



**MSc in Business Administration**

**FACEBOOK DEALS, A LOCATION-BASED SERVICE, AND  
ITS STRATEGIC IMPACT ON COMPANIES**

IOANA CRISTINA RAȚIU

**ADVISOR:**

PROF. PAULO CARDOSO DO AMARAL

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## **Preface**

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## Abstract

### *Facebook Deals, a Location Based Service, and its Strategic Impact on Companies*

Ioana Cristina Rațiu

Social networking sites have become a true phenomenon in marketing practices nowadays (Cooke and Buckley, 2008). In the last years with the bundle of mobile technologies and geographic information systems within the web (Li and Longley, 2006) social networks expanded towards a new field: location (Scellato and Mascolo, 2011). Advertising through Location Based Services became an important marketing channel, as it creates a direct link between companies and consumers (Banerjee and Dholakia, 2008).

This dissertation studies if Facebook Deals, a location based service application, can have a strategic impact for companies. In order to get a deeper understanding of the item of study literature on Web 2.0, social media and location based services is reviewed. Additionally, the Resource Based View strategic framework and Contextual Marketing, a strategic concept, are approached for theoretical foundation.

Primary data was collected through an online survey in order to understand the current usage of LBS, in Lisbon, and the potential use of Facebook Deals and users' preferences in this context. The customers' willingness to interact with companies through this application was also analysed. In this context, the research hypotheses are tested.

The results are broadened in the strategy area, as they permit the comprehension of several assumptions under which Facebook Deals could have a strategic impact for companies. By applying the Resource Based View framework this dissertation manages to show several factors that may conduct companies to obtain sustained competitive advantage by using location based services, namely Facebook Deals.

This dissertation concludes that Facebook Deals can have a strategic impact for companies under the assumptions that networks effects exist and transform customers into critical resources. These can help companies to make use of reach and richness of information which is personalized and contextualized. It was showed that in restaurants, cafes/bars, entertainment and clothing industries these critical resources can help businesses achieve first mover advantage. Companies are able to take advantage of these three effects and perform contextualized marketing creating this way switching costs for their consumers. This study does not claim to show all circumstances where Facebook Deals could be employed strategically, as other/additional strategic uses might be found. It is meant to increase the current knowledge of a contemporary subject.

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## CHAPTER 1: INTRODUCTION

Social networking sites have plagued the marketing practices nowadays (Cooke and Buckley, 2008). The usage of websites like Facebook, Twitter, MySpace and Orkut is becoming a social phenomenon (Wilson, 2009) and has changed the way marketing was once practiced (Hardley, 2009). Most of the social networking sites are now becoming marketing tools (Cooke and Buckley, 2008). These websites are popular among masses and hence they offer one of the most potential ways of marketing (Constantinides and Fountain, 2008). Social networking websites not only allow users to have connections with others but also allow them to share information (Benson et al, 2010). Chung and Austria (2010) show that “social media has been recognized as the most potentially powerful medium in business practice”. Nevertheless, there are critics as well who allege these sites for being intruders of people’s privacy (Trusov et al, 2010) and using advertising deals to monetize their member base (Chung and Kristine, 2010). Whatever the criticism may be, the fact remains the same that these sites are potential marketing tools of today (Cooke and Buckley, 2008).

There are numerous social networking sites available these days (Benson et al, 2010). Miller and Kelli (2012), while sharing the list of most prominent and popular social networking sites ranked Facebook as the top-most site whose potential as a marketing tool in the first position (Miller and Kelli, 2012).

Since the marketing potential of social networking sites is increasing it has given an opportunity to their owners to get benefits from it by attracting advertising revenue (Gangadharbatla, 2008). Social networking site owners introduce several deals and offers for businesses to market themselves on their networking site (Business Review Weekly, 2007<sup>1</sup>) because they know the power of viral marketing and understand the benefits that can be brought for businesses. Nevertheless, these websites also earn good margins from companies seeking to advertise their products on social networking sites (Gangadharbatla, 2008). As remarked, Facebook is one of the top social networks with great potential for business users to attract traffic to their own web pages (Gangadharbatla, 2008). Facebook keeps introducing new opportunities for businesses at almost regular intervals of time and a recently act in this regard is the introduction of Facebook Deals<sup>2</sup>.

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<sup>1</sup> Available at: Business Review weekly 2007, vol 29 (26-29), Business Review Weekly, The University of California.

<sup>2</sup> Source: Facebook timeline, available at <http://www.facebook.com/press/info.php?timeline> [Accessed October 4<sup>th</sup> 2011]

## **1.1 Background**

The appearance of social networks came as a natural evolution of the web 2.0 with HTML and Java Script technologies (Schaedel and Clement, 2010). Therefore, a new trend was launched, that is socialization (Lai and Turban, 2008).

Together with the climbing of the social networks companies tried to have the chance of interacting with consumers, to take note and learn from their ideas through internet-based social media marketing (Nath et al, 2010). This brings advantages in front of the traditional media, as companies have real-time information and are able to respond with state-of-the-art products and promotions (Chung and Kristine, 2010). Social networks are increasingly becoming tools of marketing (Cooke and Buckley, 2008). Rosen (2000), as cited in Lewis (2009), mentioned that if done properly online product marketing can help spread product information like network infection. Moreover, word of mouth in social networks moves faster than the traditional ways of marketing (Riegner, 2007). This could be one of the reasons why businesses see fair potential in social networks to be used as marketing tools and why the use of social networks as a marketing tool is increasing (Cooke and Buckley, 2008).

Facebook, being one of the most visited social networking sites, is popular not only among its general users but also among local business owners (Pollock, 2010). Treadaway and Smith (2010) while talking about the reasons of Facebook's popularity among local business owners say that it allows businesses to bypass traditional ways of marketing and market in a way that is self-served and above all free. Facebook was declared as the most inexpensive way used by local businesses to reach local consumers. There are different ways by which local businesses can use Facebook for reaching local consumers: customer services, customer interaction, deals, offers, real time notifications, personal recommendations and coupons. These are some means which help businesses reach customers and inform them about the available products through location-based services (Treadaway and Smith, 2010). They are free and just require businesses to know that the consumers they are trying to reach have a Facebook account (Treadaway and Smith, 2010). In Europe, Parker (2009) shows that the market perspective for mobile location-based functions and software is in a growing trend and in the next two years will go above \$2.000 million.

## **1.2 Aims and Scope**

There are several e-commerce marketing tools, each one of them having certain implications on the consumers that are being targeted and the businesses that use them (Ching and Ellis, 2004). Every

marketing tool used by a company has certain strategic implications on the company using it as well as on its competitors (Kotler and Sidney, 1969).

For businesses, Facebook Deals is a marketing tool through which they can reach the entire community; for customers is an e-coupon reward system for “checking-in” into various businesses throughout the Places application. Businesses are provided with different types of discounts. The idea on which the website is based is the e-coupon / online-coupon and social media. According to Blundo et al, (2005) an e-coupon is “the digital analogue of paper coupons which are used to provide customers with discounts or gift in order to incentive the purchase of some products”. The potential of the coupons on the web has not yet been fully utilized mainly because of the techniques of managing the creation and distribution (Blundo et al, 2005). This is supported by the social media that provides marketers “interactive communication environments with opportunities to enhance existing relationships with consumers” (Chung and Austria, 2010). There has been found a large correlation between contact and information (media usage) and the position towards social media marketing messages, therefore “marketers should consider information content, currency, the delivery method and the delivery device to enhance the effectiveness of information motivation (Chung and Austria, 2010). Moreover, Huang and Chen (2006) show that the customers’ purchase choices are likely to be influenced by comments or recommendations from other people.

Consistent with the background research, this dissertation intends to accomplish a strategic analysis in the sphere of Location Based Services having as scope the fields of consumer behaviour, competition and marketing, trying to answer mainly to this research question:

**Can Facebook Deals, as a location-based service, have a strategic impact on companies?**

### **1.3 Methodology**

This dissertation is aimed at studying the strategic impact that Facebook Deals might have on companies. A theoretical background will be provided through the revision of existing literature in the area of Web 2.0 and location based services. There will be revised concepts belonging to contextual marketing with a focus on word-of-mouth on the web, herd behaviour in online product selection, the influence of digital coupons in product preference and the power of social media in marketing.

Later, there are established research hypotheses focused on the current usage of location-based services and features valued by users, what would be the main areas/sectors of activity that customers

would value more and focus their attention with the Facebook Deals tool and how the relationship between consumers and companies can be improved.

The hypotheses validity will be tested through the collection of primary data, specifically the creation of an online questionnaire designed for social networks` user. The main purpose of this survey is to understand the extent of current usage of location-based services in the area of Lisbon, the main features that are valued by users/potential users and the main sectors of activity where Facebook Deals would be employed more and valued by users.

From the data collected, this dissertation proposes five hypotheses under which Facebook Deals could have a strategic impact for companies in the Lisbon area. The hypotheses are assessed under their ability of producing sustainable competitive advantage for companies. This is evaluated on the base of the Resource Based View framework as “a firm is said to have sustainable competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy” (Barney, 1991). Moreover, Contextual Marketing is also a concept under which the value of the hypotheses is evaluated. Based on empirical data findings this dissertation is aimed to show the effect of using Facebook Deals for companies with a focus on contextual marketing. The hypotheses that are being proven will be transformed in a series of assumptions concerning the employment of this technology. This paper does not propose itself to show all situations where the technology would be employed strategically, meaning that other strategic uses might be found.

#### **1.4 Outline**

The subsequent chapter presents the Literature Review with theoretical background and a review of the strategic frameworks used that are significant for this dissertation, ending with the model used to collect primary data and its analysis. Chapter 3 explains the data collection method and the hypotheses established are assessed with the results acquired from the survey. In Chapter 4 they are tested through a theoretical argument in order to establish their strategic impact. The concluding section of this dissertation is Chapter 5. Here there are presented the main findings and outcomes from the entire study. Additionally a section regarding the limitation of the practical study and directions for future research is comprised.

## **CHAPTER 2: LITERATURE REVIEW**

The Literature Review Chapter discusses the advent of internet and how online marketing obtains its place today; what is web 2.0, how internet evolved and why social media is becoming one of the most popular ways of marketing nowadays.

In section 2.4 the literature concerning the main focus of this dissertation, location-based social networks, namely the Facebook Deals application is reviewed.

The end of this chapter reviews the main strategic framework, the Resource Based View, together with aspects of Contextual Online Marketing. Additionally a research model is established and its components are concretized through research hypotheses.

### **2.1 The Evolution of the World Wide Web**

CERN, a research institute in Switzerland is the place where the World Wide Web was created in 1989<sup>3</sup>; the term World Wide Web (www) was first used by Brener-Lees in 1990. The World Wide Web depends on the Hyper Text Transfer Protocol (HTTP). This is an internet model that stipulates how an application can position and attain resources like text, sound or graphics stored on another computer on the internet (Raman, 2009). HTTP offers crystal clear and simple access to documents on the web and FTP (Raman, 2009). Most of the documents found on the web are created in HyperText Markup Language or the HTML which is an easy to learn markup language (Jae and Sohn, 2003). HTML supports links to documents, audio and video files and graphics and enables the user to go from one document to another simply by clicking on a hotspot which might be an underlined phrase or word (Jae and Sohn, 2003). By using hypermedia, sound, animation, graphics and video, the web grew to be the ideal channel for presenting information on the internet (Jae and Sohn, 2003). With the provision of security protocols the Web soon became a hub of commercial activity (Hoffman et al, 1999). The World Wide Web now enjoys the position of being the main platform for the delivery of hypermedia applications (Hoffman et al, 1999).

“The Web 2.0 is a cultural phenomenon”, in which users are engaged and the speed of information movement is higher, giving origin to mass collaboration (Tenenbaum, 2006). However, there are differences in structure and content between various websites allowing users to personalize the site according to their preferences (Cormode and Krishnamurthy, 2008). Concerning its content, the Web 2.0

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<sup>3</sup> Source: The website of the world's first-ever web server , <http://info.cern.ch/>, [Accessed October 16<sup>th</sup> 2011]

creates connections with users (Horrocks, 2008), maximizing the time spent on the pages with registration and personalization (Cormode and Krishnamurthy, 2008).

All in all, “the Web [...] evolved from a Web of content to a Web of content embedded with the needed user-interaction elements. Content embedded with user interaction evolved into Web applications that could over time be composed exclusively from Web components” (Raman, 2009).

## **2.2 Web 2.0**

Web 2.0 was first launched in 2005 (O’Reilly, 2007) and since then it has changed the face of the internet. Before the Web 2.0, the internet was simply a technical connection between computers (Bonneau and Gensollen, 2007). The introduction of Web 1.0 offered some flexibility as the users could access the large data bases, could find information online and could also interact on web sites (Bonneau and Gensollen, 2007). However, data on Web 1.0 was static, updating contents was rare and only those proficient in computers could make any contributions (Cormode and Krishnamurthy, 2008). The Web 2.0 however changed this situation completely by giving the users more power and more control (Andriole, 2010). For most users’ Web 1.0 is mostly about free new tools (Campbell et al, 2011), but Web 2.0 is more than that in terms of business (Lai and Turban, 2008). The Web 2.0 has enabled companies to discover a profitable path to growth through customer acquisition and monetization of its network effects (Andriole, 2010).

Tools used in Web 2.0 are for instance, blogs, RSS, social networking and tagging (Andriole, 2010). In terms of social networking it allows users to come together, share and build. In fact, social networking and social media are the two strong pillars of Web 2.0; the success of Facebook, YouTube and LinkedIn is a proof of this statement (Bonneau and Gensollen, 2007). Social networking has changed methods, messages and modes of communication through which people interact with each other (Andriole, 2010). According to Yu and Hui (2008) Really Simple Syndication (RSS), one of the tools of web 2.0, allows continuous delivery of the changing content on the web. RSS is quite popular because it is simple to use and above all it is absolutely free (Yu and Hui, 2008). RSS has created a major difference when it comes to Web 2.0 tools as it allows the user to link itself to the page or subscribe it (O’Reilly, 2007). The user is also notified every time any adjustment is done on the page. RSS updates and changes blog entries or any other type of data, for that matter, like weather updates, photos or images updates and/or stock quotes. RSS is what distinguishes a web log from an ordinary web page (O’Reilly, 2007).

Blog is another popular tool of Web 2.0; it is a form of online diary where a person can record its reviews or comments for other people to read and comment in a ‘date order’ with the current information being

at the top (Varlack, 2009)<sup>4</sup>. Besides personal blogs, there are business and professional blogs. At present there are more than 152 million blogs<sup>5</sup> and the number is increasing rapidly<sup>6</sup>. One can aptly describe blogs as “publication and communication tools” where “bloggers produce specific content in order to reach others and to start a conversation with them” (Cardon and Prieur, 2007). An article exploring the potential effects of blogs published by Jaret (2006) in The New York Times<sup>7</sup> quoted Eric Roos (a Nancy Boy founder) saying that: “Our business just took off; the company, which did \$100,000 in business in 2002, is projecting sales of \$4 million in 2006”.

### **2.3 Online Social Media**

The Web 2.0 is a platform of user-created content innovation and is based on sharing, which includes both social and business networks and influence people`s and groups activities (social networks) (O`Reilly, 2007). The internet is a device that supports interpersonal communication with social media permitting users to track the most current events worldwide (Reigner, 2007) in websites like Wikipedia, Flickr, YouTube (Kim et al, 2009) or eBay and Amazon (O`Reilly, 2007).

With web 2.0, user Generated Content websites do not provide content; they just provide the tools necessary for users to generate this content (Zhang et al, 2011). The trend in the internet is growing as according to a survey done by eMarketer<sup>8</sup>, as in the United States 82 million internet users were creating content (Verna, 2009). The User Generated Content means the users` contribution in the web, and particularly in a web page (Zhang et al, 2011).

