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THE IMPACT OF SOCIAL MEDIA MARKETING ON CONSUMER BUYING BEHAVIOUR: THEORETICAL ASPECT

Abstract

This research studies the impact of social media marketing on consumer buying behaviour. The aim of this research is to explore how social interactive tools have an influence on buying decision process and how others' product-related opinions collected from social and digital environment are influential on buying decisions in different markets.

This project sought to assess the impact of social media on the decision making process among the consumers. The study's general objective was to establish the impact of social media on consumer's decision making process among the consumers across different level of the society.

The study was guided by the following specific objectives: to find out how social media influences the pre-purchase stage in buyer's decision process, to determine how social media influences the purchase stage in buyer's decision process, and to determine how social media influences the post purchase stage in buyer's decision process.

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The study aims at integration of social media marketing communication tools and consistency in the message communicated via social media tools. In addition, it aims to have conclusive recommendations for further study which should include involvement in marketing research with a core purpose of delivering per consumer needs, as well as gaining an understanding of trending social media activities so as to meet demands of changing technological world.

Key words:

Social media, consumer buying behaviour, social networking sites, social media marketing, behavioural economics, decision making, marketing strategies, european economy, consumer analysis.

JEL: D03, E03.

Introduction

Digital technologies have recently represented a new way for consumer behaviour by developing a range of user generated content platforms and social interactive tools and created the term of social media (Kaplan and Heinlein, 2010).

As the usage of the social media has become more popular, these tools are perceived as a source by consumers to search information about the products during their buying decision process. Consumers use technology and especially social media in the online shopping process effectively. This process related to meeting the needs of consumers defined as an electronic process and it stated that social media plays an important role in this regard. Social media marketing is expressed as a process that allows business to introduce their products and services to consumers through social media and in this direction realization of marketing activities. A study about usage of Facebook in Turkey found that people use Facebook to maintain existing friendships rather than to expand entourage. Therefore, it can be stated that social media applications such as Facebook, Instagram and twitter allows them to communicate with other people and to continue this communication, play an important role in consumer online purchasing behaviour.

The objectives of the study are to study the reason of online consumer's Social Media usage and to study the European customers buying behaviour with respect to Social media marketing. It will focus on the effectiveness of Social Media tools like Face book, Twitter, YouTube, Instagram on the consumer behaviour and study the impact of social media advertising on consumers belonging to different demographic factors such as qualification, annual income, occupation and place.

Behavioural Economics

The most important trend in recent decades in economics is the greater emphasis placed on aspects of behavioural economics, which uses many insights from related fields such as psychology. The essential element of behavioural economics is that it argues individual agents are often not rational and often do not seek to maximise utility. Behavioural economics examines how agents can be influenced by biases, and make decisions not predicted by neo-classical economic theory. Behavioural economics can explain the irrational exuberance of booms and busts.

Behavioural economics traces these decision errors to the design of the human mind. Neuroscientists argue that the mind consists of many different parts (mental processes), each operating by its own logic. The brain is best represented by an organization of systems that interact with each other. A key insight is that the brain is a democracy. That is, there is no dominant decision maker. Although the behavioural goal of an individual can be stated as maximizing happiness, reaching that goal requires contributions from several brain regions. Figure 1.

Behavioural economics attempts to integrate psychologists' understanding of human behaviour into economic analysis. In this respect, behavioural economics parallels cognitive psychology, which attempts to guide individuals toward healthier behaviours by correcting cognitive and emotional barriers to the pursuit of genuine self-interest.

Finally, behavioural economics suggests ways how policy makers might restructure environments to facilitate better choices. The focus on errors suggests ways how policy makers might restructure environments to facilitate (Nudge, 2008) better choices. For example, simply rearranging items that are currently offered within the school encourages children to buy more nutritious items (e.g., placing the fruit at eye level, making choices less convenient by moving soda machine into more distant areas, or requiring student pay cash for desserts and soft drinks).

Figure 1

Components of Behavioural Economics

In sum, the basic message of behavioural economic is that humans are hard wired to make judgment errors and they need a nudge to make decisions that are in their own best interest. The understanding of where people go wrong can help people go right. This approach complements and enhances the rational choice model.

