

## APPROVAL

'I hereby acknowledge that I have read this works and in my opinion this works is sufficient in terms of scope and quality for the submission and award of a Bachelor Degree of Technology Management (High-Technology Marketing) with Honours'

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THE EFFECT OF FACEBOOK ADVERTISING ON  
GENERATION Y PURCHASE DECISION

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This Report Submitted In Partial Fulfillment of  
The Requirements For The Award Bachelor of Technology Management ( High  
Technology Marketing) With Honors

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## DECLARATION

“I hereby declare that this thesis entitle “The Effect Of Facebook Advertising On Generation Y Purchase Decision” is my own work except for the quotations summaries that have been duty acknowledged”

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## DEDICATION

I dedicated this research to my parents and supervisor, who taught me to think, understand and express. Special thanks to Universiti Teknikal Malaysia Melaka for giving me the opportunity and new experiences in my life to complete this valuable research. Thank you for motivation, inspiration and guidance to pass through the process of this research.

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## ABSTRACT

In Malaysia, Facebook has announced the regulations for promoting the advertisement as the buyers may unconsciously confuse between personnel Facebook account and also business pages would be seen as annoying. Therefore, this study is to benefit the marketers to more effectively reach Generation Y customers as in this globalisation era, for every marketer, it is challenge to address the influence of Facebook advertisements on this generation's buying behaviour. Hence, the aims of this study is to investigate the effect of Facebook advertising on Gen Y purchase decision and moderating effect of demographic factors on the relationship between perception of Facebook and purchase decision. The three perceptions proposed in the model, namely perceived trust, perceived informativeness and perceived risk with moderating effects of gender, education level and occupation between perceptions of Facebook advertising and consumer purchasing decision. The quantitative research was used for 300 respondents from Gen Y participated were selected from Generation Y in Johor, Malaysia and close-ended question in form of Nine- Likert scale used in the study. The data analysis was conducted using Pearson's Correlation while Multiple Regression Analysis are conducted hypotheses testing and to test the Moderating Effect. Results of the study shows that perceived trust and perceived risk have a significant relationship with purchase decision, but perceived informativeness does not have a significant relationship with purchase decision. In addition, only gender had a significant moderating effect on the relationship between perception of Facebook ads and purchase decision. While education level and occupation does not have a significant moderating effect on the relationship between perception of Facebook ads and purchase decision.

*Keyword: Facebook, Generation Y, perceived factors, moderating effects*

## **ABSTRAK**

Di Malaysia, Facebook telah mengumumkan peraturan untuk mempromosikan iklan kerana pembeli mungkin tidak sedar membezakan antara personel akaun Facebook dan juga laman web perniagaan akan diabaikan. Oleh itu, kajian ini adalah untuk memberi manfaat kepada para pemasar agar lebih berkesan mencapai pelanggan di kalangan Generasi Y pada era globalisasi ini, bagi setiap pemasar, ia adalah satu cabaran untuk menangani pengaruh pengiklanan Facebook mengenai tingkah laku pembelian generasi ini. Jadi, matlamat kajian ini adalah untuk mengkaji kesan pengiklanan Facebook mengenai keputusan tentang pembelian di kalangan Gen Y dan kesan moderator yang faktor demografi mengenai hubungan antara persepsi Facebook dan keputusan pembelian. Ketiga persepsi yang dicadangkan dalam model ini adalah persepsi kepercayaan, persepsi maklumat dan persepsi risiko dengan kesan moderator iaitu jantina, tahap pendidikan dan pekerjaan antara persepsi pengiklanan Facebook dan keputusan pembelian pengguna. Kemudian, kajian ini menggunakan kaedah kuantitatif untuk melakukan kajian kerana keperluan untuk mengedarkan soal selidik kepada 300 orang Gen Y dipilih rangka pensampelan yang mana di Johor, Malaysia. Jenis soal selidik yang digunakan adalah soalan tertutup dalam bentuk sembilan skala Likert. Analisis data telah digunakan korelasi, Multiple Regression Analysis untuk menguji hipotesis dan Moderating Effect. Penyelidikan ini mendedahkan persepsi kepercayaan dan persepsi risiko adalah mempunyai hubungan yang signifikan terhadap keputusan pembelian kecuali persepsi maklumat tidak signifikan terhadap keputusan pembelian. Tambahan lagi, hanya jantina berhubungan yang signifikan kesan moderator dengan persepsi faktor dan keputusan pembelian. Manakala tahap pendidikan dan pekerjaan tidak signifikan kesan moderator terhadap persepsi faktor dan keputusan pembelian.

