinds of forums are Facebook's company pages, which are targeted for advertisers. The difference between the groups and the pages is that in the groups the discussion is started by the consumers or "fans" whereas the pages are set up by the companies who want to promote.

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5.2.2 Company pages (personal selling and sales promotion)

As mentioned earlier, company pages in Facebook are set up by the companies themselves. In a way, they resemble the homepages of companies, but in Facebook context the communication is interactive. Companies can inform their fans about their new products or promotions, and people can send comments or “like” them (a way of showing support in Facebook by clicking a like-button). Many people also join certain pages in order to get exclusive offers, which are often given for the fans and distributed through the pages. It has been calculated that each Facebook fan a company has, causes a word-of-mouth equivalent to a media spend of € 2.84 a year.⁴³

Considering these characteristics, company pages can be seen as personal selling, due to the interactive communication aspect, and sales promotion through exclusive offers distributed to the customers.

5.2.3 Events (PR)

A third platform for promotion in Facebook is the events application. Just anyone, a private person or a company, can create events where they can invite any people they want. This can be used for promoting events, discussing about them and even loading pictures. The invited people can RSVP by one click, and the event organizer can this way estimate the number of people expected to join the event. Through the event page the organizer can also communicate with the invited people and for example give out exclusive VIPs or discounts.

⁴³ WARC. (2010b) *Facebook fans are valuable to brands*. [Internet] WARC News. Available from: <http://www.warc.com/news/topnews.asp?ID=26574> [Accessed 20th May 2010]

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In some events, the invited people can distribute the invitation to their contacts and invite them to join too. Again, viral marketing takes place. However, to bigger public events, for instance festivals or concerts, anyone join. In these cases the promotions can easily be sent to the self selecting audience.

5.2.4 Messages (direct marketing)

The last method of promotion in Facebook is direct messages that one can send to all the members or fans of groups and pages. Facebook messages function just as regular e-mail, so also messages that are too long to be published on the “wall” of the group or page, can be directly sent to all the group members. This can reach hundreds or even thousands of people.

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6. Is advertising in social media effective?

Since social media are a relatively new promotion channel, and especially the popularity of SNSs has boomed just recently, the effectiveness of the different promotion methods have not been researched much. A lot of contradictions occur in the opinions and statements of social media experts.⁴⁴ User experiences from marketing in social media are also contradictory. Furthermore, there are only few studies of the effectiveness of advertising in social media.

Due to its assumed cost effectiveness, many see social media marketing as a great opportunity for small businesses⁴⁵. According to a survey of 2,000 U.S small-business owners, from the University of Maryland, the social media adoption among businesses with less than 100 employees doubled from 12% to 24% in 2009⁴⁶. However, social media marketing has received a lot of criticism and it has been stated that the ongoing hype that currently goes around social media exceeds the reality⁴⁷. This can be partially true, since according to another research of 500 U.S entrepreneurs, from the same university, 19% of the respondents said that they had actually lost money because of their social media initiatives. Only 22% of the respondents had made profit and 53%

⁴⁴ e.g. Evans. (2008) and Bradshaw, Tim. (2010) *Sorrel questions rush to social media*. [Internet]. Financial Times.com. Available from: http://www.ft.com/cms/s/8a16e6ac-25f2-11df-b2fc-00144feabdc0,Authorised=false.html?_i_location=http%3A%2F%2Fwww.ft.com%2Fcms%2Fs%2F0%2F8a16e6ac-25f2-11df-b2fc-00144feabdc0.html&_i_referer=http%3A%2F%2Fsearch.ft.com%2Fsearch%3FqueryText%3DSorrel%2Bquestions%2Brush%2Bto%2Bsocial%2Bmedia%26ftsearchType%3Dtype_news [Accessed 20th May 2010]

⁴⁵ Economist. (2010c)

⁴⁶ Smith. (2010)

⁴⁷ Chiagouris, Larry. Cited in Needleman. (2010)

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said that they had broken even.⁴⁸ In the study, however, it was not specified what kind of methods of promotion these firms had used in their social media efforts.