User generated content enjoys much importance because people gain a lot from contributions and comments of others participating in online conversations (Ye et al, 2011). A successful website has a community of members who offer fresh content every day to attract new users and retain the old ones (Huang and Chen, 2006). UGC are also very useful in market research as consumers openly express their

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<sup>4</sup> Source: Varlack, 2009. What are Blogs, Available at <http://www.mednet-tech.com/newsletter/blogs/what-are-blogs> , [Accessed October 15th, 2011]

<sup>5</sup> Source: Internet 2010 in numbers, available at <http://royal.pingdom.com/2011/01/12/internet-2010-in-numbers/> , as tracked by BlogPulse, posted on January 12<sup>th</sup>, 2011, [Accessed October 15th, 2011]

<sup>6</sup> Source: Blogpulse Stats , available at <http://www.blogpulse.com/> in December 2011 (accessed 8<sup>th</sup> of December) the number already increased at 179,207,915.

<sup>7</sup> Jaret, 2006. Skin Deep: Dear Web Log – Hated the Shampoo, Loved the Soap, The New York Times, Available at [http://www.nytimes.com/2006/03/23/fashion/thursdaystyles/23skin.html?\\_r=1&oref=slogin](http://www.nytimes.com/2006/03/23/fashion/thursdaystyles/23skin.html?_r=1&oref=slogin) , [Accessed October 15<sup>th</sup> 2011]

<sup>8</sup> Verna, 2009. A Spotlight on UGC Participants Available at <http://www.emarketer.com/Article.aspx?R=1006914> [Accessed October 15<sup>th</sup> 2011]

view, preferences and opinions, giving companies enough data for research (Casteleyn et al, 2009). YouTube is another example of Web 2.0; millions of videos have been uploaded on the YouTube and millions of users especially the young generation watch these videos (Mabillot, 2007). A consumer can upload a video and watch videos posted by others (Mabillot, 2007). Besides YouTube, MySpace is also actively involved in video sharing (Mabillot, 2007). These services stand at the junction of search engines and communities as besides collecting, indexing, storing and distributing videos; they also provide personal public space to their users (Mabillot, 2007).

User Generated Content websites base their core activity on engaging users to create and consume content (Zhang et al, 2011) and it is possible to follow users that are more prominent in order to comprehend tendencies, boost retention rates and activity and concentrate on advertisement (Trusov et al, 2010). If daily content is not generated users might become inactive and the consequences on the online community would be disastrous (Schaedel and Clement, 2010). This shows how important networks effects are, being in creating motivation for content creation or buzz appearance around the website (Zhang et al, 2011).

UGC websites are therefore based on “sharing” and Online Social Networks groups through Web 2.0 became an increasingly prominent part of today’s culture as members share events faster than through traditional media (Lai and Turban, 2008) gathering in recent years more than half billion users worldwide (Li and Chen, 2009). The highest ranking social networking site in 2011 is Facebook (Das and Sahoo, 2011). According to statistics, Facebook (2011)<sup>9</sup> has “more than 800 million active users” with almost half of them logging in on a daily basis. There are “more than 900 million objects that people interact with (pages, groups, events and community pages)”; “on average, more than 250 million photos are uploaded per day” and “more than 350 million active users currently access Facebook through their mobile devices” (Statistics: Facebook 2011)<sup>10</sup>.

The main focus of this dissertation is based on UGC, specifically on social networks, as Facebook Deals is an application offered by Facebook, one of the most visited social networking sites, popular among users and local business owners (Paul, 2011).

The changes that Facebook has brought ever since its inception in 2004 are dynamic (Kim and Lee, 2011). It has affected the younger generation especially college going students the most (Kim and Lee,

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<sup>9</sup> Source: Facebook Statistics, Availabale at <http://www.facebook.com/press/info.php?statistics>, [Accessed October 14<sup>th</sup> 2011]

<sup>10</sup> Source: Facebook Statistics, Availabale at <http://www.facebook.com/press/info.php?statistics>, [Accessed October 14<sup>th</sup> 2011]

2011). Around thirty percent of Facebook users are people aged 18 to 25 who at an average spend twenty-eight minutes per day on Facebook (Kim and Lee, 2011). It is said that being on Facebook gives a feeling of psychological well-being; this statement is a debatable issue (Kim and Lee, 2011). Experts claim that such a feeling does actually exist and is because of the networking effect (Kim and Lee, 2011).

Social networking not only brings people together but is also an effective way of building social capital (Benson et al, 2010). Recently a new aspect of social networking has emerged which has divided social networking into two broad categories; formal and business type and informal and purely social. Social networking sites like Facebook and Twitter have an informal nature (Benson et al, 2010).

### **2.3.1 Online Social Media and Businesses**

Social media can be characterized by the increased interactivity between companies and users, with firms offering direct interaction and personalized feedback in order to increase brand awareness and loyalty (Chung and Kristine, 2010). Reviews and comments from other users can be used by companies to increase the purchase intentions (Huang and Chen, 2006) through e-personalization by “providing content or recommendations that are relevant specifically to a user based on past behaviour, similarity with other users, explicitly defined preferences or individual characteristics” (Smith, 2005). This process is mainly based on data mining, collaborative filtering, dynamic content and e-promotions and is aimed at increasing customer loyalty and satisfaction (Smith, 2005).

Social media websites can also be a source of information for purchases as “69% of online shoppers use social media” and “fifty-six percent of shoppers indicate that they visit e-retail websites on a social networking site and that website visiting affects customer purchase intention” (Chung and Kristine, 2010). For example “half of all recent purchases among Broadbanders were influenced by at least one online source” and “nine percent of Broadbanders link at least one user generated source to a recent purchase decision” (Riegner, 2007).

Marketers are not only attracted towards social media because most of the users use it but also because it is less costly (Treadaway and Smith, 2010). Studies showed that those companies which used social media to frequently update the information regarding their new products and promotions were more popular among consumers (Chung and Austria, 2010). Social media has given voice to the consumers and those companies which listen, understand and show quick response towards customers' preferences are the most successful ones (Smith, 2009). Companies that understand consumers more with regards to their opinions about themselves are successful in their marketing activities (Smith, 2009). Also, social media is an easier and a less time consuming option as advertisements contain links

which require some information about the user; the user is often wary of the way this information could be used (Chung and Austria, 2010).

Advertising through social media gives benefits for companies (Chung and Kristine, 2010). The herd behaviour is one of the most seen behaviours because “consumers monitor the comments of others regarding specific topics and use them as a basis for their own choices” (Huang and Chen, 2006). Those rating or comments allow companies to explore word-of-mouth (Trusov et al, 2009). It has been showed that this type of advertising is a prominent factor when it comes to growth (Trusov et al, 2009). As the recommendations that come from actual users are considered to be more valuable than those of experts, positive word-of-mouth is a mechanism to influence purchase intentions (Chevalier and Mayzlin, 2006). It has been also showed that the lasting effect on users is bigger when it comes to word-of-mouth compared with traditional marketing tools (Trusov et al, 2009).

The opinion of other consumers holds more weight and usually the prospective buyers are influenced by peer reviews (Huang and Chen, 2006). If positive and glowing reviews can accelerate the sales, a negative comment will make people rethink before purchasing a product or using a service of the retailers (Chung and Austria, 2010). Thus, social networks are based either on creation or consumption of content (Trusov et al, 2010). But from the large amount of information available searching a specific one can become a problem (Horrock, 2008); even more when it implies search engines that have obstacles in showing the relevant information (Shahabi and Banaei-Kashani, 2003).

There are two ways through which this problem can be overcome: mash-up (Mazurek, 2009) and web-usage mining (Shahabi and Banaei-Kashani, 2003). Mash-ups are “web applications that combine multiple content sources and distributed processing modules, they create values deriving from the mixture of several tools, like corporate Website, blog platform, Google maps, etc.” (Mazurek, 2009) while web-usage mining “is the process of discovering and interpreting patterns of user access to web information systems by mining the data collected from user interactions with the system” (Shahabi and Banaei-Kashani, 2003).

In the context of social networking, engaging consumer’s activity on the web creates new business opportunities (O`Reilly, 2007). Websites should contact all the web population and companies need to learn from users in the context of content creation (O`Reilly, 2007). Here is where location-based services appear.

## 2.4 Location Based Social Media Networks

New business models have appeared due to the evolution of mobile technologies (Hosbond and Skov, 2007). If mobile technologies and geographic information systems are put together with the web, location-based services appear (Li and Longley, 2006).

Location based Social Networks are “delivery of data and information services where the content of those services are tailored to the current or some projected location and context of the user” (Li and Longley, 2006). Furthermore, mobile location-based services represent “wireless services which use the location of a handled device to deliver applications exploiting pertinent geospatial information about a user’s surrounding environment, their proximity to other entities in space (such as people and places), and/or distant entities (for instance, future destinations)” (Urquhart et al, 2004).

Online social networking allows users to share photos, news and other activities while the media allows users to share their current locations with their friends (Reedy, 2010). According to Xu et al (2009) location-based services “use positioning technologies to provide individual users with reachability and accessibility that would otherwise not be available in the conventional commercial realm”. Location-based social networking applications are developing at a rapid pace and include GPS enabled portable devices, wireless communication technologies such as 3G, Wi-Fi, map services like Google maps, Yahoo maps and Microsoft Bing maps (Chow et al, 2010).

As highlighted by Treadaway and Smith (2010), “local business owners similarly have [the] real opportunity to market to consumers in new and unique ways through social media” and this is where the role of location based social media network emerges. Many local businesses are already using social media networks and have left traditional ways of marketing ways in lieu of social media marketing (Treadaway and Smith, 2010).

These amazing properties have attracted businesses, advertisers, social networks, application developers and wireless operators such that the location based services are currently being used to target customers (Reedy, 2010).

Consumers mostly use location based social media to develop their social lives; this tool also comes handy if one wants to gather information regarding a location or if one wants to track down a friend or a family member (Reedy, 2010). Often people communicate through it to join their business colleagues or friends (Chow et al, 2010). “Users willingly share their own location with their friends by broadcasting the place where they are, usually through a location-sensing mobile device. Sometimes it might also be possible to unlock particular benefits or commercial deals by virtue of the check-in itself” (Scellato and Mascolo, 2011). This tool not only gives the locations but also the reviews of the restaurants or other

important places in the area (Chow et al, 2010). Advertising made through location-based services is considered to be much more significant than other marketing channels as it created a direct link between companies and consumers (Banerjee and Dholakia, 2008).

#### **2.4.1 Facebook Deals**

The Web 2.0 is a platform of user-created content of innovation and based on sharing that includes both social and business networks and influence people's and groups activities (social networks) (O'Reilly, 2007). Online Social Networks groups through Web 2.0 became an increasingly prominent part of today's culture as members share events faster than through traditional media (Lai and Turban, 2008) gathering in the recent years more than half billion users worldwide (Li and Chen, 2009). Additionally, location based application could be created due to the universal presence of smartphones and the availability of open mobile platforms that are connected to the Web without restrictions (Li and Chen, 2009).

In the context of Location Based Services, enters Facebook Deals<sup>11</sup>, a functionality of Facebook Places<sup>12</sup>, and a service intended for smartphones' users that has the central focus on location. While Facebook Places offers a strong socialization component, as users have the possibility of sharing their locations and sharing opinions about locations, Deals is based on the business opportunity. For businesses it is a marketing tool through which they can reach the entire social network community. For customers is an e-coupon reward system for "checking-in" into various businesses through the Places application. Businesses are provided with different types of discounts, deals, promotions and bonuses to all those who visited their establishments (Matt, 2011). The Facebook Deal is actually a "reward" for those customers who "checked-in" in businesses and in a way is a powerful tool for retaining customers and ensuring their loyalty (Matt, 2011). As almost each member of Facebook has an average of 130 friends, a message sent to one means a message sent to 130, therefore the network effect is large (Matt, 2011). Facebook Deals pays attention to its relation with customers. According to Facebook<sup>13</sup>, they "are always looking for ways to create more enriching experiences so that businesses can share, connect, and interact with their customers". Deals help to connect customers with their favourite brands and businesses. Deals have the purpose to be used with friends, from sharing or group benefit, and permits

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<sup>11</sup> Available at <http://www.facebook.com/deals/business/>

<sup>12</sup> Available at [www.facebook.com/places](http://www.facebook.com/places)

<sup>13</sup> Source: Deals Guide for Businesses | BETA, available at <http://www.atiatractionmarketing.com/storage/Facebook%20Deals.pdf> , [Accessed October 16<sup>th</sup> 2011]

users to benefit from various discounts and promotions. The Deals are offered by local businesses and they are showed with a green or yellow ticket next to a location or in their page.

There are four types of deals offered by Facebook Deals, namely: individual, loyalty, friends' deals and charity (Matt, 2011). The individual deal is a short term, one time deal in which the customer gets a particular reward when he/she visits a certain place. Friends' Deals are valid for a group of people (not more than eight) who check-in together. They can avail discounts if they are together. Loyalty deals are offered as discounts to clients who pay multiple visits to the establishment. At last, by using Charity deals, a donation is given to a pre-selected charity whenever anyone checks-in at that place (Matt, 2011)<sup>14</sup>. All Deals are free of charge to create, but currently companies outside US need to get in touch with Facebook representatives in order to create their deal.

Concerning privacy, the amount of available data is approved by each user through personal privacy settings. Users can control with who they share their location, remove tags made by friend or appear or not in the public list of people that checked-in in a certain location.

## 2.5 The Resource Based View (RBV) of the Firm

As stated, this dissertation aims to analyze if Facebook Deals can have a strategic impact on companies. Porter showed the three main conditions in order for a firm to be successful: identify its position in the market through internal objectives and efficiency plans; the alignment of the company's "strengths and weaknesses" with its "external opportunities and threats"; the "distinctive competencies "need to be cultivated and made use of (Porter, 1991).

The relationship between Internal and External analysis is showed by Barney (1991) as it follows:

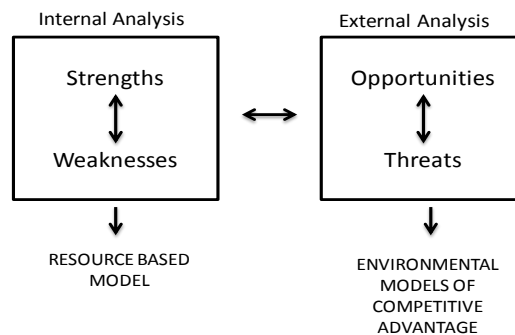


Figure 2.1 : The relationship between traditional "strengths-weaknesses-opportunities-threats" analysis. (Barney, 1991)

<sup>14</sup> Matt, 2011. How Facebook DEALS work?, Available at <http://www.gourmetmarketing.net/2011/03/28/how-facebook-deals-work/>, [Accessed October 16<sup>th</sup>, 2011]

The most reflective and organization focused framework, however, is the Resource Based View (Porter, 1991). Newbert (2008) affirms that “the resource-based view of the firm (RBV) hypothesizes that the exploitation of valuable, rare resources and capabilities contributes to a firm's competitive advantage, which in turn contributes to its performance”. The resources of a company should be the basis of its strategy because they give “the basic direction for a firm's strategy” and they “are the primary source of profit for the firm” (Grant, 1991). These competencies are intangible assets like know-how or status and they should be the basis of the track of the company (Hitt and Ireland, 1985).

A company can take advantage of sustained competitive advantage when “it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy” (Barney, 1991). Moreover if its resources are heterogeneous, “ex post limits to competition” and if its resources have “imperfect mobility” and ex ante limits to competition the company has fulfilled the conditions to have competitive advantage (Peteraf, 1993). These conditions are fulfilled together with products that correspond to “key buying criteria for the majority of the customers in their targeted market” (Hall, 1993).

### 2.5.1 The VRIN model

By mixing important resources [“assets, capabilities, organizational processes, firm attributes, information, knowledge” (Barney, 1991)] a company can create for itself competitive advantage (Wernerfelt, 1984). These resources need to be heterogeneous and perfect immobile in order for the company to be able to have a sustained competitive advantage (Barney, 1991). A company says that it has sustained competitive advantage “when is implementing a value creating strategy not simultaneously being implemented by any current or potential competitor and when these other firms are unable to duplicate the benefits of this strategy” (Barney, 1991).