*Keyword: Facebook, Generation Y, persepsi faktor, kesan moderating effect*

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## CHAPTER 1

### INTRODUCTION

#### 1.1 Background of Study

The rapid growth of mobile technologies, Internet and social media has huge effect on global marketing communications strategies especially to target younger generations who are born between 1982 and 1994 (Duffett, 2015). The Generation Y also known as millennial or digital natives which are incredibly complicated, highly experienced with technology, resistant to most traditional marketing and sales modulation. Generation Y consists of individuals born between 1980 until 2000 (Cennamo & Gardner, 2011) type of gen articles. This cohort is economically vigorous and consumes about \$200 billion whole year (Djamasbi *et al.*, 2010). It is crucial for marketers to examine characteristic and behaviors of Gen Y in order to offer products and services to this group. In order to increase consumers' awareness and create new business opportunities, marketers should begin using social networking website appeals in their ads.

Moreover, this younger generation is skilled and advanced in technological usage because they are grew up in the information age and tend to use the media on daily life (Muda *et al.*, 2016). According to Ganesan, 2012 in research has stated that this generation is full of employment, dual income household and increased awareness and respect for cultural diversity. There are believed to be the biggest group of people who utilize the Internet as a main channel for online shopping. According to Sachs (2017) Gen Y is one of the biggest generations in history. It pointed out that they are poised to rebuild the economy; their extraordinary experiences will alter the methods they buy and sell, requiring companies to investigate how they run business in the future.

Social media platform has become an important channel for global marketing communication especially for younger generation. Even small- scale firms and businesses using social media (Facebook) with the lowest budgets comparing to those who pay large amount to advertise in non-virtual media (Dehghani & Tumer, 2015). Social media is a phenomenon that has drawn a lot of attention both by companies and individual to interact on the networking landscape (Alhaddad, 2015). Inspired by the power of some types of social media (such as Facebook, WhatsApp, Instagram, etc) to improve users in virtual relationships, many companies have looked for paths to get engaged in the “people’s internet” and to leverage the “likes,” “shares” and “comments” for their brands’ profit (Andriole, 2010). The Statistics Portal (2017) projected that the number of Facebook users will be increase from 11.04 million in 2016 in Malaysia and it is anticipated to achieve 13.57 million in this coming 2019.

Facebook is considered as an attractive tool for marketers because it has many communication options (Baglione *et al.*, 2017). As such, Facebook could be used for close supervision to assess the customers’ feedback and monitor rivals by creating a good customer relationship. Facebook is a virtual community where users create profiles, share information and interact with contacts. Facebook can be used by small companies to reach big numbers of people and potentially to increase their

sales. In terms of cost to reach a thousand people, Facebook advertisements reach a brand's target market quickly and provide two ways communication where consumers can detail their requirements (Hansson *et al.*, 2013). Additionally, Hansson *et al.* (2013) mentioned that Facebook ads receive on-going feedback information which allows brand managers to identify their consumers' consumption patterns. This is probably because vast use of Facebook has made businesses to target specific customer and promoting their product or services through attractive advertisements. Therefore, the purpose of this paper is to examine the factors and design a research framework that influences Gen Y purchase decision behaviour so it enables that marketers or companies to understand Gen Y purchase decision.

## 1.2 Problem Statement

Recently, there has been growth among business or even newly set up companies to advertise on Facebook so the right advertisement should be carefully chosen in order to attract new customers. The Statistics Portal (2017) mentioned that Facebook (FB) had greater than 1.94 billion global active users in every month in the first quarter of 2017 and also approximately about 1.74 billion mobile monthly active users. In addition, Casey (2017) in its 2016 Social Media Report revealed that Millennials who is the second of heavy users spent on social media via smartphone. That's mean companies have to grasp these opportunities to spread their business to its potential customers as well. However, Edwards (2012) warned that advertisers or marketers should worry about advertising on Facebook pages. He mentioned that there are such things as a "free" page at Facebook, many posts made by advertisers are just reached by a little proportion of followers because users' news feed are so crowded. Moreover, since the symbolism can be viewed as wrong or contain intentions that may be viewed as annoying, Facebook has created rules for promoting the advertisement (Facebook, 2017).

