

## **CHAPTER 2**

### **LITERATURE REVIEW**

This chapter is divided into two parts. First, online PR through social networking site will be discussed followed by consumer attitudes towards online PR through social networking sites

Nowadays, it is widely accepted that people connect with others through the internet. Around 30.2% of the world's population (approximately 6,930 million) have internet access. The internet has certainly had a major impact on the media landscape and the way that marketers communicate with their existing and potential customers. According to Belch and Belch (2009), the internet has been regarded as a hybrid of media. The internet is a communications medium, allowing companies to create awareness, provide information, and influence attitudes, as well as pursue other communication objectives. In addition, the internet is also a direct-response medium, allowing the user to both purchase and sell products through e-commerce (Belch & Belch, 2009). It also appears that consumers have greater control over when and how they consume media (Parkin, 2009).

## **Online PR Through Social Networking Sites**

### ***Roles of Online PR***

According to Ryan and Jones (2009, p. 178), online PR is “communicating over the web and using new technology to effectively communicate with stakeholders”. In other words, online PR is generally a comment created by individuals or journalists and which originates from different sources, including blogs (web log), social networking sites and other online communication tools. However, this research will focus on online PR through social networking sites only.

The social networking site is a rapidly growing global phenomenon sweeping across every continent, and one which is becoming an extremely popular destination on the internet (Belch & Belch, 2009; Shih, 2009). The number of active users across sites around the world is calculated to be roughly hundreds of millions at the moment (Shih, 2009). Indeed, users are spending more and more time on social networking sites to connect with their friends (Belch & Belch, 2009). Shih (2009) noticed that many users feel they are with friends whenever they log in to a social networking site. There are several popular social networking sites, such as Facebook, Bebo, MySpace and Hi5, and these sites are also free to join.

Belch and Belch (2009) point out that social networks are popular as these sites provide the opportunities to keep track of friends by sending them messages and sharing everything from ideas to photo to news. That is to say,

social networking sites allow the public to share opinions, insights, experiences, as well as perceptions with each other.

Shih (2009) observed a trend of social network advertising tending to displace search engine marketing or display ads. Moreover, he also mentioned that social networks are trying to incorporate search marketing as well.

### ***Benefits of Using Social Networks in PR***

There are several benefits of using social networks in PR. Firstly, these sites, such as Facebook and Hi5, are typically free to join. Secondly, social networks are attractive because consumers are connecting with other consumers and the trust tends to be higher. Thirdly, social networking sites allow organisations to communicate directly with their targets (Belch & Belch, 2009). Lastly, there are a lot of people using social networks and they can create great amounts of buzz from the media (Scott, 2009).

More specifically, PR campaigns on social networks contribute to the following:

Meet an organisation's objective: First and most importantly, any campaign or activity should match with an organisation's objective.

Supports community goals: Each community is different, and each has unique goals (Scott, 2009), from supporting products, to each other, and so on. Therefore, the campaign focus should meet the needs of the community. An effective campaign would be one that understands the core interests of the community.

**Encourage member interaction:** The most successful social networking campaigns and efforts involve the audience (Scott, 2009).

**Reach target quickly:** Social networks are designed for information to rapidly transfer from member to member, so campaigns that lean on these capabilities do the best.

**Utilise media:** Offering media, such as audio, videos, or demos, is the best way to get members to revisit the organisation's site in some campaigns (Scott, 2009).

**Encourage communication:** Campaigns should satisfy these needs with the appropriate tools, seeing that members in social networks like to communicate with each other.

**Propose a satisfying experience:** This includes the general experience of the campaign, the content and navigation items should be where expected, and the language familiar to the audience.

**Develop value as community members:** The value is increased as more people contribute or interact with the campaign. This can be in the form of content that is created by the community, voting, or games.

**Liveliness during the campaign:** Social networks are made up of real people connecting with each other. Campaigns that reflect the same dynamic behaviour as human interaction have a higher chance of interaction and acceptance by the community (Scott, 2009).