Forthcoming in Faith & Economics as a young graduate student, reading Richard Thaler's stories about his journey «making» a «new» academic discipline is nothing short of exhilarating. Thaler writes with equal parts wit and precision, covering topics of economic research, finance, and public policy. In doing so he employs many more anecdotes and stories than empirical strategies and identification methodologies. The book is more of a historical tell-all that reads like a personal memoir than a treatise summarizing a productive academic career.

Misbehaving presents a chronological history of the formation of behavioural economics beginning in the 1970's while Thaler was a graduate student and lecturer at the University of Rochester. He writes about the blackboard in his office where he listed behaviours that seemed inconsistent with the typical economic model of rational choice, and the «supposedly irrelevant factors» economists seem to ignore. Moving to the 1980's, and on to Cornell University, Thaler summarizes his work with Daniel Kahneman and others on mental accounting, self-control, and fairness.

Near the end of the 1980's Thaler's research in behavioural economics started to gain the attention of some key players in the economics profession. Thaler writes of a colourful 1985 conference at the University of Chicago that pitted rationalists and behaviourists against each other for, what was perhaps, the first time ever. Present at this event was Herbert Simon, Amos Tverksy, Daniel Kahneman, Kenneth Arrow, Robert

Two existing Nobel laureates, six that have won Nobel's since, and several more that are on the short list to be awarded a Nobel in the near future.

In the 1990's, as the insights of behavioural economics began to make a growing number of economists rethink the conventional wisdom of their profession, Thaler and others began to examine the efficient market hypothesis. In fact, it is in financial economics that the so-called behavioural approach has possibly made its largest impact. Biased by hindsight, it is astonishing to look back on the 1980's when economists knew they knew that financial markets operated efficiently.

Most recently, and after moving to the University Of Chicago Booth School Of Business where he is now a Professor of Behavioural Science and Economics, Thaler focuses on behavioural insights to law and public policy. This work has influenced many economists, researchers, and policy advisers who are now applying lessons of behavioural economics to our world's most puzzling problems.

Thaler, Richard (13) presents behavioural economics as having three essential elements called «the three bounds»: bounded rationality, bounded willpower, and bounded self-interest .Stemming from Herbert Simon's idea that humans are rationally satisficing, rather than rationally optimizing wants and needs, behavioural economics rejects the role of constrained optimization in human decision making .Additionally, humans seem to experience a universal struggle with self-control and many seem to possess an intuitive attraction to fairness. Simply stated, behavioural economics suggests that relationships matter when making economic choices, even when the stakes are relatively high.

The book is organized into eight sections with several chapters under each heading. Sections include «Mental Accounting», «Self-Control», «Working with Danny», «Engaging the Economics Profession», «Finance», among several others. Chapters range from entertaining stories – there is a fun chapter on how the faculty from the Chicago Booth School of Business decided to allocate office space in their new building – to deeper descriptions of Thaler's empirical research – on sunk costs, socio-emotional goods, and the «Save More Tomorrow» program.

Some Christian economists, who I've had the pleasure of learning from, have suggested that the behavioural economics view of the human condition is much closer to the Christian understanding than the traditional neoclassical framework. This suggestion is left vague likely because there is little consensus as to what the Bible actually says is a «good economy» or what Christian economists should actually do (12; 16).

Rather than a new iteration of economic science, behavioural economics may be more accurately a rediscovery of the foundations of the discipline. Thaler mentions multiple times that Adam Smith (15), the so-called father of modern economics, was in fact a behavioural economist. In his Theory of Moral Sentiments Smith writes, «Man naturally desires, not only to be loved, but to be lovely; or to be that thing which is the natural and proper object of love». This sentiment may sit well with most Christians, but many may add that, in our best moments, we also desire to love others.

Put together, the idea that human nature is governed by tensions between desires to be loved, to be lovely, and to love challenges the simpleton homo economics with a much richer and full theory of human behaviour.