The concept under which the resource based view works is: identifying a firm’s key resources; assess their power of accomplishing the VRIN condition and if they do protect and enhance those resources as they are valuable for the firm (Barney, 1991).

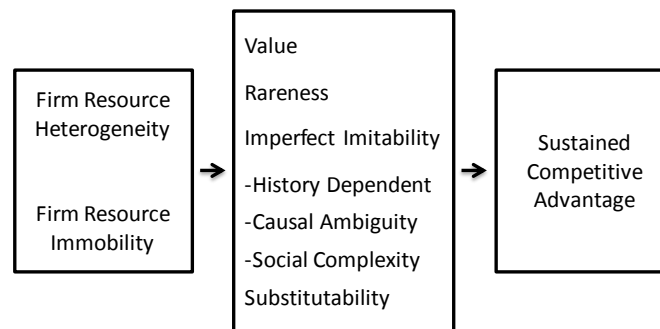
A resource must create **value** for the firm by contributing to the firm’s efficiency or effectiveness (Barney, 1991). This can be done either by “outperforming its competitors” or by decreasing “its own weaknesses” (Amit and Schoemaker, 1993). Mahoney and Pandian (1992) discuss the importance of these resources from the point of view of their transaction costs. They claim that the “investment in the resource cannot be higher than the discounted future rents that flow out of the strategy”.

A resource has to be **rare** (not widely held). Its scarcity is a defining element of what makes a resource become valuable for the firm, as if the resource is present at competitors it can be valued by everyone and can no longer give a particular advantage (Barney, 1991).

Next to the scarcity of a resource (Barney, 1991), if it is impossible to duplicate by competitors this resource becomes sustainable (Peteraf, 1993). The character of being an **imperfectly imitable** resource gives a company a competitive advantage as it holds a unique asset (Peteraf, 1993). The imitation of resource allocation has a defence way that is known under the concept of isolating mechanism (Rumlet, 1984; quoted in Madhok et al, 2010). There are 3 methods known: “property rights, learning and developmental costs, and causal ambiguity” and they are also concentrated on the competitors’ deficiency in the capability to imitate; they are called “ability – based isolating mechanisms “(AIM) (Madhok et al, 2010). Peteraf (1993) claims that causal ambiguity means the impossibility of competitors to find out the source of competitive advantage that a firm has, mainly if this is knowledge-based or socially complex.

Even if a resource accomplishes the VRI conditions it can still be threatened by substitutability, this is why it needs to be **not substitutable** as other resources cannot fulfil the same function (Dierickx and Cool, 1989). If rivals are able to replace a firm’s value-creating resource by another one, than the last loses its ability to create competitive advantage (Barney, 1991) and its prices are driven down to the discounted future rents (Amit and Schoemaker, 1993).

Barney’s Framework (1991) is built under the VIRN characteristics as it follows:



*Figure 2.2: The Relationship between Resource Heterogeneity and Immobility, Value, Rareness, Imperfect Imitability and Substitutability, and Sustained Competitive Advantage (Barney, 1991)*

Barney (1991) claims two assumptions fundamental for RBV: “resources are distributed heterogeneously across firms” and that these resources cannot be relocated with no cost (they are “sticky”). He also brings two primary arguments: resources that are both rare and valuable can generate

competitive advantage for a firm but when they are also concurrently not imitable and not transferable (cannot be acquired in resource markets (Dierickx and Cool, 1989)) those resources can create sustainable competitive advantages. Therefore, rarity and value are each “required but not enough” for competitive advantage, while “nonimitability, nonsubstitutability, and nontransferability are each essential but not sufficient for sustainability of an existing competitive advantage” (Priem and Butler, 2001).

## **2.6 Contextual Marketing**

Contextual marketing “provides customized and contextual information to customers at the point of need in real time” (Xueming Luo and Seyedian, 2003). It is a useful tool as it makes available information for customers’ specific use (Xueming Luo and Seyedian, 2003). Through the internet companies have a “greater intimacy with customers and more efficient targeting of market segments” (Kenny and Marshall, 2000). Traditional marketing becomes outdated, as the value chain is based on customers’ location and needs (Kenny and Marshall, 2000). In order to prove this Xueming Luo (2003) shows that “higher level of contextual marketing is associated with a higher level of perceived site value; higher level of contextual marketing is associated with a higher level of perceived user satisfaction; higher level of contextual marketing is associated with more online purchases”.

In a survey conducted in July 2006, Riegner showed that an average internet user spends greater amount of time on various communication activities than on collecting information, or gathering news and other data (Riegner, 2007). The same source states that nine percent of the internet users cited user generated content as the influence behind their purchasing decision.

### **2.6.1 Online Marketing**

Valos et al (2010) show that the online marketing as “has a major impact on marketing management”. They show that this has been possible because of the more advanced types of customer databases. Online marketing presents itself in various forms; this is why marketers find it more difficult to create the most successful marketing mix that might combine online with offline marketing. Riegner (2007) shows that “online sources compare favourably to traditional sources in terms of their influence on recent purchase decisions: fully half (50 percent) of all recent purchases among Broadbanders were influenced by at least one online source, whereas 61 percent were influenced by offline sources”.

### **2.6.1.1 Word of Mouth**

Word of mouth is considered nowadays of high importance, mainly due to its frequency (Berger et al, 2011). Keller and Libai (2009) quoted in Berger et al (2011) show that social converse causes “more than 3.3 billion brand impressions each day”. According to Nielsen Global Online Consumer Survey (2009)<sup>15</sup> when people hear something from a reliable contact they trust it more than any advertisement or public relations activity done by the company to promote their product.

The eWOM is another effective plan of Web 2.0 applications through which companies can not only maintain the existing customer base but also acquire new ones (Leen et al, 2009). Besides eWOM, customized product promotion, viral marketing and social media marketing are other methods through which companies are promoting their products. eWOM is an effective and the quickest and least expensive way of convincing consumers (Trusov et al, 2009). It is not like traditional marketing as it is fast yet less costly (Trusov et al, 2009). Consumers take their information from online users’ reviews, replacing like this the traditional business-to-consumer communication (Chevalier and Mayzlin, 2006).

One of the reasons the eWOM has gained tremendous popularity is that a large majority of consumers consider other people’s recommendations for products and services offered more trustworthy than other forms of publicity like newspapers, traditional and online advertising (Trusov et al, 2009).

If compared to other online businesses, it has been noted that the online communities depend on the user generated content to maintain their user base. For online communities, the electronic form of “spreading the word” comes naturally and plays a strong role in acquiring new customers (Trusov et al, 2009). Recommendations made by users are considered to be a large factor on a website’s growth as those referrals impact in a large way other users’ magnetism towards a website (Trusov et al, 2009). Experts’ opinions become almost obsolete as perceptions and purchasing intentions are influenced mainly by word-of-mouth (Huang and Chen, 2006). Even more, conventional marketing is no longer as effective as word-of-mouth when it comes to lasting effects (Trusov et al, 2009), reviews having the power of influencing purchasing behaviour (Chevalier and Mayzlin, 2006).

### **2.6.1.2 Herd Behaviour**

Herd behaviour is the “phenomenon of people following a crowd for a given period”, sometimes “even regardless of individual information suggesting something else” (Rook, 2006)

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<sup>15</sup>Source: Nielsen Global Online Consumer Survey 2009, Global Advertising: Consumers Trust Real Friends and Virtual Strangers the Most, Available at <http://blog.nielsen.com/nielsenwire/consumer/global-advertising-consumers-trust-real-friends-and-virtual-strangers-the-most/>, [Accessed October 13<sup>th</sup> 2011]

Hung and Chen (2006) show that on the internet this behaviour is shown by consumers “monitor(ing) the comments of others regarding specific topics and use them as a basis for their own choices”. Consumers base their choices depending on the comments and opinions of the others. The behaviour is enabled by “speed and customization”, as all views reach straight and fast consumers. The homogeneity of users makes this behaviour possible. Even if people are not related they are connected through the offering and search of reviews. This proves the power of “collective intelligence” that transforms on-line suggestions in information sources. For these reasons, herd behaviour together with word of mouth can be efficiently used in influencing purchase decisions. On-line marketers can also take advantage of the so called “power of crowds”. This is mainly achieved through recommendations offered by one consumer to another. Like this, companies can endorse on-line sales and empower targeted advertisement (Huang and Chen, 2006).

### **2.6.1.3 Digital Coupons**

“E-coupons are the digital analogue of paper coupons which are used to provide customers with discounts or gift in order to incentive the purchase of some products”(Blundo et al, 2005). Traditionally, coupons offer a discount or a product/service. Their main purpose is to promote a certain product. The distributions mean sets the main difference between traditional and e-coupons; the last ones are issued online taking advantage of the marketing opportunities and consumer interaction associated with them” (Blundo et al, 2005). A survey quoted in Marketing Week shows that around 87% consumers used online coupons while 18% of these people reacted to the recommendation or friends or family (Croft, 2005). In 2008, the first e-coupons reached the mobile phone technologies when widgets provided automatic fill in and Internet coupons could be linked to loyalty cards (Angrisani, 2008).

Digital coupons are more popular among young consumers as it is stated in the DrugStoreNews (2011) available online<sup>16</sup>, “in 2010 more than \$1.2 billion in digital coupon savings were issued which a 41% growth over the year was before”. The reasons behind the success of digital coupons are the increased use of Internet and mobiles by consumers and the decreasing trend of reading newspapers as highlighted by couponsinc.com (2011)<sup>17</sup>.

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<sup>16</sup> Source: DrugStoreNews 2011, Digital Coupon Wave: Clipping to Surfing, Available at [http://findarticles.com/p/articles/mi\\_m3374/is\\_8\\_33/ai\\_n57814337/](http://findarticles.com/p/articles/mi_m3374/is_8_33/ai_n57814337/), [Accessed October 14<sup>th</sup> 2011]

<sup>17</sup> Source: Digital Coupons Represent Fastest Growing Coupon Segment in 2010 , Available at [http://www.couponsinc.com/corporate/OurCompany/PressReleases/2011.aspx?udt\\_542\\_param\\_detail=127](http://www.couponsinc.com/corporate/OurCompany/PressReleases/2011.aspx?udt_542_param_detail=127), [Accessed October 14<sup>th</sup>, 2011]

## 2.7 Research Model and Research Hypotheses

The first part of this Chapter presented a literature review focused on the new ways of customer attainment. It was showed that companies can now increase their interactivity with customers through direct contact and feedback from users, growing their ability to augment brand awareness, customer loyalty and satisfaction through data mining, collaborative filtering and e-promotions. Furthermore, the aim of this dissertation is to show if Facebook Deals, as a location-based service, can have a strategic impact on companies. As showed in the Literature Review, for companies, Facebook Deals is a marketing tool through which they can endeavour the entire community of the social network while for customers it represents a type of e-coupon reward system for “checking-in” into various businesses. The idea on which the website is based is the e-coupon / online-coupon and social media.

From these two dimensions, the Literature Review and the dissertation’s theme, this study proposes itself to follow a sole model in order to test the validity of research hypotheses. The model incorporates an examination concerning the current usage of location based services (through smartphones) in the area of Lisbon; whether Facebook Deals represents a service with high potential and value for users and if consumers would be willing to actively use the service (including which type of deals would be more valued and when they would be used); and the main areas/sectors in which this service could be used with most value. The value created through this system is studied for both users and companies.

The components of the model are concretized through research hypotheses that will be further tested with the application of the Resource Based View. The hypotheses are meant to guide the research helping the collection of data needed for the investigation (survey). They also help to find information needed to unravel the research problem.

The literature review shows that social websites are based on the ability to connect and encourage current users’ activity while attracting new users (Huang and Chen, 2006; Zhang et al, 2011; Chung and Kristine, 2010). Location based social media offers companies tools and models of engaging users in participating in their page’s location (Chow et al, 2010). The first research hypothesis studies the awareness and usage of location based social networks.

*H1: Users of social networks in Lisbon are aware and use location based social networks.*

Facebook Deals pays attention to the relation that Facebook Places has with customers. The second research question concerns the attractiveness of Facebook Deals for persons that are not aware of the application and consequently do not use it.

*H2: Facebook Deals is an attractive service to non-users from Lisbon and they show interest in taking part of it.*

The third research question is meant to understand if Facebook Deals is seen as conventional social media, meaning that besides self-interested individual deals, the connection with friends is the origin of social network attractiveness.

*H3: Receiving individual deals/discounts on a product/service and the possibility of interacting with friends through Friend Deals are the most valued features in Facebook Deals.*

The fourth research question is aimed at understanding the main features valued by users in order to increase the participation in a page's location, namely a businesses' deal.

*H4: Companies can catch the attention of users' by offering promotions and discounts; creating direct contact with users; provide them with new products/services samples.*

Besides the main items appreciated by users, this study wants to understand the main time frames in which consumers would mainly use Facebook Deals. The time frame is considered of high importance as companies can take into consideration these trends and take advantage of the main patterns in terms of usage.

*H5: Facebook Deals activity occurs mainly in the daily life or during weekends.*

As this study is designed to be formulated and conducted in a restricted space area (Lisbon), it is considered important to revise the trend concerning the sectors of activity where users would find more valuable and would be more willing to employ the deals.

*H6: The main areas/sectors of Facebook Deals usage are restaurants, cafes/bars or entertainment venues.*

The seventh research hypothesis intends to test if different types of Deals could be attractive for various areas. Moreover it wants to investigate if these areas' choices are being influenced by the Deal category.

*H7: Different types of Deals (i.e. Individual, Friend, Loyalty and Charity) are attractive for users in different specific areas.*

Online Social Networks' main concern, as showed by the literature review, is the privacy protection problem. As the study is based on the usage of Facebook Deals (an application of Facebook Places), privacy issues concerning information sharing with companies are arisen.

*H8: Facebook Deals can be an indirect customer database for companies.*

Online marketing is one of the preferred sources used by consumers in making purchase decisions. This preference can be influence by direct targeting through online social networks. By having the information concerning users` that access locations and use deals/promotions the next hypothesis evaluates the possibility of successful direct marketing.

*H9: Through Facebook Deals companies are able to perform one-to-one marketing campaigns to their customers.*

In the same perspective, contextual marketing allows companies to have a "greater intimacy with customers and more efficient targeting of market segments" and "offering customers a more valuable, more timely product" (Kenny and Marshall, 2000). For this the last research hypotheses are meant to test the data mining opportunities.

*H10: Facebook Deals allow companies to understand their customers' preferences and purchasing habits (data mining from loyalty cards) and to access their customers' responsiveness to marketing efforts (promotions / campaigns).*

After providing the research hypotheses formulation in the context of the model created, it is possible to show a schematic approach of the model.



As this dissertation's research question is based on the possible strategic impact of Facebook Deals on companies, the Literature Review tried to create a conceptual framework for the future study, based on the Research Based View. The main area of focus of strategic management is the achievement of competitive advantage and the RBV gives an insight to comprehend the investigated phenomenon and the factors that affect it through an empirical research. Beside the RBV, Contextual Marketing (that makes available information for consumers' specific use while targeting more efficient various segments of the market) is another tool used by this dissertation to build the survey and circumscribe the discussion presented in the subsequently chapter.

Based on the Literature Review and the main theme of this dissertation a research model was presented and the main research hypotheses meant to guide the collection of empirical data were identified. The model is based on three pillars as it follows: the current usage of LBS in Lisbon; the potential usage of Facebook Deals in Lisbon; and the main industries of most value for users. Like this, H1 intends to test the current usage of LBS; H2 the potential usage in Lisbon while H3 and H4 are intended to understand which types of Deals and their features most valued by users. H5 tests the main time-frame of usage while H6 and H7 study the main areas/sectors of usage. At last hypotheses between 8 and 10 test the potential for companies to collect information about their customers through Facebook Deals and to target them directly.

