

## **The Implications of Facebook Marketing for Organizations**

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### **ABSTRACT**

With the explosive popularity of Facebook as a social media, there has not been much research that examines Facebook marketing and its implications for businesses. This paper represents an exploratory effort into this direction and analyzes existing Facebook marketing practices and tools, their benefits, and concerns associated with this type of social media marketing. Practical implications are suggested for organizations using Facebook as a social marketing tool and areas for future research are identified.

Keywords: Facebook, Social Media, Marketing, Organizations, Word-of-Mouth

### **INTRODUCTION**

Social media has changed the way organizations do business online over the past few years, and, as a consequence, social media marketing has created its own niche in the business world. Organizations are hiring community managers and social media analysts, and they are forming their own departments, separate from those of the traditional marketing and advertising sectors. As more and more users connect to the social network, it stands to reason that social media is becoming the increasingly accepted mode of communication for the Internet audience. The most visited online social network is Facebook, founded in 2004 and with over 600 million users and presence in over 70 countries (Carlson, 2011; Techtree News Staff, 2008). The Facebook site allows users to create a profile of themselves and explore the profiles of

others, gaining an insight into others' lifestyle and interests (Acar & Polonsky, 2007). In addition, Threatt (2009) suggested that the site can be referred to as a social media portal, with organizations and businesses creating profiles to disseminate information about products and services, shifting the focus from creating personal relationships to reaching customers.

Although a wealth of information is available on social media and social networking in marketing, little is specific to Facebook. This paper will therefore explore the concept of Internet-based social media and networks, marketing using social networks, current Facebook-centric marketing practices and tools, benefits and success factors along with concerns and risks. The existing literature review will be critically analyzed and areas for future research will be presented in an effort to illustrate gaps in the existing studies. Practical implications will be suggested for organizations using Facebook as a social marketing tool.

## **THEORY**

### **Social Media and Social Networking**

Online social networking is building communities that bring people together on the Internet. In today's information-centered society, Internet-based social media and networks are used as tools for online exchange, connection, and communication, allowing users to manage existing relationships while creating new ones (Ryan & Jones, 2009). This creation of relationships forms online communities where interaction and socializing are the main focus, with members sharing similar interests and learning about each other by exchanging information (Buss & Strauss, 2009). This information is often referred to as social media, which is simply the content embodied in social networks; namely photos, status updates, video and links to websites (Eley & Tilley, 2009). They also pointed out that the combination of the concepts of social media and networks has seen the rise of social networking websites such as Facebook, Twitter, MySpace, LinkedIn, and Orkut, all of which aim to connect groups and individuals such as friends, relatives, and business colleagues. Social networking is becoming more popular than other communication methods such as through phone, mobile, face-to-face, and email (Gil-or, 2010a). As mentioned above, this paper will look at Facebook in particular, which is the most visited online social network and has the most number of users (Carlson, 2011; Techtree News Staff, 2008).

## **Facebook as a Marketing Tool**

Facebook data can be compared to a crystal ball to understand customers (Casteleyn, Mottart, & Rutten, 2009). User actions on Facebook appear in the news-feed status, and every single friend is able to see them. Notifications can be delivered straight to email addresses (Shannon et al., 2008). However, because users can build their own profile and write anything they want on Facebook, it does not necessarily provide correct, accurate, and real information about users (Doyle, 2007; Palmer & Koenig-Lewis, 2009; Treadaway & Smith, 2010).

Facebook communities where users are members are the most relevant for marketers (Casteleyn, Mottart, & Rutten, 2009). Through these communities, marketers are able to identify consumer tastes and likes, which is essential in helping to create market segmentation and targeting and positioning strategies (Acar & Polonsky, 2007; Treadaway & Smith, 2010). Marketers can gain valuable information on community members' profiles and from the news feed statements that users post on their walls and pages (Casteleyn, Mottart, & Rutten, 2009). This information can then be used for direct marketing purposes.

Popular Facebook tools via which marketing objectives can be achieved are:

- Facebook profile: A strong profile of the organization can be established on Facebook with its vision and mission statement stated and clearly defined.
- Facebook groups: The following are the most important aspects that can be used to attract consumers: the name of the group, the group topic and image of the group.
- Business/Fan pages: Fans will receive updates from the company as new information is posted. The organization can regularly post information on the business/fan page on upcoming events, articles, games, blogs, podcasts, videos and links.
- Sharing events: The organization can advertise its upcoming events on Facebook.
- Social ads and polls: Social ads can be placed on Facebook according to the age, sex, location, workplaces and education level of the users. Polls can also be organized on Facebook to obtain valuable feedback from users.
- Facebook messages can be tailored and sent to individual users.