### ***Online PR through Social Networking Sites for Small Local Businesses: Viral Marketing***

Currently, the internet is being used in order to promote businesses. For small businesses with limited budgets, it is often necessary for them to promote their businesses by employing cost effective approaches. The Web offers the opportunity to create awareness well beyond what might be achieved through traditional media (Belch & Belch, 2009). In fact, there are many ways to promote businesses on the internet, typically through websites and search engines.

Online PR through social networking sites has been used by many small businesses. The amount of online PR in a small business is likely to continually increase for the reason that social networking sites can help them reduce costs and the hassle of transacting. Moreover, social networking sites facilitate businesses in connecting with the right people in the right conversation at the right time (Shih, 2009).

Hawkins and Mothersbaugh (2010) observed that online social media and the internet continue to transform interpersonal communications and Word of Mouth (WOM). Shih (2009) asserts that social networking sites make it affordable and approachable for businesses to form more personal relationships with individual customers and communities. Social networking sites are enabling people to use their friends to find content that is both appealing and important. Shih (2009) further mentioned that most people are inclined to discover information and content that their friends find useful,

interesting or relevant. Besides, social networking sites are also enabling people to take greater control over their web experience (Shih, 2009).

WOM involves individuals sharing information with other individuals in a verbal form, including face-to-face, phone, and the internet (Hawkins & Mothersbaugh, 2010). Facebook users can see content created or recommended by friends (Shih, 2009). The content can take many forms, like socially filtered feeds, notifications, and SMS messages about web pages, articles, photos, and blog posts (Shih, 2009). However, it has also been found that negative experiences are powerful motivators of WOM (Hawkins & Mothersbaugh, 2010).

### ***Potential Benefits of Online PR through Social Networking Sites for Small Local Businesses***

There are many tools for getting a business and brand in front of online consumers, and a social networking site is one such vital tool. Social networking sites are primarily about communication; however, it seems that they are becoming increasingly about consumption at the moment. Ryan and Jones (2009) recommend that an organisation use its own website as a vehicle to make PR-related content available to both media professionals and consumers. This may be the only place online where the business has direct control over every aspect of its content: How it looks, how it's presented and how people interact with it. The site could support a broader off-site PR campaign, enticing people to click back to the online site, where it is possible to track and measure their engagement (Ryan & Jones, 2009). Social

networking sites allow large numbers of people to receive the same message at the same time with cost effectiveness. According to Parkin (2009), people can go to the community page on a social networking site through one click only, instead of signing up with all their information at a new website. Besides, people can increasingly access the internet while on the move through a diverse number of technologies.

Social networking sites could help small businesses attract and facilitate social interaction, potentially resulting in widespread recommendations (Parkin, 2009). Consumers generally trust the opinions of people more than marketing communications because these personal sources have no reason not to express their true opinions and feelings (Hawkins & Mothersbaugh, 2010). As internet users become more sophisticated and experienced and the confidence of the individual in the purchase situation has an impact on the level of reference group influence (Hawkins & Mothersbaugh, 2010).

It is widely accepted that referrals are the most effective form of marketing. Indeed, social networking sites allow referral marketing to reach unforeseen levels (Qualman, 2009). Purchasing decision is influenced by recommendations and referrals from known and trusted friends (Shih, 2009). People refer products and services via social media tools (Qualman, 2009). That is to say, a social networking site is regarded as an influencer that creates purchase intent at the moment.

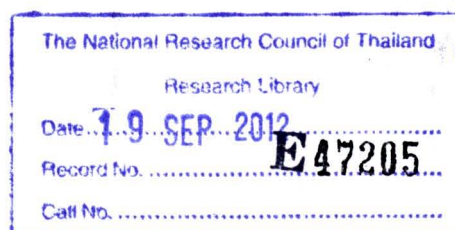
The conversations on social networking sites could enhance the visibility of business as well as provide a chance to respond (Shih, 2009).



It has been mentioned that customer references are significant for building the trust needed to close deals (Shih, 2009). That is to say, the most convincing social validation of the business could be provided by testimonials from existing customers.