## **CHAPTER 3: METHODOLOGY AND DATA COLLECTION**

In the last chapter the research hypotheses were established. They are testable predictions concerning various variables in the study. The material background that justifies the hypotheses that are to be tested was given in the Literature Review. Moreover, these have as precursor the research question of this dissertation: Can Facebook Deals, as a location-based service, have a strategic impact on companies? In order to support them, the research hypotheses are investigated through collection and treatment of empirical data. Furthermore the model of data collection and questionnaire are presented, showing its construction mould.

### **3.1 Survey Construction**

In order to evaluate the validity of the research hypotheses constructed based on the presented model this dissertation conducted the collection of primary data. This was done through a survey designed for inhabitants or people near the area of Lisbon, Portugal. The study was carried throughout the month of November 2011. The following sub-section of the paper shows the construction of the questionnaire and analyzes data collected through it with the purpose of obtaining intermediate conclusions.

The questionnaire was constructed under the assumption of an online spread. This is mainly due to the interactive feature that it contains, namely a video that describes the way Facebook Deals works, but also because of the online nature of the subject studied. The statistical populations of interest concerns people with ages varying from under 18 to above 30 years old that are in the area of Lisbon. Here entered the first question and restriction in the questionnaire, as if respondents were not from the mentioned geographical area the survey could not be opened or completed. No additional restrictions were set. The study was divulgated through social networks, namely Facebook and LinkedIn and also through personal e-mail. The sampling method permits researchers to make deductions about the population of interest (Yu and Cooper, 1983). There were used two non-probabilistic sampling methods: sampling and the snowballing technique. The convenience sampling is represented through emails sent to friends and acquaintances and they were asked to forward the received email to their personal contacts, this representing the snowball technique as Andrews et al (2003) show that to draw people to answer online questionnaires this is an appropriate technique. The minimum amount of answers for the questionnaire to be considered sufficiently interesting is assumed to be greater than 30 responses in

order to follow the Central Limit Theorem, as for  $n > 30$  the sampled population will be normally distributed<sup>18</sup>.

Even if the survey was destined for people living in Lisbon area, it was built in English in order to ensure that the video display was understood (as it was in English). In this way uniform answers were collected from both Portuguese and foreign people that are in the targeted geographical area. The poll was designed in QuestionPro and can be visualized in **Exhibit**.

The survey begins with the description of its purpose and the manner that data is collected, reinsuring the respondents' anonymity. The first three questions are meant at understanding the respondents' profile after assuring the respondents' belonging in the geographical area. Given the condition of accessing the application through a Smartphone, there are two questions investigating the ownership and also the type of device that is possessed.

A great importance is given to the fifth question as users were asked if they are aware of the location based social networks. If the answer was negative they are conducted to question eight where a short video<sup>19</sup> concerning Facebook Deals is presented. If the answer was positive the subsequent questions came to assess the current usage of location based services. Moreover, if the respondent was active on Facebook Places consequent questions concerning the knowledge and usage of the Deals application were present. If the application was actively used the survey moved to question nine assessing the types of deals more often used. If the application was known but unused a question concerning the reason of the non-usage was asked.

Questions 9 and 10 permit the understanding of Facebook Deals users and potential users' preferences and needs. The answers were collected in a six point Likert-type response scale. Through using a six point scale the survey meant to avoid the middle type of answers, where respondents cannot give clear assessments to each item. Additionally a question considering the time frame of usage was asked.

Questions 12 and 13 were thought with the purpose of assessing the main areas/sectors of activity where Facebook Deals would be mostly used. Apart from a multiple choice answer option, the survey showed in the subsequent question, in a Likert-type scale, just the answers previously selected in order to evaluate the preference for each type of deal in the sector selected.

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<sup>18</sup> Source : Central Limit Theorem, Available at: [http://www.statistics4u.info/fundstat\\_eng/cc\\_central\\_limit.html](http://www.statistics4u.info/fundstat_eng/cc_central_limit.html), [Accessed November 1<sup>st</sup> 2011]

<sup>19</sup> Source: How does Facebook Deals works?, Available at: <http://www.youtube.com/watch?v=3lo9DtxjR2I> [Accessed November 1<sup>st</sup> 2011]

The last question was designed with the purpose of understanding any privacy issues and most important what businesses can expect from users in terms of data mining and contextual marketing and the proceedings that can be conducted in this context.

### 3.2 Sample Size and Profiling of the Respondents

The survey was seen by 279 people and 150 (53, 76%) provided answers to it. From the surveys that were begun, 105 answers were considered complete and valid, giving a 70% completion rate. Concerning the socio-demographic profile of respondents, female were fairly overrepresented (about 57%), while males embodied about 43% of the sample. Even if the respondents' age is ranging between less than 18 and more than 30 years old, the average respondents were in the 22-25 years old range (54, 13%).

#### 3.2.1 Survey Data Treatment

This subsection of the Discussion is meant to study any possible technological barriers that Facebook Deals usage might be facing. In the subsequent section the testing of the research hypotheses will be introduced.

Location based application were created because of the global presence of smartphones and their open connection to the internet (Li and Chen, 2009). The survey results show that almost 70% of the respondents currently have and use a Smartphone. As Facebook Deals is an application intended for smartphones` users in the context of this study it may be considered that there is no technological barrier present concerning the usage of geo-location services.

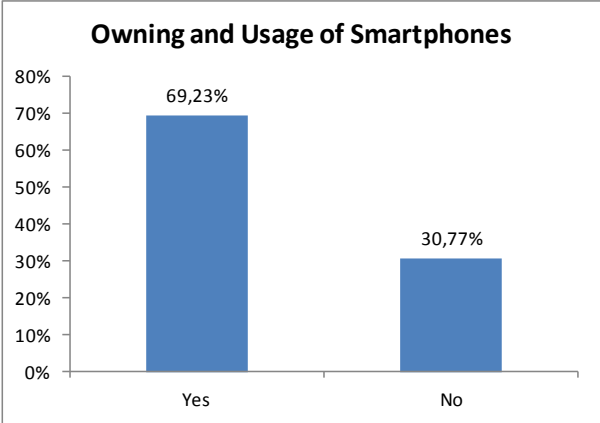


Figure 3.1 Owning and Usage of Smartphones

With the presence and increasing employment of smartphones [Apple iPhones and Google Android phones] the location-based social media has become more accessible (Li and Chen, 2009). Moreover, this study shows that in the Lisbon area BlackBerry occupies a part of the Smartphone market, being in third place (with about 23% of respondents owning a device), after iPhone (around 40%) and in front of Android (21, 5%). Nokia (11%) and Windows Mobile (5%) also occupy a place, but not as high, in the preference of the respondents. This accentuates the lack of technological hurdle concerning the access to location based services and confirms the studies that show that iPhone, BlackBerry and Android smartphones have a leading place in the various markets (Eddy, 2011).

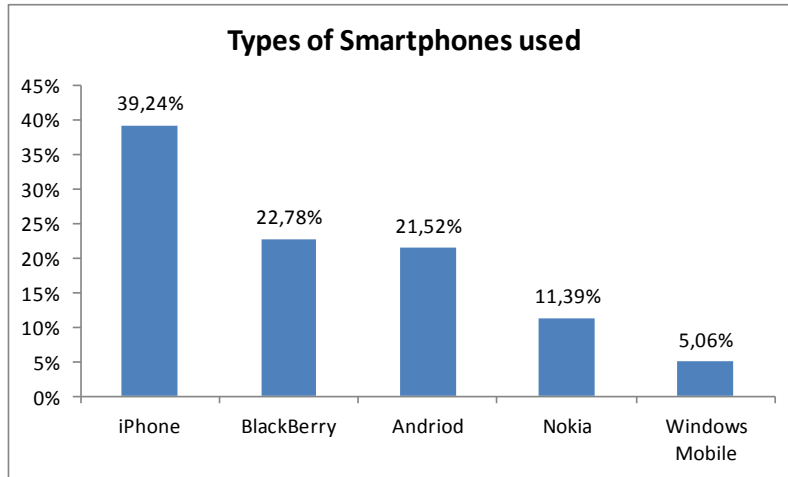


Figure 3.2 Smartphones Typology

### 3.3 Hypotheses Test

This subsection of the Dissertation is meant to discuss the validity of the research hypotheses that were established in Subsection 3.1. This dissertation assumes that if a question is provided with 70% or higher positive/affirmative/approbatory answers, as a significance level, this percentage is high enough to show the approval of the statement by respondents, therefore confirming that particular item.

#### 3.3.1 Hypothesis H1 study

The study model that was conceived has as initial point the current usage of location based services in Lisbon; mainly the location based social networks concept knowledge. This is what the first research

hypothesis is trying to observe and study as location based social media offers companies tools and models of engaging users in participating in their page's location (Huang and Chen, 2006; Zhang et al, 2011; Chung and Kristine, 2010; Reedy, 2010).

The survey data shows that more than 70 % of the respondents are familiar with the concept of location based social networks, proving therefore the first part of the research hypothesis (*H1: Users of social networks in Lisbon are aware and use location based social networks.*) For the remaining percent, the survey continued with a brief video presentation of Facebook Deals as a location based application, skipping the subsequent questions.

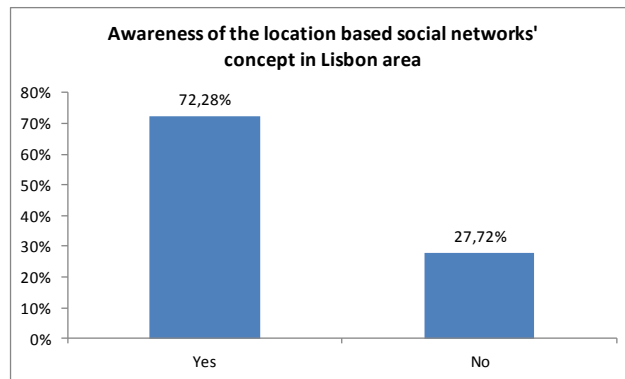


Figure 3.3 LBS Concept awareness in Lisbon

In order to study the second part of the first research hypothesis (*H1: Users of social networks in Lisbon are aware and use location based social networks*) additional questions were asked. Firstly the awareness concerning various location based social networks was studied followed by the usage of each of them. The results show that 92, 16% of respondents are aware of one of the 4 social networks studied while 78, 26% are active users of one of the mentioned social networks. From these there can be already emphasised respondents that are aware and use Facebook Places (about 62% aware and about 59% users) and place the service on first place. The second known and used network is Foursquare with approximately 21% awareness and 13% usage. Yelp and Gowalla do not have as many followers or users as the first two (5% and 3 % for Yelp; 4% and 3 % for Gowalla respectively). It is also important to observe the fact that about 8% of all respondents are not aware of any location based network even if they are aware about the concept (respondents that answered previous question "are you aware of the location based social network concept?" negatively were not asked to answer these subsequent questions, therefore all respondents were familiar with the concept) and that almost 22% even if they were aware of certain social networks are not active users of any. There has been noticed a very high correlation between the awareness and usage of location based social networks, the correlation coefficient magnitude being 0,949.

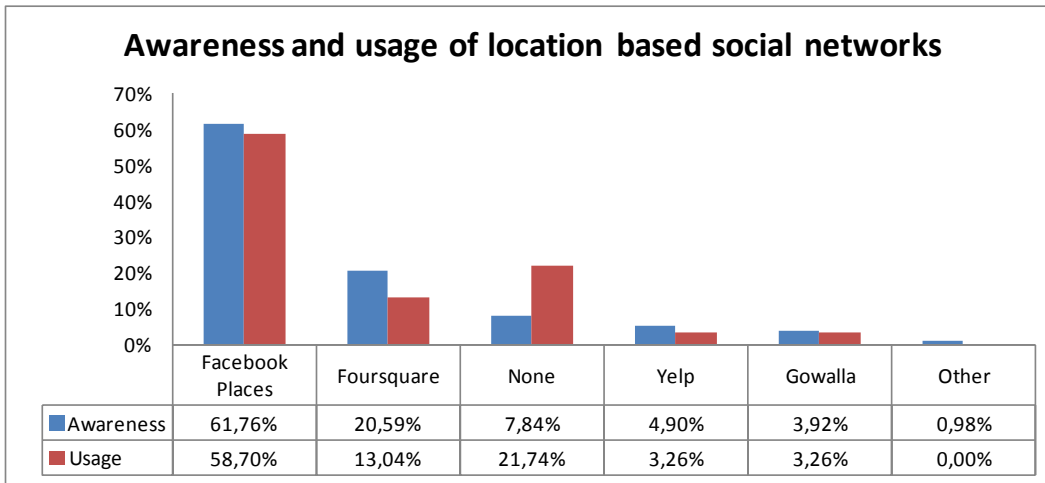


Figure 3.4 LBS Awareness and Usage

Given the restriction that was set for the survey, these answers were collected only from respondents that are in the Lisbon area. Therefore, being known the high majority of positive answers in the studied geographical area (with more than 70% awareness of the concept and around 78% usage) it can be concluded that **Hypothesis 1: Users of social networks in Lisbon are aware and use location based social networks; is confirmed.**

Additionally, due to the exemplification of the known/active social networks, respondents that said they were active users of Facebook Places solely or along with other networks were asked to answer additional questions in order to understand the current knowledge/usage of Facebook Deals in Lisbon. Like this is showed that about 55% of persons that are familiar with Facebook Places know about the Deals application and from these about 45% are active users of it. These numbers show that in the large awareness and usage of location based services, Facebook Deals already occupies a place. Further on, those respondents that were not aware about the Deals application were sent to the explanatory video.

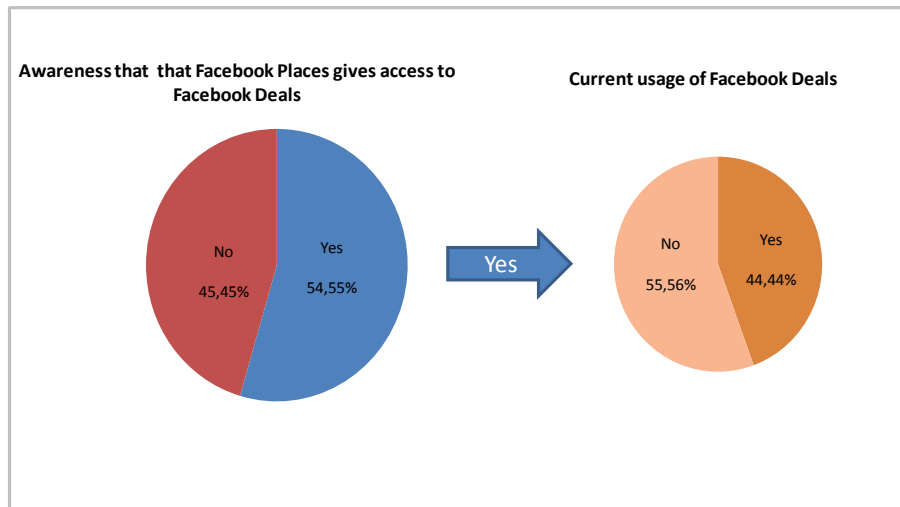


Figure 3.5 Awareness if Facebook Places gives access to Facebook Deals and The Current usage of Facebook Deals

In the category of respondents that are aware about the Deals but do not use the application an additional question was set in order to understand the main obstacles concerning the lack of utilization. Thus, around 42% of people do not know how the application actually works while 25% cannot see any benefits. Over 16% have no idea how to take advantage of it in Lisbon and 8,33% find it too complicated to use or they “never need” [quoted as Other reasons].