Economists, both secular and Christian, would benefit from recovering the philosophical roots of the discipline pushed aside by simplifying assumptions. Thaler points out that even in our most objective moments economists cannot not be doing philosophy. For example, businesses using simple cost-benefit analysis are employing a utilitarian moral philosophy popularized by John Stuart Mill. More broadly when we think about the economy or society or economic development or poverty or inequality what is the end purpose of it all? Is material wealth simply the only thing that matters, or is material wealth a means for something else and perhaps far greater such as human dignity, restored relationships, and the freedom to love God and love others?

The moral heart of economics is home to a fundamental belief in freedom. Indeed, this is where undergraduate introductory courses in economics begin – with the idea that individuals are the best at ranking their own preferences. Next, a measure of this ranking, called utility, is introduced. From here the assumption is made that improvements in welfare occur when utility is improved. By this economist assume that people are better off with an increased set of choices.

Thaler and the generation of behavioural economists he has inspired are rethinking this assumption by showing that paternalism, carefully defined, is not necessarily the antithesis of freedom. As Esther Duflo discusses in a 2012 lecture, people who live in poor countries have the freedom to drink either clean water or dirty water. Rich countries, on the other hand, have taken the paternalistic action to effectively restrict their occupants to drink only clean water. In this simple case, who has more freedom? Does less freedom lead to more prosperity? Was Amartya Sen Wrong? Or do we benefit from having some choices taken away so that our limited mental bandwidth can be spent on other more complicated choices and aspects of life?

Keeping Thaler's (13) political philosophy of «libertarian paternalism» in mind, consider Paul's so-called paradox of freedom as he writes to the Galatian church: to be free, learn to be slaves to one another in love. If freedom is radicalized and used to live a life of conspicuous consumption, envy, greed, and selfishness – these things will ultimately restrict your freedom. As N.T. Wright preaches, «They will create habits of mind and imagination, far more powerful than habits of the body. The alternative is a fundamental Christian virtue and one that Smith (15) wrote about at length in his Theory of Moral Sentiments: love. Enslaving yourself in love to other people means empathizing with them and making their joys and laments your own concern.

This recovery of philosophical roots is well received by me and I hope by other Christian economists. I've heard some bemoan the humble task of Christian economics as simply being philosophy dressed up to look like economics. This statement may be intended to be a critique, but it very well may be the point. As Diane Coyle says in her 2012 Tanner Lecture: «It should not really be controversial among economists – although it will be – to suggest that economics as an intellectual discipline and professional practice has helped shape the economy» (Coyle, 2012). The world has been formed by the implicit values of «value-free» economic analysis so that the neoclassical model has become a self-fulfilling prophecy. Christian economists can and should apply moral philosophy to their work. A theologically grounded philosophical anthropology about «the good life» may help build God's Kingdom «on earth as it is in heaven» (12; 16).

Thaler's (13) newest book is an excellent and at times riveting account of the rebirth of behavioural economics. For Christian economists this book can be an introduction and summary of the most mainstream critique of neoclassical economic theory of the past several decades. Social Media Researchers and media experts have proposed various definitions for social media. Kaplan and Haenlein (2010) give a general definition of social media in consideration of Web 2.0 and User-Generated Content. Social media is a group of internet-based applications that build on the ideological and technological foundations of Web 2.0 and that allow the creation and exchange of User Generated Content (Kaplan & Haenlein, 2010, s. 61).

Social media is also defined as the use of electronic and Internet tools for the purpose of sharing and discussing information and experiences with other human beings in more efficient ways. Social media is considered as the use of technology combined with social interaction to create or co-create value. According to Merriam-Webster dictionary, social media is defined as forms of electronic communication through which users create online communities to share information, ideas, personal messages and other content.

Social media is «the means for any person to: publish digital, creative content; provide and obtain real-time feedback via online discussions, commentary and evaluations; and incorporate changes or corrections to the original content».

The online encyclopaedia wiki defines social media as media for 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. Despite all kinds of definitions, it is not hard to identify three fundamental elements that support the existence and prosperity of social media that is content, communities and Web 2.0. Without the technology, social media is just empty talk. The Web 2.0 technology enables people to use various platforms to share, discuss and create contents with each other in the community. Nevertheless, technology becomes meaningless by itself unless people employ it to create value. From that point of view, communities (formed by people), content and Web 2.0 are complementary and necessary to each other.