## **Benefits from Facebook Marketing**

According to Edelman (2007), customers are currently switching to usage of social networks and are spending much more time with online marketing than with

any other marketing channel. Facebook allows companies to connect with many more people and much more often than the companies would be able to approach through phone calls, emails, or meetings (Luke, 2009). One of the main benefits of social networking for organizations is therefore lower marketing costs in terms of monetary and personnel. With the economic downturn, many companies are trying to find ways to cut spending, and social networking sites are the way for them to market their businesses and reduce their costs. Costs of communication have fallen drastically with Facebook and other social networking sites, creating opportunities for organizations to communicate directly, quickly and consistently with millions of individual customers (Mize, 2009; Palmer & Koenig-Lewis, 2009).

Moreover, the emergence of Facebook as a marketing platform has ushered a new era of personalized and directed advertising. Facebook advertising has consequently grown in popularity. Yang et al. (2008) reported that the advent of targeting ads, specifically toward demographics (age, sex, education, and so on), and tighter restrictions on ad quality has turned Facebook advertising into a viable traffic builder and advertising option for small and large size businesses. Because of its sheer number of active users as well as the level of each user's activity on this social networking website, Facebook is considered an appealing platform for Internet marketing specialists and online advertisers (Francisco, 2006). From an economic point of view, Facebook offers a thorough and competitive tariff system, charging advertisers for a per-click or a per-impression model.

Facebook can be an ideal alternative to telemarketing and marketing research because people are tired of telemarketing and marketing research calls made through call centers. Facebook is an excellent direct-response marketing platform, which can provide immediate and direct answers to marketing questions and problems within the least time period. Through the interaction with customers, organizations can gain valuable insights and feedback about existing and potential products and services.

A few years ago, when social media networking was not available, customers had restricted access to brand information through traditional media. In those times, companies were able to position the brand in the mind of the consumer through their marketing strategies (Schultz, 2010). However, these days, thanks to Facebook, it is the customer who positions the brand and not the company. Levebvre (cited in Bernhardt et al., 2009) agreed and added that customers previously referred to as "the audience" are now actively participating in the creation of information as they are offering their opinions based on personal experiences. This can turn out to benefit a company if positive comments are made about the brand—though it can also turn

against the brand's reputation users post negative remarks. At the same time, useful information is being circulated to other users through blogs, and consumer education is thus occurring simultaneously. Trusov, Bucklin, and Pauwels (2009) found that word-of-mouth referrals by family, friends, and other online participants also have had a strong impact on new customer acquisitions. Furthermore, they also proved that word-of-mouth is a critical factor for companies to enlarge their customer base and that word-of-mouth has longer-lasting effects as compared with traditional marketing tools.

Studies have investigating the link between the interaction component of marketing using social networks and the subsequent purchase of products and services. Shankar and Malhotra (2007) found that some relationships reported that marketing firms are increasingly looking to the conversations occurring online to customize their interactions with the customer. Sivadas, Grewal, and Killaris (1998), for example, identified a link between online music newsgroup readership and the consumption of music-related products and services such as concerts and recorded music.

### **Concerns and Risks Associated with Facebook Marketing**

The concept of social ads has improved the importance of marketing by exploring the links among Facebook users (Goldenberg et al., 2010; Janusz, 2009; Treadaway & Smith, 2010). O'Malley (cited in Palmer & Koenig-Lewis, 2009) pointed out that according to one research, 62% of Generation Y users have accessed a brand or fan community on Facebook, and 48% have joined in a community where they can usually check for sales promotion, releases, and opinions. However, the same research showed that only 19% checked ads and 39% never checked any ads. In fact, people use Facebook to socialize and rarely think about buying something when they log into their Facebook account.

Organizations might create a group page where they can arrange direct connection with a community of people linked by one common interest. However, according to Croft (2008) and Hitwise (2008, cited in Palmer & Koenig-Lewis, 2009), community members feel a sense of ownership among the community, and they might refuse companies to invade their own space. Indeed, Eley and Tilley (2009) suggested that users value privacy and fear social networking sites can reveal those attributes, which are to be shared with selected friends and not with the larger online community. Alternatively, a study conducted by Fogel and Nehmad (2009) indicated that users were greater risk takers than those who did not participate in social networking,

implying that participants were aware of the privacy concerns and were comfortable with the associated risks.