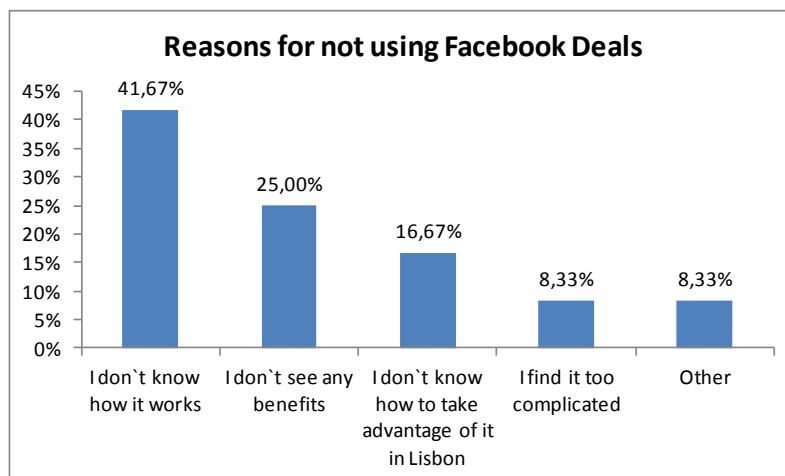


Figure 3.6 Reasons for not using Facebook Deals

As the majority of the reasons that were given for the non-usage of the application could/might have been clarified through the explanatory video provided in the next part of the survey, all respondents were lead to watching the film.

### 3.3.1.1 Hypothesis H1 conclusion

H1 was meant to study the location based social networks concept knowledge and current usage of location based services in Lisbon, trying to ascertain the network effects and reach and richness of information that the usage of Facebook Deals could create. The analysis showed that people are already aware and use location based services in the specified geographical area, therefore value the service. The most known/used application is Facebook Places, followed by Forsquare, Yelp and Gowalla. Moreover, from the respondents aware of Facebook Places the majority already know the Deals application and 45% of those actually use it, showing its current value. From the people that are aware of it, but do not use it, reasons as not knowing how the application is supposed to be used, not seeing any benefits, not knowing how to use it in Lisbon or being too complicated to use are shown.

### 3.3.2 Hypothesis H2 study

The survey showed that 29 people (27, 7%) are not familiarized with the location based social network concept and that from the ones that know the concept and know various services, including Facebook Places, 45,45% are not aware of the Deals application, or if they know it 55,56% are not active users of it. These respondents are considered the non-users of Facebook Deals.

In order to understand the interest in becoming users of Facebook Deals, respondents were asked to watch an explanatory video, as mentioned before, in order to be more familiarized with the concept, usage and ease of access, being questioned afterwards if they would be willing to become an active user of Facebook Deals. For those that showed no type of interest in this application, the survey ended at that point, that is for 28,57% of respondents. The majority (71, 43%) answered positively to this question, showing therefore high value and willingness in taking part in the application.

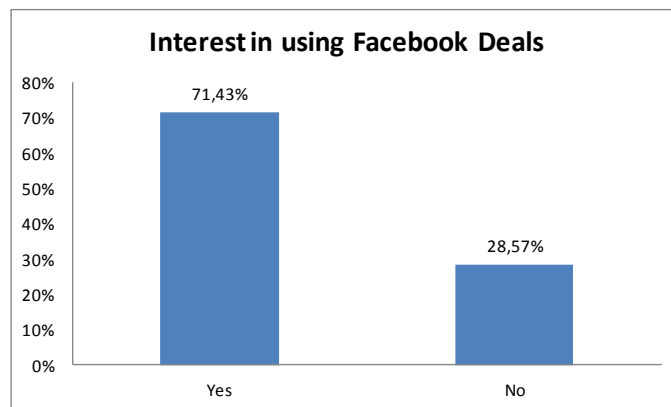


Figure 3.7 Interest in using Facebook Deals

These results allowed for the second research hypothesis [**Hypothesis H2: Facebook Deals is an attractive service to non-users from Lisbon and they show interest in taking part of it**] to be **confirmed** with around 70% willingness, interest and value in using this application in Lisbon.

### 3.3.2.1 Hypothesis H2 conclusion

The second research hypothesis tried to test the non-users openness towards the Deals application. A preponderant positive feedback was raised concerning people's willingness to start using Facebook Deals, showing clear possibilities for companies to create network effects while increasing their reach and richness of information.

### 3.3.3 Hypothesis H3 study

The third research hypothesis is intended to understand if Facebook Deals is seen as conventional social media, besides self-interested individual deals, the connection with friends is the origin of network attractiveness. The results of the survey show that Individual deals are the most favoured with about 44% of respondents showing their interest in using this type of deals. At close difference are the Friend Deals (around 27%) and Loyalty Deals (about 20%) while Charity Deals get 9% of the votes.

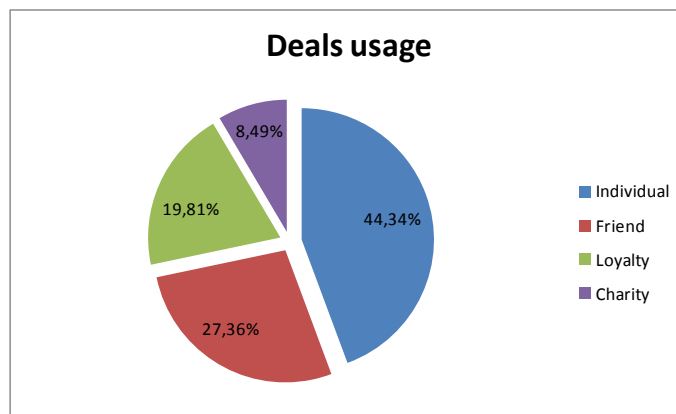


Figure 3.8 Types of Deals more valued by users

Reedy (2010) showed that consumers mostly use location based social media to develop their social lives. Often users communicate through it to join their colleagues or friends, sometimes being possible to open specific benefits or deals with a check-in (Chow et al, 2010; Scellato and Mascolo, 2011). The survey shows that part of the research hypothesis can be confirmed as Individual Deals is the most valued feature of Facebook Deals, but Friend Deals have a much lower percentage of preference (almost 17% less people are opting for this option) and the results are fairly close to the Loyalty Deal (the

difference between the last two being of 7%), thus being unable to claim the importance of Friend Deals in the same degree as the importance of Individual Deals.

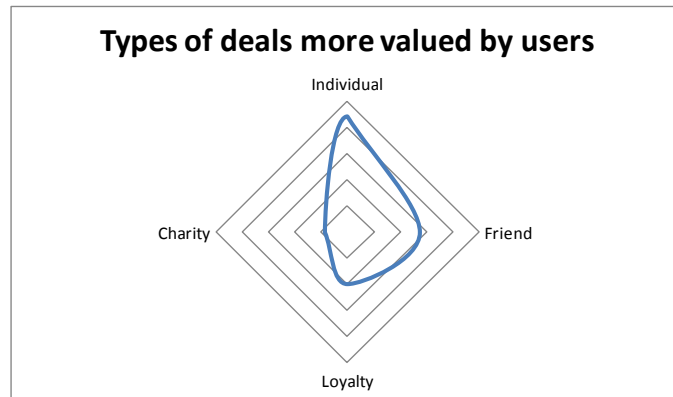


Figure 3.9 Types of Deals more valued by users (matrix scorecard)

Therefore **Hypothesis 3: Receiving individual deals/discounts on a product/service and the possibility of interacting with friends through Friend Deals are the most valued features in Facebook Deals; is partially confirmed.**

### 3.3.3.1 Hypothesis H3 conclusion

H3 studied if Facebook Deals is considered similar to conventional social media, used as a mean for users to develop their social lives. Results showed that Individual Deals are indeed the ones that would be used the most in what concerns the four types of deals. At large differences in preference are Friend and Loyalty Deals; [the preference towards Loyalty deals, even if not as important as Individual, still creates a premises for companies to attain customer loyalty, helping the creation of switching costs]. This shows that indeed the self-centred element is at the top of discounts/promotions choices, but the element of increasing communication with friends is not as important, even if is situated on the second place as preference.

### 3.3.4 Hypothesis H4 study

The following research hypotheses, excepting H5 and H6, were meant to be tested through a Likert-type response scale with six degrees. The six points on the scale were chosen in order to avoid the middle, neutral option. Answers graded between 1 and 3 were assumed to be a negative response given by users. Those with value between 4 and 6 were judged as approval/agreement. The criterion on which the validity of a hypothesis is confirmed is assumed that: if 70% or more of the respondents' answers are situated between 4 and 6 on the scale, the item is approved.

The fourth research question is aimed at understanding the main features valued by users in order to increase the participation in a page's location, namely a businesses' deal. This was tested through the 10<sup>th</sup> question in the online survey. It was meant to evaluate various features of each type of deal that Facebook Deals offers in terms of interest and attractiveness. Moreover, it was meant to test the viability of such an application around Lisbon. As showed before, this questionnaire was limited to respondents in the Lisbon are, therefore all conclusions drawn from this study apply to this population. The question was meant to assess the value that users give to each type of deal and moreover to each characteristic that a certain deal has for users. Like this, the overall data that was extracted from the answers shows an average value of 4, 57. This means an overall positive attitude towards the attention that can be attracted through Facebook Deals by companies, from the users' perspective. As shown in the graph below a larger importance is given towards Individual Deals, namely the possibility to receive a discount or a promotion, gathering an average 5, 25 preference score, showing one of the most valued features that a Facebook Deal type of service can offer consumers. According to this overall assessment, on average, the second most valued feature by users regards Friend Deals with discovering new places through friends (4,734), like this enhancing the traditional social media component of the application. Around the same value (4, 688) is given to promotions and discount through Loyalty Deals and Individual Deals (4, 672). The least valued feature would be the direct contact of companies with customers. However the value given, on average, is not showing an extreme dislike towards this feature (4, 094; being at 1, 2 points difference from the first most valued and 0, 12 from the one before the last). The graph also tries to illustrate the users' preference, on average, towards Individual and Friend type of deals with their according characteristic.

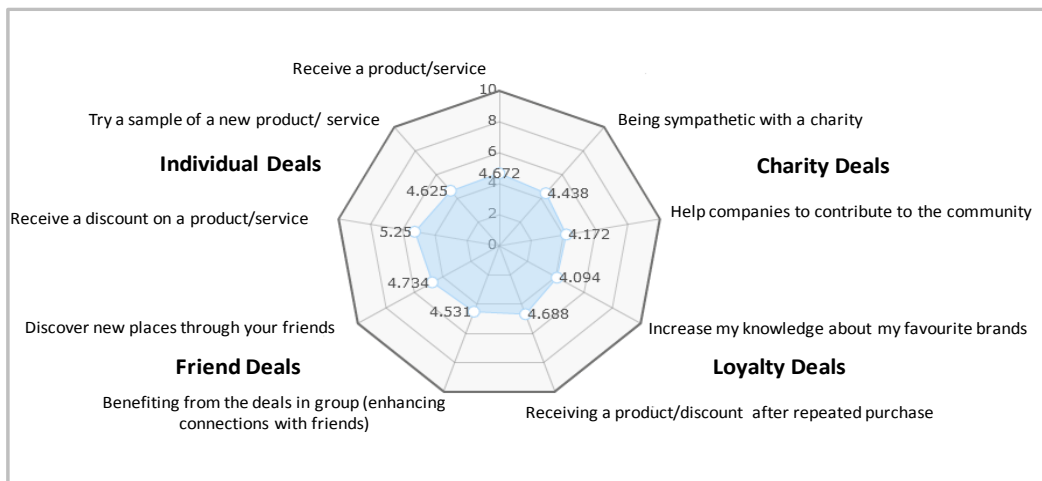
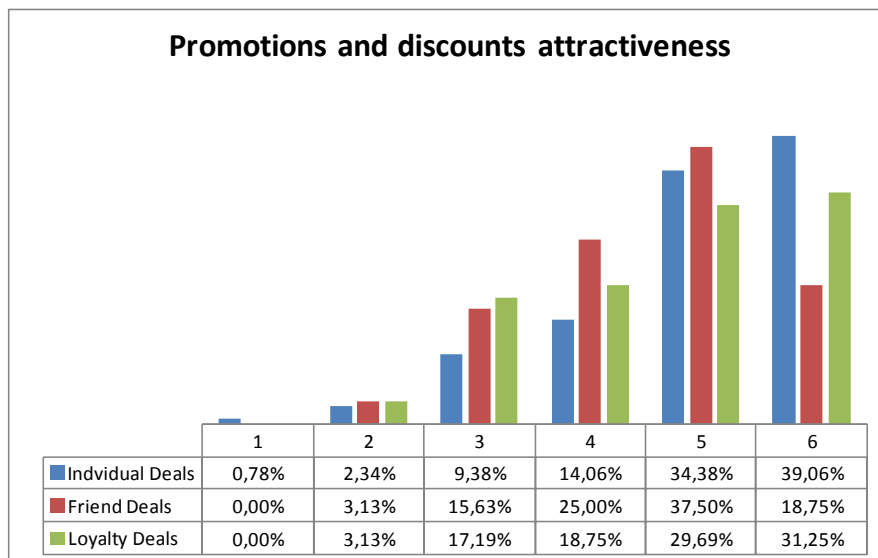


Figure 3.10 Main Facebook Deals features valued by users (overall matrix scorecard)

In order to ease the study and make it more accurate the hypothesis were divided into three parts, each of them representing a certain component of the research hypothesis.

Firstly the promotions and discounts attractiveness is studied from the Individual, Friend and Loyalty deals point of view. Each of the four types of deals was provided with various characteristics that describe at best their features. From these the four most significant were considered to best describe the promotions and discounts attractiveness, namely: Individual Deals: Receive a product/service; Receive a discount on a product/service; Friend Deals: Benefiting from the deals in group (enhancing connections with friends); Loyalty Deals: Receiving a product/discount after repeated purchase. These variables were aggregated and the result shows the attractiveness that users give to the most representative types of deals concerning the promotions and discounts area.



*Figure 3.11: Promotions and discounts attractiveness for different types of Deals*

An increasing value is attributed for discounts and promotions concerning Individual and Loyalty Deals while Friend Deals peak at the value of 5. All three categories have a value attributed to them of in average above 4, 5 (Individual 4, 96; Friend 4, 53; Loyalty 4, 69; giving an average of 4, 73). This shows that even if the deals are taken individually users have in general a positive reaction to promotions and discounts.

Aggregated, the values attributed to promotions and discounts attractiveness show that 33, 85 % and 29, 69% of users attribute significance of 5 and 6 respectively and 19, 27% of 4. This adds up to a total 82,81 % of all respondents that consider the promotions/discounts feature to be one of value and great importance in using the application.

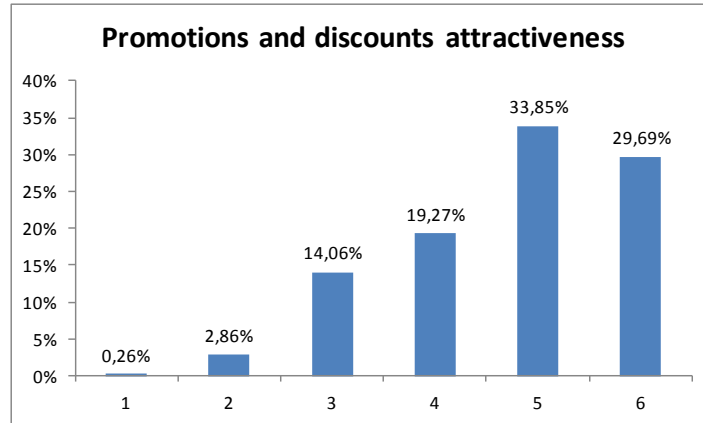


Figure 3.12: Promotions and discounts attractiveness

Just 17, 19% of respondents believe that promotions and discounts are not valuable features of Facebook Deals, leaving more than 80% to attribute values between 4 and 6.