The Statista Portal (2017) showed that the number of Facebook users in Malaysia is increased from 11.04 million in 2016 and likely to achieve 13.57 million in 2019. Facebook's total advertising revenue grew to \$8.63 billion in the fourth quarter of 2016, a 53 percent increase over the same period a year earlier and (Swant, 2017). In the above statements, Edwards (2012) revealed that speed of Facebook which mean that coming out many new products quickly and it's confusing for consumers. The authors also said that Facebook's ads come in different shapes and sizes than standard display format ads which mean that clients have to create separate purchasing decision before they buy on Facebook. Hence company should wisely use Facebook advertising in correct ways which include fan pages publish content of their own brand must be trusted; visuals content increase people's willingness to read especially Gen Y. Additionally, how a company ensures that the advertising on Facebook would reach their target audiences, if they are reachable which effects of Facebook advertising has the most influence on them. In this research, the effect of advertisement in Facebook on Gen Y purchase decision should be analyzed for their potential.

### **1.3 Research Questions**

The research aims to understand and identify how the effects of Facebook advertising on the Gen Y purchase decision. To achieve the aims this study are guided by the following questions:

- i. What are the factors contribute to consumer purchasing decision based on Facebook advertising?
- ii. What are the most influencing factors contribute to consumer purchasing decision based on Facebook advertising?

- iii. Does demographic factors moderate the relationship between perceptions of Facebook advertising and consumer purchase decision?

#### **1.4 Research Objectives**

The purpose of the paper is to identify the effect of Facebook advertising on Gen Y purchasing decision. The specific objectives of this research are shown in the below:

- i. To study factor contribute to consumer purchasing decision based on Facebook advertising.
- ii. To identify the most influencing factor contribute to consumer purchasing decision based on Facebook advertising.
- iii. To analyze the moderating effects of demographic factors on the relationship between consumer's perceptions on Facebook advertising and consumer's purchase decision based on Facebook advertising.

## 1.5 Scope of Research

Over the past year, it is crucial for every business to explore potential of Facebook advertising that allows reaching the right people. This is because Facebook offers varieties of advertising formats especially Facebook Ads Manager (2017) which select format based on business requirements such as objectives, locations and target audiences. This scope of study would be listed out.

The scope of this research is to study Generation Y purchase decision towards the effectiveness of advertising Facebook by several of factors such as perceived trust, perceived informativeness and perceived risk in the competitive market place. Facebook is used in nearly every country in the world. Dan (2017) claimed that in December 2016, there are 1.15 billion mobile daily active users (Mobile DAU); the third quarter of 2017 results was released by Facebook.

The selected area is Johor, Malaysia which is located in the Southeast Asia in this study. It aimed the Generation Y of Malaysia which usually represent to the people born in between 1980s until 2000s. Thus scope of this study it to determine the Gen Y purchase decision that are range between 17 to 37 years old and having their living life in Johor, Malaysia.

Moreover, the scope of this study only focuses on social media which is Facebook instead of others. This is because nowadays there are many people prefer to create account in Facebook in order to get in touch with others therefore organizations or marketers consider Facebook as a communication medium. Finally, Generation Y is only respondent group selected for this study because they are born in technology environment and there is still a mystery about in this group of people.

Hence, it has become essential for marketers or companies who want to advertise through social media Facebook in the culture of developing countries like Malaysia. Therefore, they should know and learn about how advertising on Facebook works and earn profits so they can design a more effective marketing strategy. They also would understand the characteristic of Gen Y purchase decision.

## **1.6 Importance of Research**

This research is to provide insight about factors of advertisement in Facebook will influence Gen Y purchase decision. It would benefit to everyone for the purpose of academics or references such as marketing area, research on social network marketing, research on effect of social media and others. This study is a guidance that allows someone who intends to study related to marketing area, they can make it as secondary data in order to add extra idea into their own research. It is also advices for Facebook marketers or companies to help ad performance greatly in the competitiveness marketplace because social media Facebook is low cost of advertising marketing tools compare to others. With Facebook ads, they have a totally unique chance to reach as many as people with minimum spend per day ranges from \$1 to \$5 (Facebook, 2017). Promoting a product or service through Facebook as a platform, marketer and company is able to respond and communicate with audience, fans and customers in anytime.