Consumer Buying Behaviour

In order to influence customers' purchase decision, it is important to understand its features. In this chapter, the author will explain the different type of buying behaviours and discover influencing factors of purchase decision.

The four type of buying behaviours. Customer behaviour refers to «all activities associated with the purchase, use and disposal of goods and services». This also includes «the consumer's emotional, mental and behavioural responses that precede or follow these activities». Customer behaviour can be influenced by four different factors, which are cultural, social, personal and psychological factors.

First of all, there exist several types of customer purchase decision behaviour. Kotler (2005) has defined four different types of customer purchase decision behaviour based on different levels of brand's distinction and customer's involvement. These four different types of customer purchase decision behaviour are: complex buying behaviour, variety-seeking buying behaviour, dissonance-reduction buying behaviour, habitual buying behaviour. The figure 2 below helps to understand how they are displayed.

Complex buying behaviour happens when customer is highly involved in the buying process. They take time to gather all information about the product's features and function. Brand image is also important for customer in complex buying behaviour. This type of behaviour often applies when customer wants to purchase a product with high value or for a long term usage, such as a car for example. The second type of customer buying behaviour is dissonance-reduction buying behaviour. It is defined by high level of customer involvement but low brands differentiation. Customers are very attentive to the product's features; however, they do not carefully compare similar products from different brands. This behaviour can apply when customers are buying easily available products. Variety-seeking buying behaviour takes place when customer is less involved in purchase process. However, they are carefully considering differences between brands. This type of behaviour usually applies for goods or services at low price. This type of behaviour is difficult to manage for brands because customers won't hesitate to switch brands if they are not satisfying by the product or services they bought.

Figure 2

Four type of buying behaviours

	High involvement	Low involvement
Significant differences between brands	Complex buying behavior	Variety-seeking buying behavior
Few differences between brands	Dissonance-reducing buying behavior	Habitual buying behavior

Source: Pearson education, Inc. 2012

The final buying behaviour here is called habitual buying behaviour. This refers to the purchase of day to day goods or services. Customers are not particularly involved in the process and do not really pay attention to differences between brands. In the case of the chocolate factory used in this thesis, customers' variety-seeking buying behaviour is the one that occurs. Indeed, customers are usually not highly involved in the purchase process and do not carefully compare different brands. However, if not satisfy, they can easily switch brand. According to Kelman customers purchase decision can be affected by three different modes of social influences:

The first is identification. It occurs when a person accepts to be influenced by someone because of its status insight of the group. For example, when an individual want to integrate into a group of people, he or she accept the leader's argument without condition in order to be associated with him. Identification process can also occur when an individual admires another person, such as a pop idol, and wants be like him or her. In marketing, social icon is called influencers.

The second is compliance. In some cases, compliance can be similar to obedience without order. It occurs when somebody does what other people want him or her to do, following a suggestion or a request. During compliance process, individuals change their public behaviour but keep their private beliefs. Therefore, compliance process does not request emotional investment. Last social influence is internalization. It is the deepest level of influence, which is usually made on a long-term basis. It occurs when individuals change the way they act in public and their private beliefs at the same time. Due to the digitalisation and the existence of social media platforms, social behaviours have changed since Kelan's research. However, if the sources of social influence have changed, social influences itself remain accurate.

Analysing behaviour and everything that influences behaviour? Making the complexities possible to grasp by taking one step at a time! But still using a holistic view! Looking at consumers from different perspectives: as a marketeer, as a distributor, from a shop perspective, from a customer perspective and from the regulator/government perspective!

The goal is to become better thinkers concerning consumers and customers! Consumer Behaviour Definition, According to Peter, Olsen & Grunert model Consumer behaviour is dynamic & Consumer behaviour is built on interactions. Consumer behaviour consists of exchange relationships

Consumer behaviour is dynamic -Individual consumers, consumer groups and among these housholds and society at large are changing at an increasing speed. A generalisation about consumer behaviour is to a very large extent limited in time and space. Marketing strategies must always be adjusted to new circumstances! Consumer behaviour is built on interactions -To understand consumers and to develop efficient marketing strategies we must understand what consumers think (coginition), how they feel (affective processes), what they do (behaviour) and what happends in the environment and in the market that influence and is influences by what the consumer thinks, feels and does.