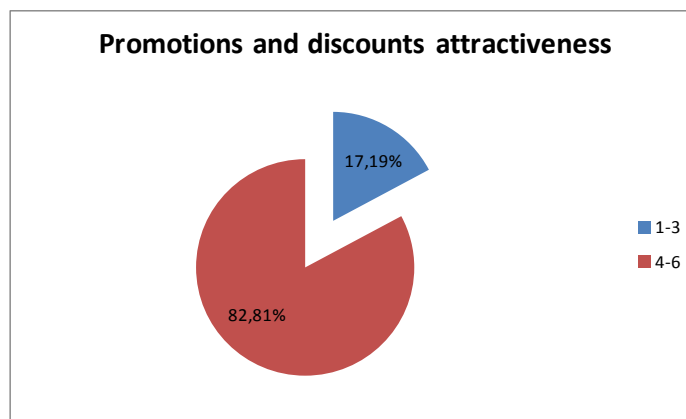


Figure 3.13: Promotions and discounts attractiveness overall

For these reasons it can be concluded that **the first part** of the fourth research hypothesis [**H4: Companies can catch the attention of users` by offering promotions and discounts;**] **is confirmed.**

Secondly, the establishment of direct contact with users is studied from the Loyalty and Charity deals point of view. Once again, each of the four types of deals was provided with various characteristics that describe at best their features. From these two most significant were considered to best describe the establishment of direct contact with users, namely: Loyalty Deals: Increase my knowledge about my favourite brands; Charity Deals: Help companies to contribute to the community. These variables were aggregated and the result shows the value that users give to the most representative types of deals that would enhance their direct contact with companies.

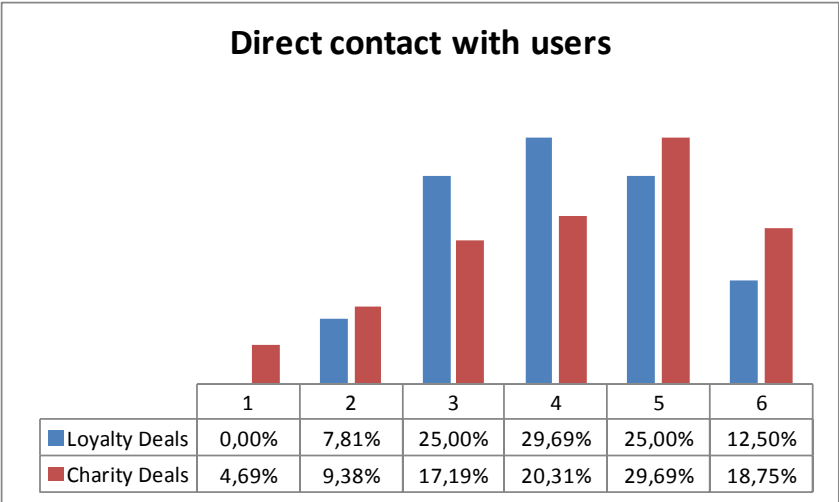


Figure 3.14: Direct contact with users for different types of Deals

An increasing value is attributed for discounts and promotion concerning Individual and Loyalty Deals while Charity Deals peak at the value of 4 and 5 respectively. Both categories have value attributed to them of in average above 4 (Loyalty 4, 09; Charity 4, 17 giving an average of 4, 13). This shows that even if taken deals individually users have in general a more neutral towards positive reaction to establishing direct contact between users and companies.

Aggregated the values attributed towards direct contact show that 25 %, 27, 34 % and 15, 63% of users attribute significance of 4, 5 and 6 respectively. This adds up to a total 67, 97 % of all respondents to consider the direct contact between them and companies as a consequence of using Facebook Deals to be one of value in using the application.

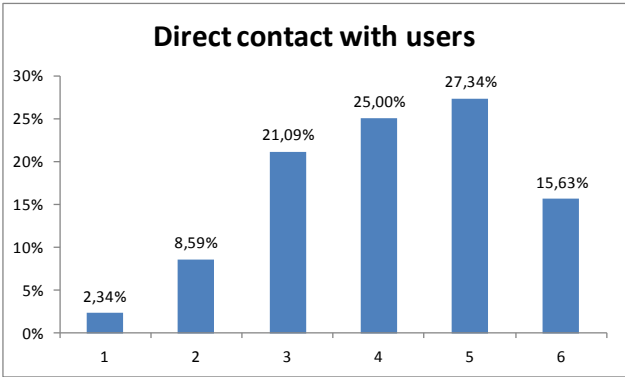


Figure 3.15: Direct contact with users

Differing from the first part of the research hypothesis, the results show that even if the direct contact is a value, 25 % , 27, 34%and 15, 63% (total 67, 97%), 32,03% believe that this are not a valuable feature of Facebook Deals.

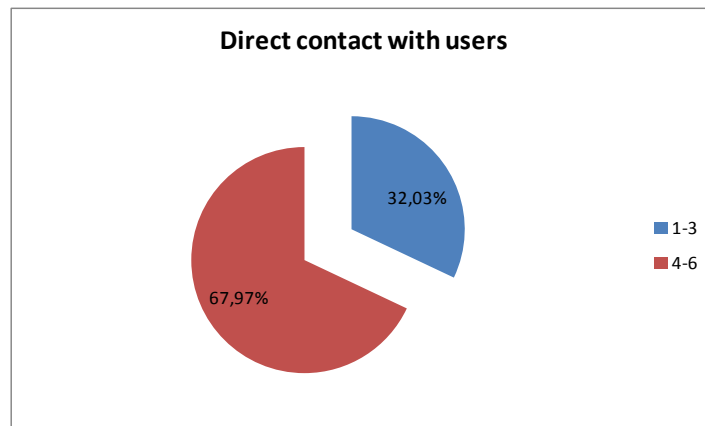


Figure 3.16: Direct contact with users overall

As the criterion that this dissertation adopted requires a minimum of 70% of all respondents to give a feature values between 4 and 6, the second part of the research hypothesis [ ... ***creating direct contact with users;***] is therefore **not confirmed**.

At last, the acceptance of new products/ services and samples is studied from the Individual deals point of view. Once again, each of the four types of deals was provided with various characteristics that describe at best their features. From these the most significant one was considered to best describe the acceptance of new products/services and samples, namely Individual Deals: Try a sample of a new product/ service. The result shows the value that users give to the most representative types of deals that would enhance their acceptance of new products/services and samples.

The study shows that the peak of the value attributed to this feature is at 5 (34, 38%), 4 points are attributes by 26, 56% while 6 values are given by 23, 44% of respondents summing an average of 4, 63. The last confirms that high value that is attributed on average to this feature. Moreover, there is no respondent that would consider this characteristic unattractive or undesirable, giving 1 as value.

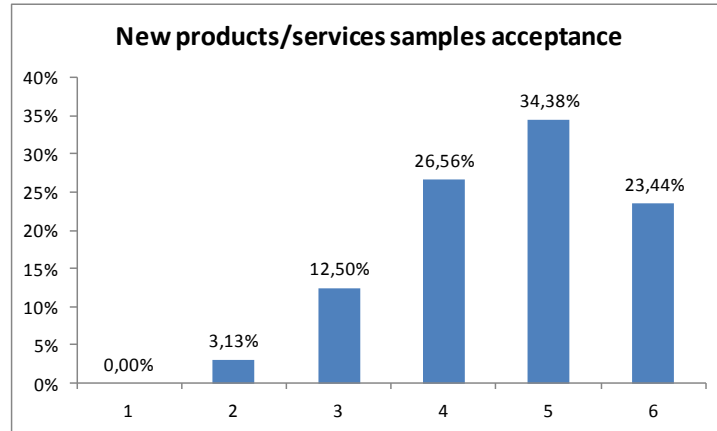


Figure 3.17: New product/service sample acceptance

Thus, the last part of the research hypothesis number 4 is confirmed with 84, 38% of respondents attributing it values between 4 and 6. Negative attitudes count for just 15, 63%, attributing values between 1 and 3.

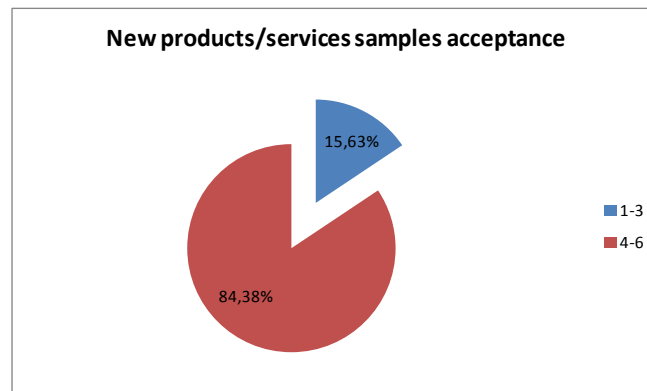


Figure 3.18: New product/service samples acceptance overall

After the detailed study of each component of the **fourth hypothesis** it can be concluded that this is **partially confirmed**. As shown **Companies can catch the attention of users` by offering promotions and discounts and provide them with new products/services samples**. The component that was **not** confirmed with this study is related to the **direct contact of companies with users**.

#### 3.3.4.1 Hypothesis H4 conclusion

H4 was meant to evaluate different features and the viability of each type of deal that Facebook Deals offers in terms of interest, attractiveness and value. An overall positive attitude towards all types of Deals was concluded, greater importance being given to the discounts and promotions feature while the social media component was emphasized on the second place in preference. The promotions and

discounts attractiveness towards customers was shown in the Individual, Friend and Loyalty deals point of view. This feature can help companies attain reach and richness of information by achieving brand awareness (as businesses catch customers attention through the deals offered). The interaction with friends, discounts and promotions, sharing or discovering new places through friends enhance the social component that Facebook Deals has, augmenting the application's power of creating word-of-mouth. Furthermore, users showed their slightly negative attitude towards direct contact from companies, showing that this feature would not be one of the most valued features of Facebook Deals. On another hand, users are totally open towards contextual marketing, by receiving new products or samples from various brands, raising like this brand awareness and encouraging towards brand loyalty.

### 3.3.5 Hypothesis H5 study

Besides the main features that would be more appreciated by users, this study wants to understand the main time frames in which consumers would use Facebook Deals. This is considered of grand importance as companies can take advantage of the main patterns in terms of usage.

When asked how often they would be interested in using Facebook Deals, with four options given (in the daily life; during lunch breaks; after work and in weekends) and also an open option to be completed, survey's respondents answered in the given activity, without suggesting an alternative period in which they would use Facebook Deals.

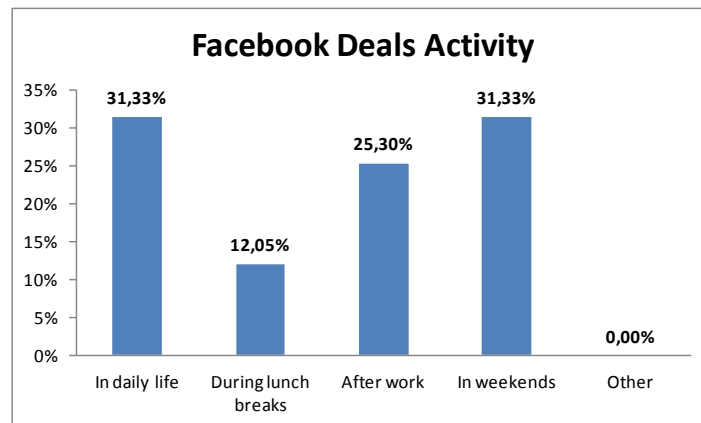


Figure 3.19: Facebook Deals usage timeframes

From the results it can be observed that daily usage and usage during the weekends collected more than half of the respondents' preferences (62, 65%). After work was the third most chosen option, with a percentage of 25, 3%, and during lunch breaks was the least chosen with 12, 05% (summing a total of 37, 37%; a value almost equal to the choice of daily life and weekends individually).

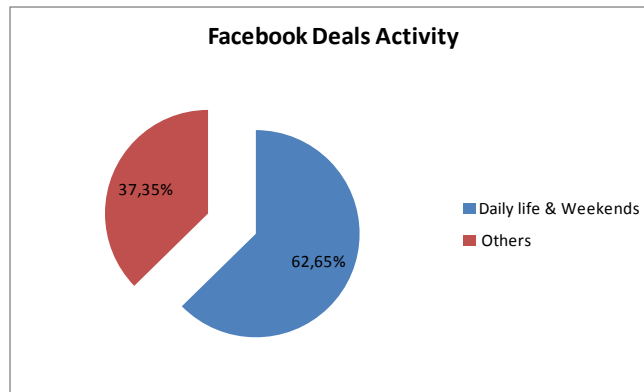


Figure 3.20: Facebook Deals usage timeframe overall

This analysis is meant to observe the time frame in which this application would be used so the main criterion used by this dissertation, for the acceptance level given by users to be 70% or more, cannot be applied. As this question is a multiple answer question and is meant to purely study the behaviour of users and assess their preference if the features/options chosen are at the highest level and summed their represent more than the majority of preference the hypothesis could be considered confirmed. As the two options [daily life and weekends] respect the chosen criterion, it can be said that **Hypothesis 5: Facebook Deals activity occurs mainly in the daily life or during weekends; is confirmed.**

### 3.3.5.1 Hypothesis H5 conclusion

This analysis was meant to also understand the main time frames in which consumers would use Facebook Deals, in order for businesses to take advantage of the main patterns in terms of usage. Results showed that indeed daily usage and weekends are the two most important time frames of usage. The list of time frames preference was followed by “after work” and “during lunch breaks”. Companies can take into consideration the usage timeframes in the creation of their contextualized campaigns and targeted promotions while attaining a more precise reach of information.

### 3.3.6 Hypothesis H6 study

The sixth research hypothesis is intended to understand in which areas, sectors, respondents would find more pertinent and valuable to use Facebook Deals. The results showed that there are four areas/sectors where respondents would tend to use Deals, being those: entertainment, restaurants, cafés and bars, and clothing. These four areas/sectors, account for around 77% percent of the answers, collecting a clear preference from respondents when compared with the other options presented.

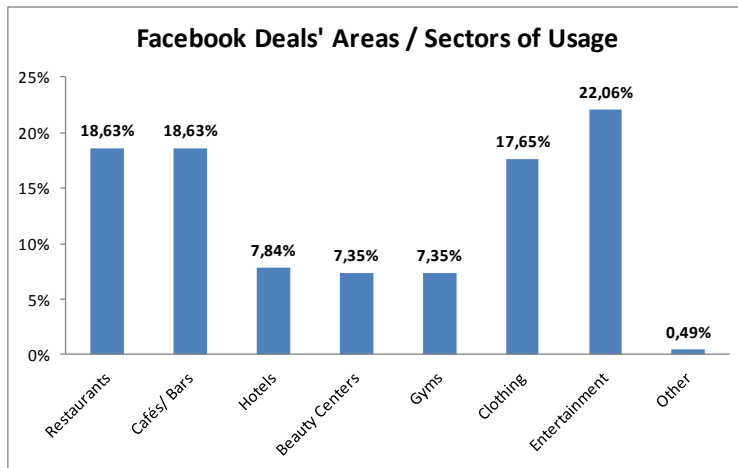


Figure 3.21: Facebook Deals more valued sectors of usage

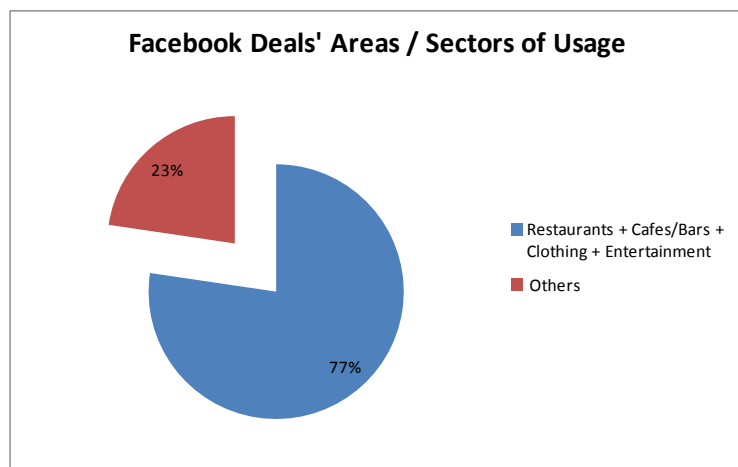


Figure 3.22: Facebook Deals more valued sectors of usage overall

Given this results it can be said that **Hypothesis 6: The main areas/sectors of Facebook Deals usage are restaurants, cafes/bars or entertainment venues; is confirmed.** The clothing sector obtained a similar preference from respondents as the three referred options. This would allow this dissertation to extend research hypothesis 6 to include also the **clothing** sector.