According to the CEO of the world's largest marketing and communications group WPP, Facebook among other social media could be a better opportunity for PR agencies rather than traditional advertising⁴⁹. According to him, social media are more of a personal phenomenon rather than commercial. His statements are supported by McKinsey consultancy, according to which marketing campaigns that encourage considerable word-of-mouth among consumers, result in greater impact on sales than more traditional forms of advertising.⁵⁰ These statements support each other, since earlier it has already been discovered that according to the definitions used in this thesis, word-of-mouth or viral marketing are actually PR.

In order to get positive results and to create a successful social media campaign, many elements of marketing have to be integrated, including advertising, digital and PR⁵¹. Careful strategy planning often requires expertise (e.g. knowledge, tools and contacts) that may not be available within a company.⁵² For this reason, it may be necessary to use a consultancy. It is also essential to regularly interact with the consumers instead of just creating an idle profile⁵³. These reasons explain first of all why 50% of the respondents of the latter survey (of 500 U.S entrepreneurs) say that social media marketing takes more effort than expected, and secondly, why some small businesses need to hire outside firms either to instruct in social media use or to handle it on behalf

⁴⁸ Needleman. (2010)

⁴⁹ Bradshaw. (2010)

⁵⁰ WARC. (2010c) *Word-of-mouth has greater impact than ads*. [Internet] WARC News. Available from: <http://www.warc.com/news/topnews.asp?ID=26597> [Accessed 20th May 2010]

⁵¹ Ochman, B.L. (2009) Debunking Six Social Media Myths. *BusinessWeek Online*, 20th Feb, p. 14

⁵² *ibid.*

⁵³ Morgan, Jacob. Cited in Needleman .(2010)

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of the company.⁵⁴ Without a question, this kind of services cost money for companies and therefore the real costs of social media marketing are not really promoted.

6.1 Consumers' response

So far the various opinions of experts and the experiences marketers have been looked into. In order to get an overall picture of the effectiveness of advertising and other promotional methods, it is relevant to have a look at consumers' response to the promotion as well. The most interesting findings of the research of consumers' response to advertising in social network (random sample of Facebook users) are presented below.⁵⁵

The research⁵⁶ indicates that advertising in social networks cannot be considered very effective or worthwhile. According to the findings of the survey, the advertisements in Facebook arouse mainly negative feelings and therefore in the conclusions of the research it is underlined that companies should carefully consider if they want their brand to be associated with those disadvantageous perceptions.

Most of the respondents found advertising in Facebook futile (66%) and even annoying (55%). It has been suggested earlier in this thesis that banners are inefficient form of advertising. Supporting the idea, 95% of the respondents said, that they do not often click the banners and 91% that they do not click the banners willingly. This is a disappointing result for banner advertisers, since most of the banners are intended to attract people to click them and that way to be directed to the marketer's website for further details. This result gives ground to an earlier

⁵⁴ Needleman. (2010)

⁵⁵ Virkkala. (2009)

⁵⁶ *ibid.*

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statement of this thesis claiming that SNSs might not be a fruitful ground for banner ads.

Considering the topic of this thesis, an interesting finding of Virkkala is that besides the fact that 80% of the respondents announced that they do not willingly receive advertising in Facebook, it was also discovered that the advertising most of the respondents (82%) had come across with in Facebook, were banners. In comparison, only 41% of the respondents had run into sponsored applications. As already discussed in the beginning of this chapter, according to various reasons including banner blindness and the interruptive nature of the banners, it has been recognized that this kind of ads are not likely to be effective or suitable for promotional purposes in social network sites. Thus, it is interesting that even though banners are generally not considered to raise interest or even be paid any attention to, they are still very much in use in marketers' social media campaigns. This could explain the contradictory results of the entrepreneurs' social media marketing initiatives⁵⁷, since the poor results and actual losses could be caused by the marketers putting too much emphasis on advertising with banner ads instead of using creatively a more variable set of promotional tools in their campaign.

However, although it has been shown in the research that the advertising consumers come across with in Facebook is considered visible by 65% and even annoying by 55% of the respondents, it should not be forgotten that the ads are in fact being noticed. This is certainly important information, since even though the advertising would not be effective in bringing positive results in increased sales or brand awareness, it needs to be recognized that it still has some effect.