Social distribution from customer to customer rather than seller to customer is regarded as the most affordable and effective way for brands to stand out (Shih, 2009). Moreover, social filters can help business conduct PR effectively without annoying or intruding upon privacy concerns.

From the extant literature, several potential benefits of online PR through social networking sites are posited. Ryan and Ryan (2009) proposed the following benefits of online PR: First, it can help raise awareness of the business among the broader online community and gain attention that develops the viral potential of online social media (Ryan & Jones, 2009). Second, it can help raise the online profile of the product. Third, it can help build business reputation. Also, it can help reduce cost base because of the free membership and the costs saved from customer research. For instance, communication through a social networking site can lead to the reduction in the costs of publishing brochures, catalogues, event invitations, and sales promotions. According to Cox, Chicksand, and Ireland (2002), online PR can potentially help a business enhance its knowledge of consumer preferences as social networking sites can be mediums through which businesses directly contact and interact with actual and potential consumers. Further to this, it can help a business increase its global appearance. Also, it can support CRM-



social networking sites can be used to support customer services (Chaffey, 2007) while at the same time helping the business build trust.

Among the existing literature there are several differing definitions of 'trust'. According to Moorman (as cited in Mukherjee & Nath, 2003, p. 6) trust is the "willingness to count on an exchange partner in whom one has confidence". Trust is personal and measured with a certain prospect level that someone will do a specific action; additionally, trust is developed over a period of time (Srinivasan, 2004). That is to say, trust can be found when one party believes in the reliability and honesty of an exchange partner; indeed, trust comprises confidence in competence and intention (Mukherjee & Nath, 2003).

### ***Trust in E-commerce***

In terms of trust in e-commerce, this has been generally defined as the level of confidence that customers have in online transactions (Ribbink, Van Riel, Liljander, & Streukens, 2004). Flavián and Guinaliu (2006) propose that trust in e-commerce consists of the perception of honesty, benevolence and competency. In the same way, Salam, Iyer, Palvia, and Singh (2005) also suggest that apart from benevolence and competence, the consumer's attitudes of trust towards the online seller also include integrity and predictability.

In reality, there are many factors that can cause the success of e-commerce, of which trust is considered one of the most important (Srinivasan, 2004). To put it more simply, trust is deemed a critical factor for either success (Salam et al., 2005) or failure in e-commerce (Shalhoub, 2006). Trust

is the commodity that makes people and organisations comfortable and prepared to do business with one another, to share information and to participate in communities (Rowley, 2002, p. 255).

According to Ha (2004), trust is significant as it affects various factors, such as security and privacy (Shalhoub, 2006), which are important for e-commerce transactions. An example of this could be whenever people do not trust in the security of the e-commerce infrastructure; they will not feel comfortable about using credit cards to make e-commerce purchases (Turban, David, Viehland, & Lee, 2006). However, it has been suggested that perceived risk can be reduced by building trust (Ribbink et al., 2004).

Trust is also perceived as having become an essential requirement for customer relationship building in e-commerce (Papadopoulou & Andreou, 2001). Likewise, it has been found that building customer relationships can encourage customer loyalty (Luo, McGoldrick, Beatty, & Keeling, 2006). Apart from this, the evidence also suggests that trust in e-commerce has an effect on customer loyalty directly, resulting from online transactions that involve several uncertainties for customers. In view of this, Rowley (2002, p. 255) points out that, “like other dimensions of relationships, trust should grow with positive customer experiences over a period of time and may be a factor that influences loyalty”. Indeed, loyal customers are considered significantly valuable in e-commerce for the reason that customer loyalty can result in an increase in online spending and repurchasing (Ribbink et al., 2004).