### 3.3.6.1 Hypothesis H6 conclusion

When taking into account the main patterns of usage, knowing the main industries where Facebook Deals would be more used and valued by customers is a great advantage. Companies from those industries have a higher preference from customers, so they could be able to attract significantly more customers, expanding like this the network effects and helping their contextualized marketing campaigns reach more precisely their consumers, while helping those particular businesses in attaining

first movers' advantage. These areas, as showed by the data analysis are Restaurants, Cafes/Bars, Entertainment and Clothing industries.

### **3.3.7 Hypothesis H7 study**

The seventh research hypothesis intends to test if different types of Deals could be attractive for various industries. Moreover it wants to investigate if these areas' choices are being influenced by the Deal's category.

As this study is designed to be formulated and conducted in a restricted space area (Lisbon), it is considered important to revise the trend concerning the sectors of activity where users` would be more willing to take advantage of the deals. Respondents were asked to choose from a list the venues where they would find more value to use Facebook Deals. Furthermore, given the chosen sectors they were asked to show on a Likert- type scale their preference concerning each type of deal. This analysis was meant to discover more precisely the areas of most value and the type of deal attributed to each sector. As the question had an "Other" open option the results show a preference towards the category quoted "shops". As this data treatment deals with aggregated answers and there was only 1 respondent identifying this new area, for simplifying and more accurate presentation of the data, when described at a Deal level, this category will be excluded. This decision was taken as the only respondent ranked biased values that would not reflect the opinion of the entire studied community, but of 1 subjective person.

In the following paragraphs each type of deal is examined and there are showed what the most appreciated venues are for each of them, individually.

Concerning Individual Deals, there is a clear positive reaction toward all the venues taken into consideration. Thus for 6 from 7 sectors respondents attribute to more than 70% values between 4 and 6. Hotels are the only area where this measure reaches around 67%. The peak of this type of deal is found in the Clothing Industry, where more than 90% of users attribute high value. This is followed by the Restaurants and Cafes/Bars sector where 86, 11% of respondents show a positive appreciation. Gyms and Entertainment are the following categories in the preference.

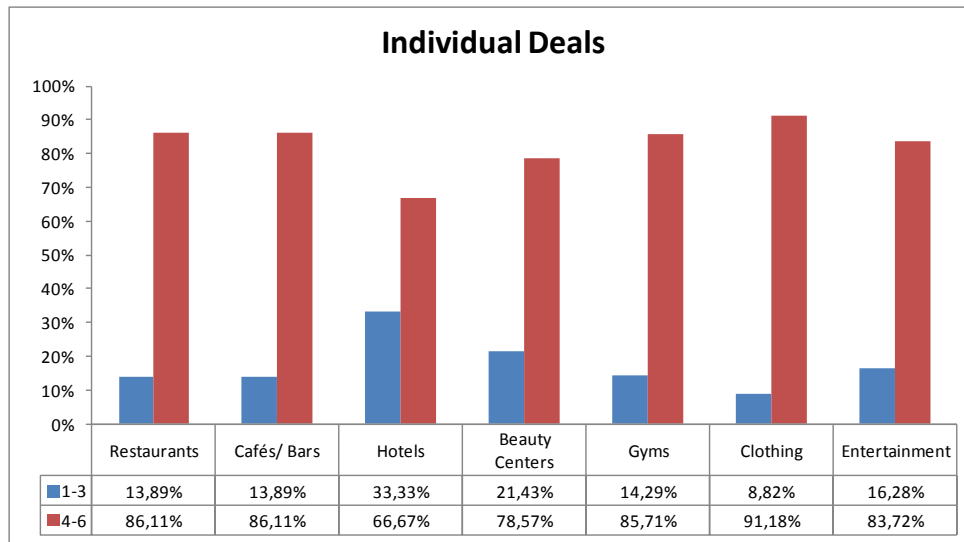


Figure 3.23: Individual Deals sectors of usage

In conclusion, Individual Deals are considered to be more appreciated mainly in the Clothing sectors and also in the Restaurants, Cafes/Bars and Gyms area. The graph below presents succinctly the matrix scorecard attributed to this particular type of deals, where the mentioned preferences are more visible.

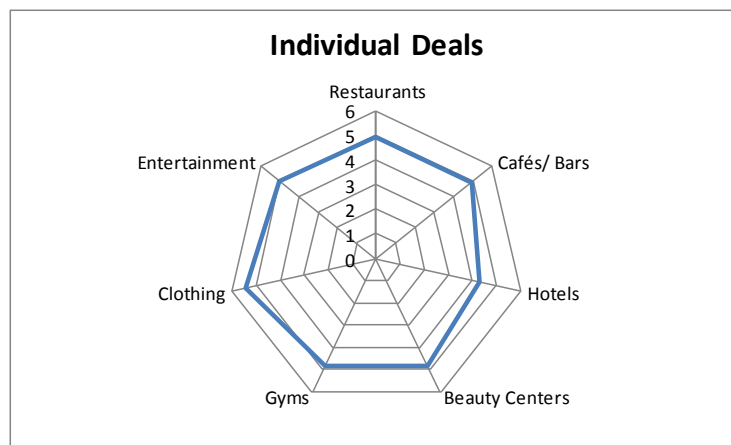


Figure 3.24: Individual Deals sectors of usage (matrix scorecard)

Regarding the Friend Deals, studied individually, Restaurants represent the venue with the highest values attributes by respondents, almost 90% of them attributing values between 4 and 6. This is followed by Cafes/Bars and the Entertainment Industry. When faced with this type of deal, the Clothing area is one of the least preferred, together with Beauty centres , with 57, 14% of respondents attributing values between 4 and 6. Even so, is worth to be mentioned that all categories have, on

average a positive feedback concerning Friend Deals, with all receiving positive reviews from more than half of the respondents for each sector.

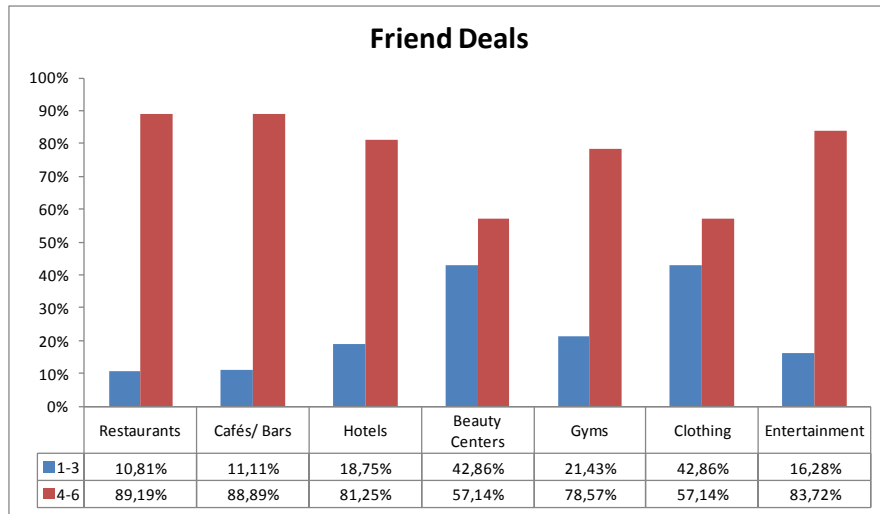


Figure 3.25: Friend Deals sectors of usage

In conclusion, Friend Deals are considered to be more appreciated mainly in the Restaurants sectors and also in the Cafes/Bars, Entertainment and Hotels area. As the majority of the activities in these venues are conducted within a group of friends, the results are pertinent. The graph below presents succinctly the matrix scorecard attributed to this particular type of deals, where the mentioned preferences are more visible.

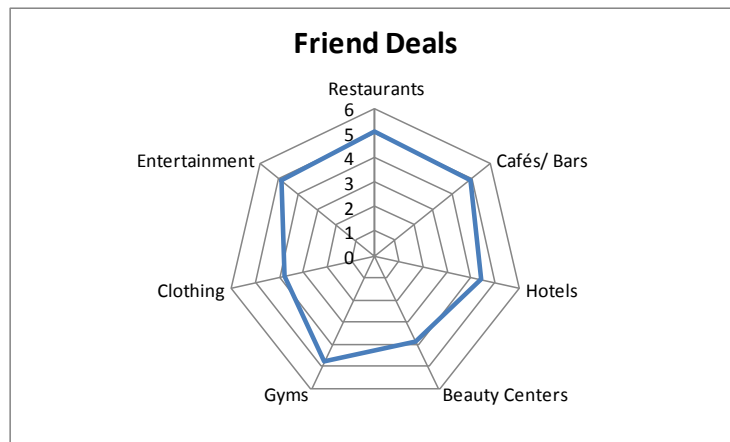


Figure 3.26: Friend Deals sectors of usage (matrix scorecard)

Loyalty Deals show a similar patterns with the other two types of deals, with a majority of respondents attributing values between 4 and 6 , with peak in the Cafes/Bars sector (88, 89%), followed by Gyms and

Clothing Industry (85, 71%) and Entertainment (79, 07%) and Restaurants (78, 38%). Concerning this type of deals the least used sector would be the Hotels Industry. As expected, the Loyalty Deals follow a somewhat similar pattern with the Individual ones.

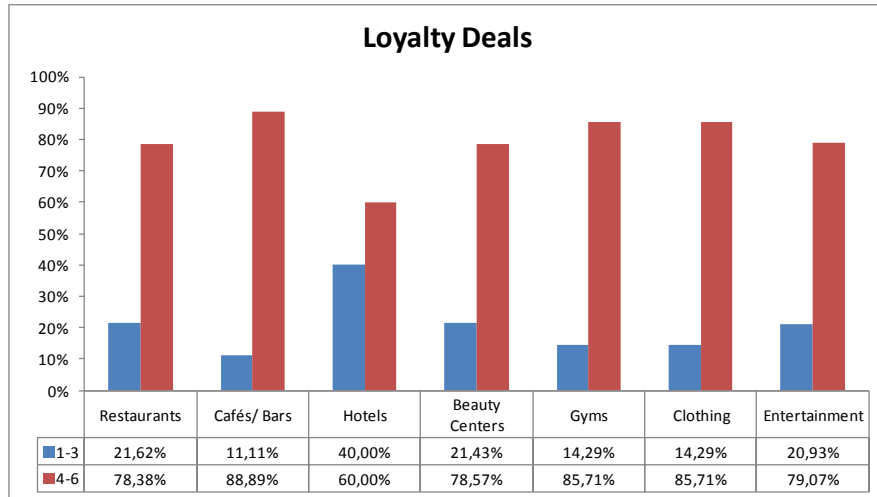


Figure 3.27: Loyalty Deals sectors of usage

In conclusion, Loyalty Deals are considered to be more appreciated, given the average points given to each Industry, mainly in the Gyms sectors and also in the Clothing and Beauty Centres areas. The graph below presents succinctly the matrix scorecard attributed to this particular type of deals, where the mentioned preferences are more visible.

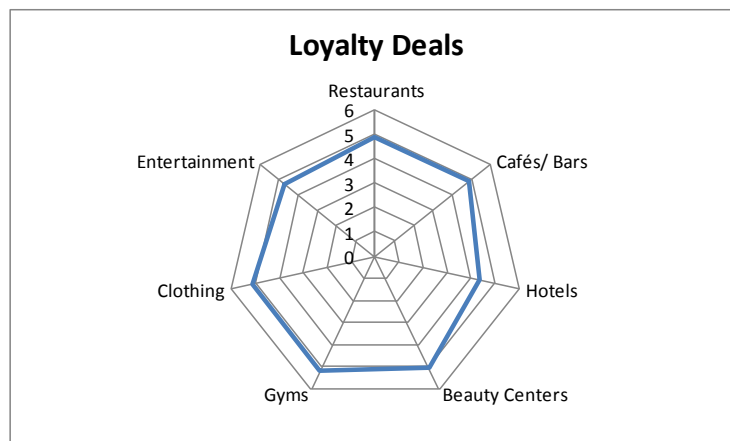


Figure 3.28: Loyalty Deals sectors of usage (matrix scorecard)

Charity Deals show a different pattern than the other three types of deals as the percentage of preference does not go above 74% in any of the Industries, even though the trend is mainly positive. This type of deal would be more used in the Entertainment Industry (74, 42%) and Clothing (74, 29%)

sector followed closely by Restaurants and Cafes/Bars and Beauty Centres. The industry here they would be least used is the Hotels one.

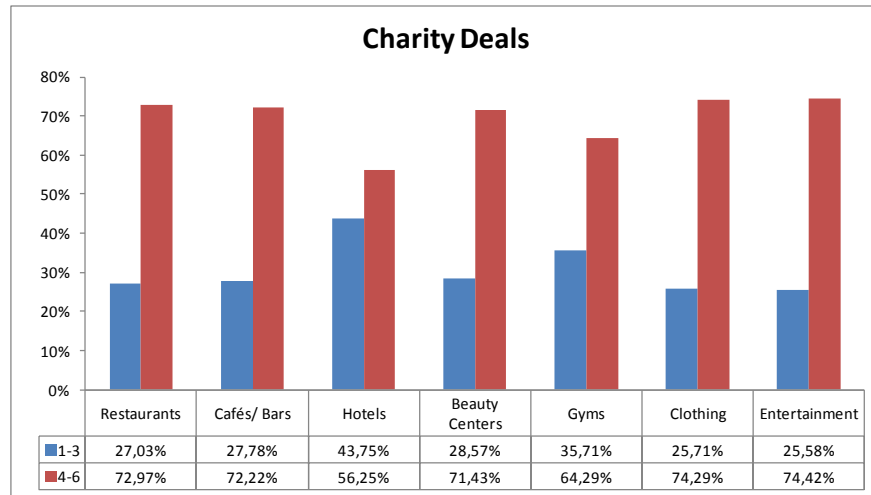


Figure 3.29: Charity Deals sectors of usage

Once again, the willingness to use deals, namely Charity Deals, shows a positive overall feedback, as the percentage of positive answers is clearly superior to the negative one. The pioneer, given the average points given to each industry, is the Gym sector followed by Restaurants and Cafes/Bars. The graph below presents succinctly the matrix scorecard attributed to this particular type of deals, where the mentioned preferences are more visible.

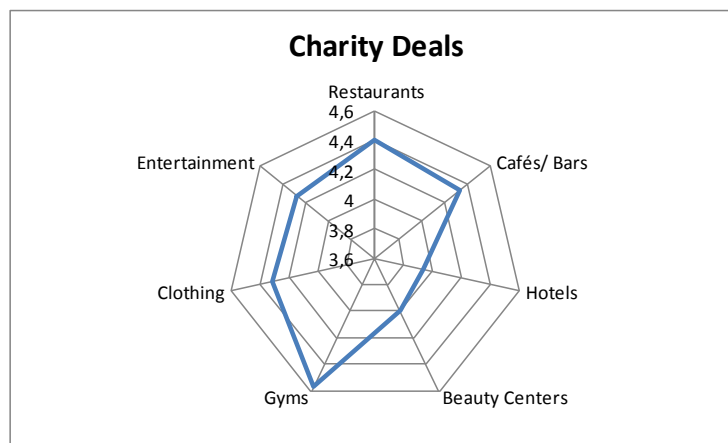


Figure 3.30: Charity Deals sectors of usage (matrix scorecard)

The average points given to each sector with its according type of deal is showed in the following table. From this analysis there can be observed the highest values that were attributed to each type of deal in each specific area. If the analysis is performed as suggested in the seventh hypothesis, each type of deal

is attractive in a particular industry. So, extracting the highest values, Individual Deals are the most attractive in the Clothing area, Friend Deals in Restaurants, Loyalty Deals and Charity Deals in the Gyms sector.