Consumer behaviour consists of exchange relationships- As the market concept has been developed more and more various types of exchanges have been studied. Exchange of money, goods, services, political thinking, religious thoughts, art etc.

Figure 3

The Wheel of Consumer Behaviour

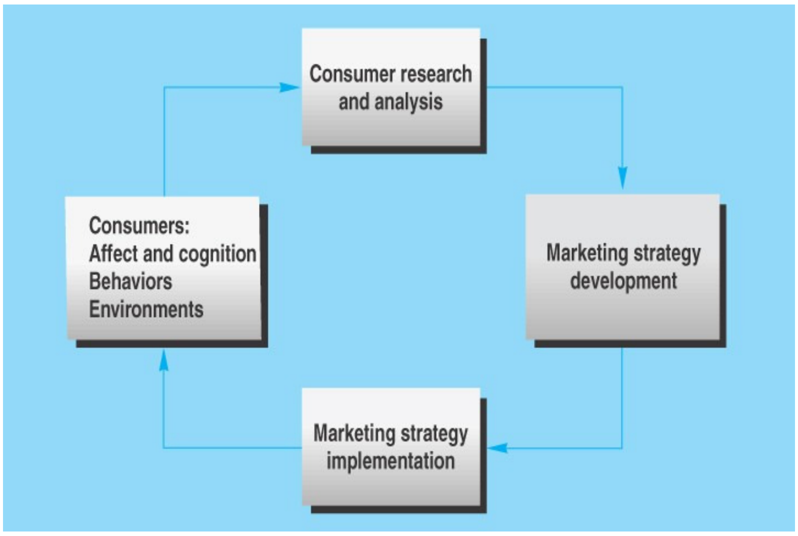
Affect and cognition.Strong feelings like love, annoyance and hate, Less strong feelings lika satisfaction and frustration General feelings like being relaxed or bored , Feelings about products and services, e g «I like product X!» Cognition are mental processes and knowledge structures we use when we as individuals react on changes in our environment. Cognitive processes take the form of: Knowledges we base on experience and that we store in our memory. Psychological processes is when we become aware of and understand our environment, when we remember things, when we evaluate alternative courses of action,when we make decisions about where, when and how we buy products and services.

Behaviour is study of Consumers' overt actions that we can observe directly. Consumer environment is the environment is the complex envionment of physical and social stimuli around the consumer. This consists of things, places and people.

The marketer can to varying degrees influence some of these stimuli, e g proucts, pacaging, services, advertising, personal selling, pricing, store layout etc. Other stimuli can be studied and forecasted, e g competiors actions. Finally some facors in the environment are totally unpredictable. Figure 4

Figure 4

The dynamic duo of consumer analysis and marketing strategy



Conclusion

In closing a general caution begs attention. Behavioural economics has seemingly become exponentially popular in recent years. What's potentially alarming about this reality is the possibility that behavioural economics has simply become a new technocratic gadget to engineer society. Many are familiar with Friedrich Hayek's famous quote: «The curious task of economics is to demonstrate to men how little they really know about what they imagine they can design». It is healthy to remember that society and the economy are complex systems. Social, economic, and political changes are always tricky and often violent. This caution must not be taken to its extreme, however, as even Hayek expressed nuance about simply leaving the status quo untouched. In his free-market manifesto, «The Road to Serfdom», Hayek wrote: «There is, in particular, all the difference between deliberately creating a system within which competition will work as beneficially as possible and passively accepting institutions as they are. Behavioural economics provides the insights and tools to exist – in fact make a career – balancing the complexity of the world and the call to make it better. Circumstances such as the prices of the resources, goods and services available, scarce income, limited and localized technology for transforming such resources into finished goods and services, taxes imposed on them by their organizations, regulations by their governments and other objective limitations on the choices that they make. Therefore, human behaviour explained in behavioural economics plays a great role in rescuing the economic man from the selfish gene.

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