Above all, it would appear that perceiving a website as truthful will bring about customers recognising it as more attractive, revealing more personal information, and becoming more likely to purchase (Luo et al., 2006). In view of this, Srinivasan (2004) points out that trust is considered as one of the significant factors for e-commerce success, apart from the security as perceived by the customer when conducting the e-commerce transaction. Trust as regards e-commerce occurs if both the buyers and sellers have confidence that they will keep their promises as transaction partners (Mukherjee & Nath, 2003). To put it more simply, the customer feels confident that the product or service paid for will be sent, within a sensible time with satisfactory customer service (Srinivasan, 2004). Likewise, Turban et al. (2006) propose that apart from vendors and customers trusting each other, both of them should trust in the e-commerce computing environment and in the e-commerce infrastructure.

Indeed, consumers tend to be more willing to buy online if trust can be guaranteed (Luo et al., 2006), while, in contrast, it appears that perceived risk could lead to reliabilities and system failure in e-commerce. Therefore, as Mukherjee and Nath (2003) propose, developing a trustworthy relationship among buyers and sellers can encourage e-commerce transactions.

Nevertheless, it has been observed that the trust issue exists due to the risk involved in economic transaction (Allred, Smith, & Swinyard, 2006); in view of this, it is generally agreed that trust normally relates to uncertainty and risky (Krauter & Kaluscha, 2003). Conversely, it can be argued that trust

would appear not necessary if actions could be undertaken with complete certainty and no risk.

In fact, it is said that e-commerce transactions are conducted in an uncertain environment (Flavián & Guinaliu, 2006). Likewise, it is now generally recognised that the degree of uncertainty involved in an economic transaction in e-commerce is higher than in a traditional one, therefore, building trust in online transactions is more difficult and more critical than offline (Head & Hassanein, 2002).

Furthermore, trading on the internet involves several risks for consumers as concerns e-commerce; however, the transaction process in itself is also likely to be perceived as risky as well (Krauter & Kaluscha, 2003). That is to say, transaction risk happens when the online market fails to assure that a service will be delivered with adequate quality. However, it has been found that apart from perceived uncertainty or risk, issues about security, privacy and legal concerns have also resulted in people not trusting in e-commerce.

### ***Perceived Uncertainty or Risk in E-Commerce***

To look at why people do not trust in e-commerce from the perspective of risk, there are many issues involving risk in online stores. Likewise, risk has also been categorised in various ways by many writers. More specifically, risk or uncertainty in e-commerce transactions can be classified into two main causes (Krauter & Kaluscha, 2003). For one thing there is the uncertainty surrounding the transaction, which results from the behaviour of the people

who are associated with the online transaction. Another is the uncertainty of the system, which can be caused by the embedded uncertainty of using technology infrastructures for the exchange of information.

This uncertainty of the transaction can be seen as “a market uncertainty on the ground of decision of economic actors and is caused by an asymmetric distribution of information between the transaction partners” (Krauter & Kaluscha, 2003, p. 2). It can be inferred that the uncertainty surrounding the transaction is intrinsic to dealings with internet sellers and their behaviours in the transaction process.

According to the characteristics of e-commerce transactions, there are no physical interactions between buyers and sellers as there are in offline stores (Flavián & Guinaliu, 2006). Moreover, online sellers and their customers often do not know each other, and they may be located in different parts of the country or even in other countries (Luo et al., 2006; Krauter & Kaluscha, 2003). In spite of this, consumers are normally required to share their personal information, such as mailing address and telephone number, and financial information, such as credit card number (Krauter & Kaluscha, 2003).

Thus, it is evident that the customers do not know what the online seller will do with their personal information, which is collected during the shopping procedure. To put it more simply, customers have less control over the action and transmitting data (Luo et al., 2006). Besides, they are unable to check the products or services in person, therefore, it would seem more difficult for the customers to evaluate the quality of the products or services

that are offered on the internet. Accordingly, it would seem that the lack of face-to-face interactions between sellers and buyers cannot be replaced easily in an electronic environment (Luo et al., 2006).

In terms of the uncertainty arising from the system, this is also associated with the possible technological causes of errors and security gaps, or refers to the risks that cannot be avoided by agreement or a contract with another actor who is involved in the transaction (Krauter & Kaluscha, 2003).