Sellers must interact with community members in order to spread positive word-of-mouth and to collect information on consumer tastes and needs (Gil-Or, 2010b; Palmer & Koenig-Lewis, 2009). However, if the communities turn into a seller's domination, it might become a conventional channel of communication, and the seller will miss the opportunities and benefits provided by communities (Acar & Polonsky, 2007; Palmer & Koenig-Lewis, 2009).

Duncan-Durst (2009) believed that unless organizations spend \$10,000 a month to work with their own Facebook sales representative, they are forced to rely on "Facebook help and a prayer to resolve their marketing challenges." The other marketing cost is related to time and cost of both developing a strategy and the ongoing management of the Facebook site.

In surprising new research (Porterfield, 2010), 65% of respondents stated that their companies did not experience an increase in revenue or profit when using social media. However, this may be misleading because 36% stated they did not have enough data to correctly analyze return on investment. The report also revealed that the companies achieving success were twice as likely to have a social media strategy and someone dedicated to manage the social media.

### **PRACTICAL IMPLICATIONS**

The benefits for organizations of marketing on Facebook we have seen above are lower communication costs, personalized and directed advertising, immediate feedback from customers, word-of-mouth referrals and positive influence on buyer behavior. On the other hand, Facebook users may simply ignore Facebook marketing and be weary with flooding of their walls with advertisements; privacy violations and abuse of information by third parties and sellers' domination of communities are possible; there is no proper measure of the return on investment in Facebook marketing and organizations still have to invest time, effort, and personnel costs into Facebook marketing.

Some practical implications emerge from the above discussion. Ertell (2010) believed that loyal customers want to connect with businesses through social media, but it is how businesses interact with them once they get there that fosters greater loyalty and the likelihood to buy in the future. Ertell went on to state that 49% of customers join to find out about special offers or promotions, while 45% would like more product information. Grant (cited in Chiger, 2010) explained that organizations

need to be “relevant, compelling and fresh.” Businesses therefore need to strike a balance of giving customers the product information they want, without sounding too much like salespersons. Ireson (2010) suggested that the main reason that Facebook marketing will work is because the organization will enter a community and engage as a friend to customers and that Facebook itself is based around the premise of friendship implying trust. With regards to the concept of trust, organizations must ensure that they strictly follow privacy laws and that private information is not sold to or misused by third parties to the detriment of individuals. Consumers must always have the right to “unlike” organizations or opt out from getting marketing information from organizations.

Because Facebook is becoming a new marketing tool for companies to enhance their brand awareness, they need to adopt new marketing policies and strategies that are different from the traditional ones. Marketing teams need to learn new communication strategies about how to maintain and improve long-term relationships with existing customers and also how to reach out to other prospective customers (Gil-Or, 2010a). Aufferman (2010) expanded on the notion of integrating Facebook into the wider marketing strategy by ensuring clarity in the organization’s business plan inclusive of the establishment of a social policy, business process reengineering, and integrated listening.

Previous research implied that social networks enable information dissemination to occur not only between companies and the customer, but also between networks of customers (Mangold & Faulds, 2009). Mangold and Faulds (2009) also suggested that social media is part of the promotional mix and proposed the following to guide interactions in order to have a positive impact on the organization:

- Create communities of people who share interests.
- Engage customers using social networking tools such as blogs.
- Appeal to a range of customers by combining marketing tools.
- Disseminate product information.
- Give customers a notion of exclusivity regarding certain products.
- Create products that make customers converse with each other and the organization.
- Appeal to the customer’s affinity with causes.
- Create memories through storytelling.
- Think outside the square and challenge extremes.

Future research could examine the following interesting issues related to

Facebook marketing: consumers' social networking behavior to understand how they use Facebook; the segmentation of the online communities on Facebook; and how can companies measure the return on investment of Facebook participation? Research can also examine studies regarding effects of visual advertising and integration of Facebook with traditional marketing methods.

### CONCLUSION

Organizations are interested in exchanging and spreading information, trading products or services, staying close to current and potential customers, acquiring a better understanding of their customers and other benefits generated by Facebook. The increase of communication flow of information among customers together with the increased availability of assorted communication channels is creating a new level of complexity in the design and implementation of new marketing strategies. Facebook does not replace the traditional marketing tools but can be used as a complement to existing traditional promotional tools.

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