⁵⁷ Needleman. (2010)

7 Conclusion & Recommendations

Considering the results of this research – is advertising in the SNSs then effective or not?

If we simply consider the different methods for advertising and whether they can be used effectively, the claim of this thesis cannot be proven valid. The variety of different possibilities of advertising in SNSs or any other social media websites is basically unlimited. Almost any idea can be executed and realised on the Internet-based applications and only a small number of the existing advertising methods were relevant to this research.

However, when considering the limitations of this research, it can be said that advertising in its current state in the SNSs is not very effective, and it could be used a lot more efficiently. As pointed out in numerous sources, for several reasons consumers find banners off-putting and irritating and yet the banner advertising is still very much in use, even overemphasized. It should not be forgotten however, that banner ads as such have been found to get some attention. Still, often this attention does not create positive image or increase the interest towards promoted brands.

On the other hand applications, which are the other currently available method of advertising in Facebook, have by their nature a completely different approach to increasing the engagement of the users towards the application provider. Considering the main problems of the interruptive ads in the social network environment, applications could be a better option for companies to have their advertising focus on. Creating an interesting application, such as Heineken's football competition, it is not

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only interesting for the consumers to use the application, but also for the company to see the detailed results of the success of the application (active users, user profiles, etc). Furthermore, if the application becomes popular, the viral marketing effect accelerates, creating not only increased brand image, but also positive publicity in general.

It should also be considered that, as mentioned earlier, the banner ads still seem to get attention from the consumers, and this attention could maybe still be taken advantage of. One option could be to use the banners for promoting the companies' other promotions on the same webpage. For instance in Facebook, the banners could advertise some applications, special offers, company pages or some upcoming events. This way the invitive, assumedly more effective forms of promotion, can get more visibility. Furthermore, since the banners would be integrated to the social network environment without trying to guide users away from the site, they would be likely to cause less annoyance and irritation and thus, work more efficiently for the best of the company increasing positive brand image and consumer engagement.

Advertisers see great opportunities in social media, but since it is still a new concept, it is still quite unknown. Perhaps this is one of the reasons why it is often forgotten that advertising alone is not sufficient when effective promotion is wanted. The theory of promotion mix still applies, even though many other marketing rules are outdated in social media.

Stepping back to the basics of marketing, advertising, being only one part of the promotion mix, should not be expected to be very effective if used alone as a single method of promotion and without supporting it with some other elements and carefully planned mix. Successful marketing campaigns are rarely based on one single method of

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promotion, and not surprisingly it is not recommended in social media either. Instead, advertisers should carefully consider how to best attract their target group effectively by using various different methods of promotion mix.

For advertisers considering adoption of social media campaign, it is recommended to spend time and resources in the planning phase and use as much creativity as possible. The more carefully the plan is done, the more secured the success of the campaign will be. The fortunate stories of successful social media campaigns are most often a result of thorough strategies based on careful research. It is somewhat surprising that for some, this has come as a surprise even though it could be assumed only logical.

Things to consider when planning on starting a social media campaign

- **Planning** needs to be done carefully. It is recommended to have a clear plan with strategy and objectives defined.
- **Consulting an expert** or an agency when making the plan. Since the media is new, it is unfamiliar for many, it is therefore important to consult someone who knows the concept, in order to avoid unexpected incidents and negative outcome.
- **Creativity is welcome.** The internet is full of ads and promotions, and you want to stand out. Use creativity and try to get the interested and engaged to your brand.
- **Getting attention is only the first step.** After getting attention, the consumer needs to get interested and then take action. All these steps should be taken into consideration by the marketer.
- **Use various tools** in order to effect on all the steps that lead to purchase and in the end viral effect. The different tools can be found from the Promotion Mix.
- **Fans need to be appreciated** and kept interested by interacting and possibly by giving sales promotions. This way they will stay, and invite their friends.
- **Give enough time and resources** for the campaign to take off.

Table 3. Recommendations for marketers

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