Papadopoulou and Andreou (2001) point out that the expectations of customers in an uncertain environment tend to increase since they involve the uncertainty of technology; in view of this, it has been suggested that this increase results in it being necessary for the seller to take action to meet such expectation. In truth, the uncertainties are also likely to decrease the customers' perceptions about security and reliability as well as customer confidence (Luo et al., 2006). It has been suggested that the performance of the hardware and software involved in the security of the data exchange services can relate to the smooth and secure processing of an electronic transaction (Krauter & Kaluscha, 2003).

However, according to Allred et al. (2006), risk can be categorised into four types, namely financial, product performance, psychological and loss of time or convenience. Additionally, they propose another way of look at it with risk characterised into technology, vendor, and product risk (Allred et al., 2006).

According to Luo et al. (2006), customers usually judge the trustworthiness of online sellers simply by their websites by judging its

mind, it has been suggested that the design of the user interface has an impact on the customer's perception of the trustworthiness of the seller (Luo et al., 2006).

Likewise, some of the evidence shows that the level of trust tends to increase if the website has a digital certificate, such as VeriSign, which ensures secure transactions on the website (Shalhoub, 2006).

### ***Reputation***

According to the research of Mukherjee and Nath (2003), reputation is an important factor of online trust. Furthermore, brand reputation has also been found to influence risk perception (Ha, 2004).

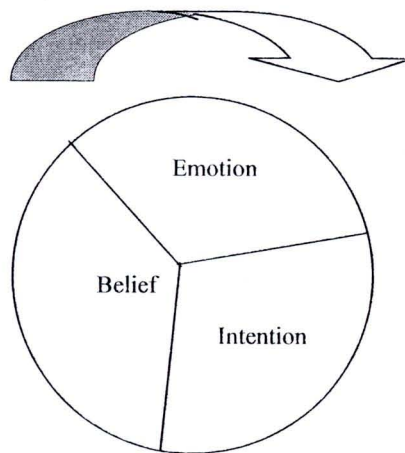
## **Consumer Attitude to Wards Online PR Through Social Networking Sites**

### ***Meaning and Components of Attitude***

Arnould, Price, and Zinkhan (2004, p. 630) define *attitude* as “an evaluation of a concept or object, such as issue, person, group, brand or service that expresses a degree of favour or disfavour. “ In terms of attitude object, it refers to anything that is evaluated, which can be intangible or tangible, a person or a group (Solomon, Bamossy, Askegaard, & Hogg, 2006). Moreover, Arnould et al. (2004) also point out that the attitude of people towards objects has been influenced by several factors. Apart from having an

impact on people's attitudes, these factors also have influence on judgements and decisions.

According to Evans, Jamal, and Foxall (2006), attitude comprises three components: Cognitive (beliefs), affective (emotions) and conative (intention). (see Figure 1)



**Figure 1** Attitude components.

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*Note.* From *Consumer Behaviour* (p. 55), by M. Evans, A. Jamal, and G. Foxall, 2006, West Sussex, England: John Wiley & Sons.

The cognitive component refers to the beliefs and knowledge of people towards an object or an issue. What people believe may differ from reality. This is significant because it exposes how individuals perceive something before they experience it for real (Evans et al., 2006).

The affective component is made up of the feelings or emotions of an individual towards an object or an issue, which can be either positive or

negative. Indeed, these feelings depend upon the individual's beliefs (Evans et al., 2006). To put it simply, the affective component is the way that a consumer feels about an attitude object (Solomon et al., 2006, p. 140).

The conative component is composed of how individuals are inclined to react to an object or an issue depending on what they know about it and how they feel about it (Evans et al., 2006). In other words, it is a tendency that the individual will do something with regards to an attitude object (Solomon et al., 2006).

Nonetheless, it has been posited that attitude is quite hard to change with some attitudes are at a high level making them immune to change-this is called attitude resistance (Blackwell, Miniard, & Engel, 2006).

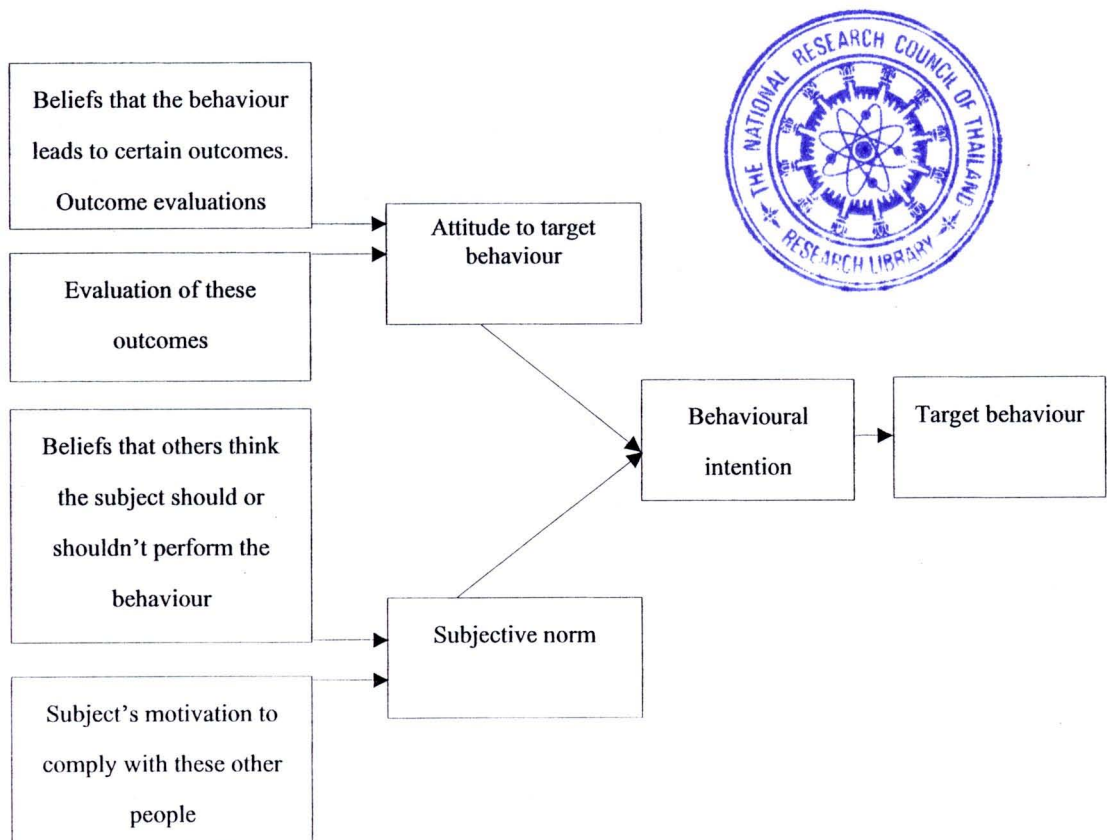
### ***Attitude Measurement and Model***

Attitude cannot be observed or measured directly (Arnould et al., 2004) as the existence of attitude can only be understood from its outcome (Aaker, Kumar, & Day, 2003). Attitude has been found to be able to cause people to change and determine their behaviour. The result of this is that all marketers try to influence attitude. However, there are no right tools that can measure attitude effectively (Aaker et al., 2003). Evans et al. (2006) suggest that special consideration is required in measuring attitudes. In order to understand the belief, which determines attitude, there have been some models devised for measuring attitude.

### ***The Fishbein Model***

The Fishbein attitude model has been used for consumer attitude measurement for a long period, with its emphasis on measuring the attitude of a consumer towards a product (Solomon et al., 2006). This model proposes that the attitude toward an object relies upon the total set of beliefs about the attributes of an object, which is weighted by the importance of each attribute (Blackwell et al., 2006; Solomon et al., 2006). Keller (1998) argues that an attribute is any feature of a product or service with regards to what consumer thinks the product or service is or has, and what is concerned with its consumption.

This model can help marketers in many ways, in particular, in finding strategies to change attitudes (Solomon et al., 2006). Besides, many researchers can and have used this model in measuring attitude and studying the relationships between attitude and consumer behaviour. (Blackwell et al., 2006). However, apart from this model, there are also other models that many researchers use to measure attitude in order to study how attitudes predict behaviour.



**Figure 2** The Theory of Reasoned Action (TRA).

*Note.* From *Consumer Behaviour* (p. 57), by M. Evans, A. Jamal, and G. Foxall, 2006, West Sussex, England: John Wiley & Sons.

### ***Theory of Reasoned Action (TRA)***

As mentioned above, the Fishbein model focuses on measuring a consumer's attitude towards a product. The theory of reasoned action extends this model to include other relevant perceptions by the consumer when thinking about a product (Evans et al., 2006). In the theory of reasoned action, this model (see Figure 2) measures the behavioural intentions of the consumer with the understanding that certain uncontrollable issues can prevent actual behaviour prediction (Solomon et al., 2006).

Subjective norm in this theory refers to the consequences of what individuals think others would like them to do (Evans et al., 2006) In other words, subjective norm refers to the evaluation of the social pressures put upon an individual to perform or not to perform the behavior of interest (Solomon et al., 2006).

However, Solomon et al. (2006) point out that there are some limitations in this theory. For one thing, the model does not deal with the outcomes of behaviour, which are evaluated in some research. What is more, attitude measurements often do not match the behaviour they are supposed to predict, either in terms of attitude object or when the act will occur. An example of this is that knowing the attitude of people towards a sports car may not predict whether he or she will purchase a Porsche.

### ***Consumer Attitude toward Online PR through Social Networking Sites: Credibility of Information***

According to Hawkins and Mothersbaugh (2010), the source of a message is important because consumers respond differently to the same message delivered by different sources. They also noticed that not all personal sources are equal in value. It seems that a credible source can enhance attitudes when consumers lack the ability or motivation to form direct judgements of the product's performance.

Likewise, a credible source can enhance message processing and acceptance (Hawkins & Mothersbaugh, 2010). It is widely accepted that testimonials on the Web appear to be important determinants of attitudes and

purchase behaviour (Hawkins & Mothersbaugh, 2010) and this could be a benefit for “carefree spenders” to judge products without seeing. According to Chaffey (2007), there is an increasing number of “carefree spenders” - people who are willing to buy products from unknown brands or companies as well as who are also willing to buy products without seeing them first.

### ***The Effects of Social Networking Sites on Purchase Decisions***

Parkin (2009) noticed that a purchase decision today is more collective, collaborative and informed than before. Consumers are likely to judge products or businesses from the views, experiences and advocacy of their fellow consumers because they do not trust in communication from traditional marketers (Parkin, 2009). According to a recent study, a customer who endorses a brand online leads to two additional customers (Parkin, 2009).

The content on social networking sites is created based on profile information, friend activity, and recommendations. Indeed, the content on social networking sites are considered social distribution from friend to friend; therefore, it is not viewed as spam (Shih, 2009).

It seems that the purchase decision has changed as the internet is used widely employed as a communication medium at present. Indeed, the internet can be used to encourage a purchasing decision even if the purchase does not happen on the website (Chaffey, 2007).

The content on social networking sites that users see is personalised for individuals, and there is a level of implied trust (Shih, 2009). WOM via

personal sources can have a critical influence on consumer decisions and business success (Hawkins & Mothersbaugh, 2010).

However, there are some risks from PR on social networking sites. The risk in empowering users to define and spread brand messages is that messages might not always be positive, and the brand might have very little control over the aftermath (Shih, 2009).

Kim and Park (2005) noticed that the more positive the attitude toward the online store, the more the amount of search intention for product information via the online store. Thus, this leads to purchase intention via the online store.

According to Salam et al. (2005), there are several factors that form consumer attitudes in the trust-based consumer-seller relationship in an e-commerce context. These are: External variables related to internet use, internet usage beliefs, and attitudes toward a seller's website.