**Table 3.1:** Main sectors of usage according to the type of Deal

Areas / Sectors	Individual Deals	Friend Deals	Loyalty Deals	Charity Deals	Average
Restaurants	4,92	<b>5,03</b>	4,89	<b>4,41</b>	4,81
Cafés/ Bars	<b>4,97</b>	<b>4,92</b>	4,89	<b>4,33</b>	4,78
Hotels	4,27	4,44	4,33	3,94	4,24
Beauty Centers	4,86	3,86	<b>5,07</b>	4,00	4,45
Gyms	4,86	4,79	<b>5,21</b>	<b>4,57</b>	4,86
Clothing	<b>5,41</b>	3,77	<b>5,11</b>	4,31	4,65
Entertainment	<b>5,05</b>	<b>4,88</b>	4,74	4,28	4,74

Moreover, if taken the first three values given to attractiveness for each type of deal the results are more diverse and show that each type of deal taken individually would be used in different combinations of sectors/areas. For example Friend Deals differ from Charity Deals by the fact that the first ones have a combination of venues that includes Entertainment while the last includes Gyms.

**Table 3.2:** Top 3 areas of usage according to each type of Deal

Individual Deals	Friend Deals	Loyalty Deals	Charity Deals
Clothing	Restaurants	Gyms	Gyms
Entertainment	Cafés/ Bars	Clothing	Restaurants
Cafés/ Bars	Entertainment	Beauty Centers	Cafés/ Bars

Given the above mentioned criterion and given the limitation that there are some industries that are common in different types of Deals, **Hypothesis 7:** *Different types of Deals (i.e. Individual, Friend, Loyalty and Charity) are attractive for users in different specific areas; is confirmed.*

### 3.3.7.1 Hypothesis H7 conclusion

Like H6, H7 studies the main pattern of usage, concerning the main industries where each type of Deal would be more used by customers, in order for the companies to take advantage of this data. Like this, Individual Deals more appreciated in the Clothing, Restaurants and Cafes/Bars sectors. Friend Deals are preferred in the Restaurants, Cafes/Bars and Entertainment area. Loyalty Deals are more valued in the Gyms sectors and also in the Clothing and Beauty Centres areas. Charity Deals favour the Gyms followed by Restaurants and Cafes/Bars sectors. After meticulous analysis and showing that each type of Deal has a particular combination of preferred industries, the 4 main sectors where Facebook Deals would be

more used are Restaurants, Cafes/Bars, Entertainment and Clothing areas. Companies that belong to these industries can take advantage of their momentum, as consumers are willing to learn and use a new technology, businesses can create first movers' advantage.

### 3.3.8 Hypothesis H8 study

The eight research hypothesis tests if business can enlarge their knowledge base through information collection from former Deals that were provided for users. When asked about this, users' did not show a high degree of acceptance.

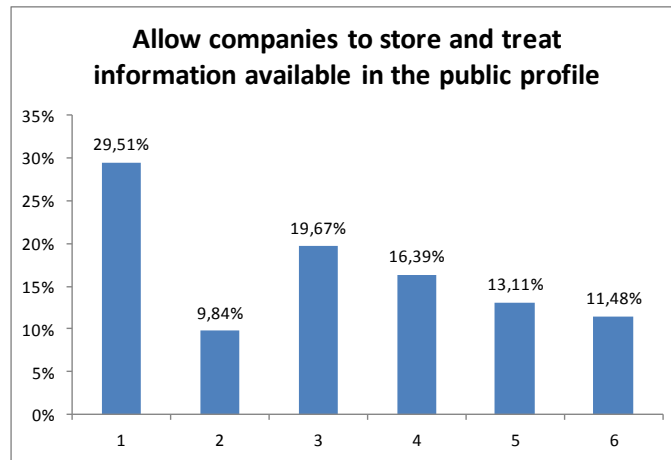


Figure 3.31: Allowance for companies to store and treat information available in users' public profile

This was a hypothesis rejected strongly by respondents as almost 30% of them attributed the value 1 as total disagreement while just 11, 48% agreed completely, giving 6 points. The total users that would agree with the offer their information concerning the formed deals that they got constitute 40, 98% of respondents while the rest of 59% disagree with the idea.

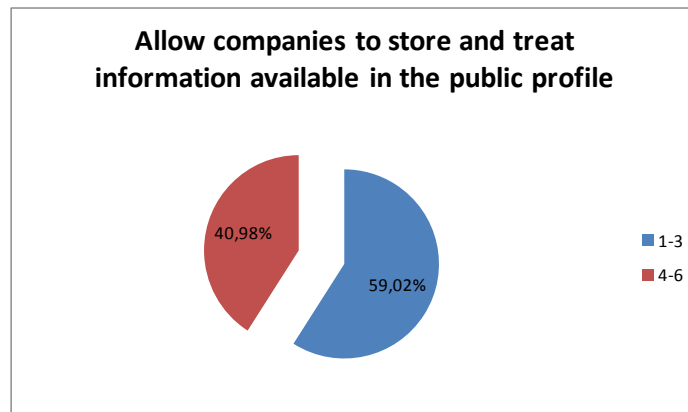


Figure 3.32: Allowance for companies to store and treat information available in users' public profile (overall)

Moreover the users were asked if they would allow companies access to detailed reports concerning their activity on Facebook Deals. Opinions were more uniform distributed in the answers, but the peak is encountered again at the value of 1 where 21, 31% of respondents showed their total unwillingness for companies to have information about their activity on Facebook Deals while just 8,2 % being in total agreement with this practice

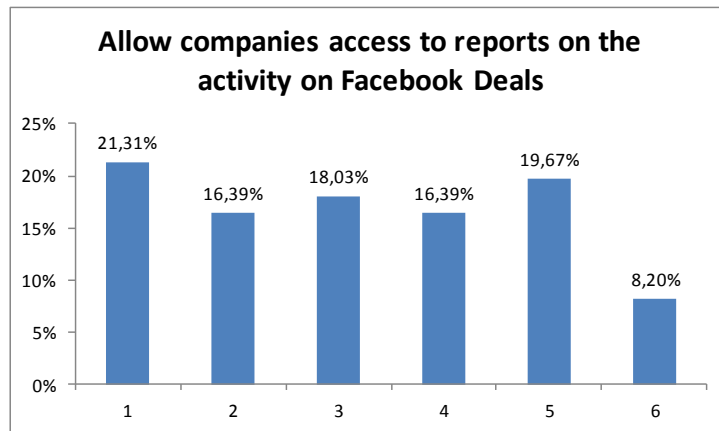


Figure 3.33: Allowance for companies to access reports on users' activity on Facebook Deals

The overall results show that 55, 74% of users decline this idea and 44, 26% agree with it. The acceptance level does not reach half of the population as in the case of the first question asked. This result comes to accentuate that even if asked in different ways and question the users' opinion is strongly a disagreement one.

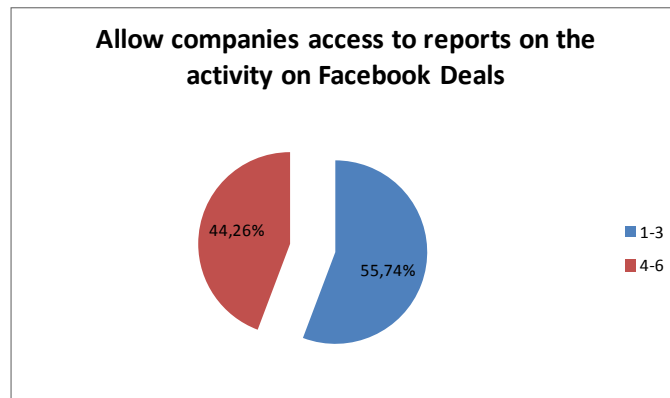


Figure 3.34: Allowance for companies to access reports on users' activity on Facebook Deals (overall)

As showed by the graphs and numbers, the **8<sup>th</sup> Hypothesis: Facebook Deals can be an indirect customer database for companies (in terms of their preferences and purchasing habits); is not confirmed.**

### 3.3.8.1 Hypothesis H8 conclusion

H8 was designed to observe if companies can enlarge their knowledge base through information collection from former Deals that were provided for users. This would help data mining opportunities while increasing prospects for contextual marketing and targeted promotions. Privacy concerns showed that users would not allow companies to store and treat information available in users' public profile; neither would they allow businesses to access detailed reports concerning their activity on Facebook Deals.

### 3.3.9 Hypothesis H9 study

Online and contextual marketing is one of the preferred sources used by consumers in making purchase decisions, as they are given customized and contextual information. This preference can be influenced by direct targeting through online social networks, as a higher level of contextual marketing is interpreted as more value and consequently more usage/purchases (Xueming Luo and Seyedian, 2003; Kenny and Marshall, 2000).

In this context users are a lot more open to the companies' contact, as the percentages of respondents that show positive feedback is largely greater than those offering negative feedback (values between 1 and 3 being given by a total of 27, 87% of respondents). The largest number is concentrated around the fourth (27, 87%) and fifth (24, 59%) value of attractiveness.

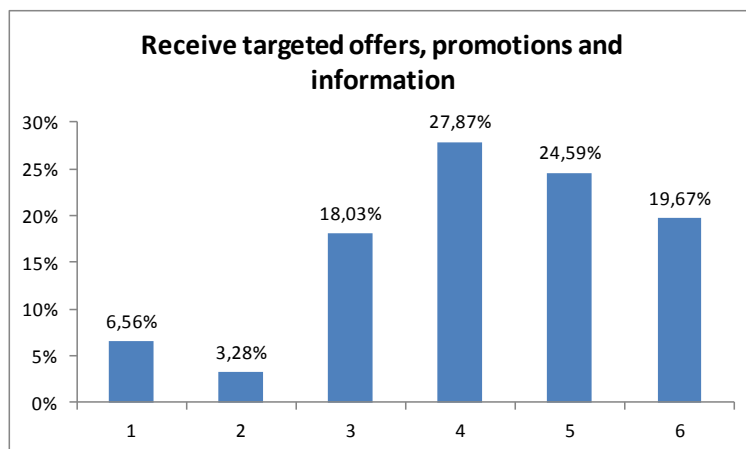


Figure 3.35: Users' openness towards contextual marketing

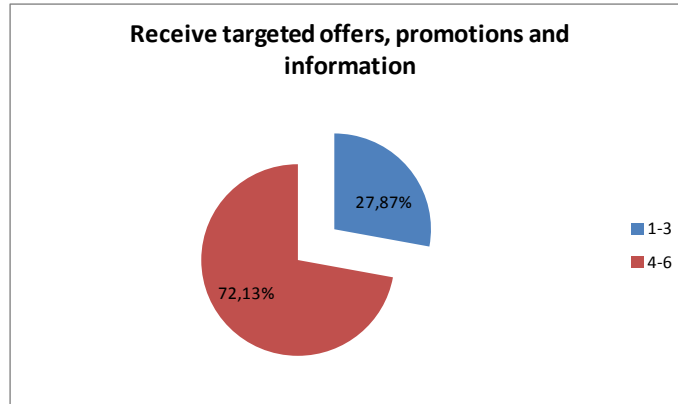


Figure 3.36: Users' openness to receive targeted offers, promotions and information (contextual marketing)

Therefore, with a large majority of over 72% the **9<sup>th</sup> Hypothesis [through Facebook Deals companies are able to perform one-to-one marketing campaigns to their customers.] is confirmed.**

### 3.3.9.1 Hypothesis H9 conclusion

Customers are basing their purchase decision with the help of online and contextual marketing, having available at their disposal customized and contextual information. This targeting can be done with the help of Facebook Deals, as a large majority of users showed their openness and preference towards receiving targeted offers, promotions and information. Likewise, companies can obtain information regarding users' access to locations and deals and promotions usage, increasing the success of their contextualized marketing campaigns.

### 3.3.10 Hypothesis H10 study

Contextual marketing allows companies to test various data mining opportunities. As contextual marketing offers ways of receiving feedback and maintain direct contact with customers, the last research hypothesis studied the users' openness towards data mining through two questions.

When questioned about being given a company's and/or brand loyalty card the overall feedback was positive with just 1, 64% and 6, 56% showing extremely negative opinions, giving values of 1 and 2 respectively. More than 3 thirds (72, 13%) of respondents were open to the idea and give values between 4 and 6 to the proposal. On another hand 27, 87% of users don't agree with this suggestion.

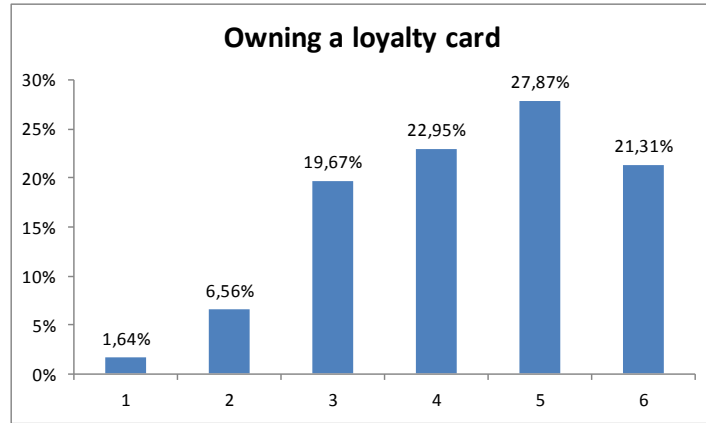


Figure 3.37: Users' willingness to own a loyalty card (data mining opportunity)

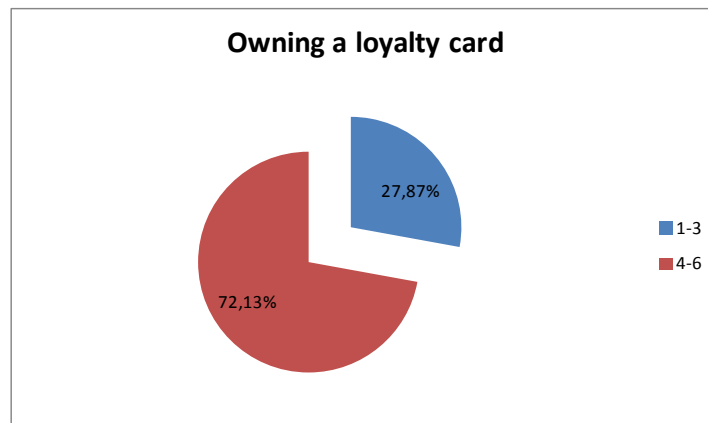


Figure 3.38: Users' willingness to own a loyalty card overall

The second question, that is meant to study this subject, regards respondents availability in giving any possible feedback towards companies about their products / services, by answering to marketing studies or profiling questionnaires. The answers show that, in this case, users' are not as willing as in the first question to this idea. More than 36% attribute values of 1 and 2 showing unwillingness towards providing feedback for businesses. Just 27,87% show a large willingness towards this option ( 5<sup>th</sup> value is given by 18, 03% and 6<sup>th</sup> value is given by 9, 84% of respondents).

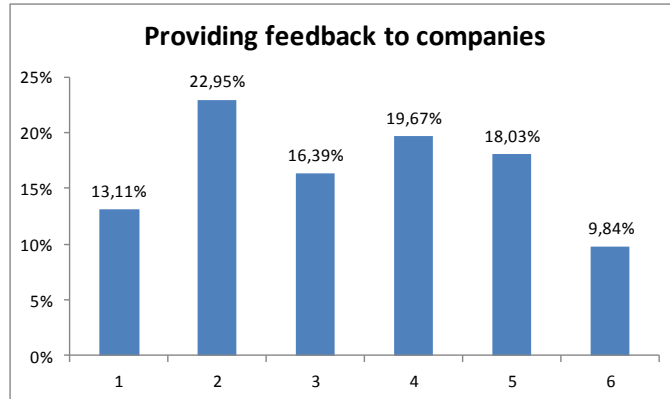


Figure 3.39: Users' willingness to provide feedback to companies

Overall, more than half of respondents (52, 46%) are unwilling to answer surveys concerning their satisfaction with former promotions or marketing campaigns, by attributing values between 1 and 3.

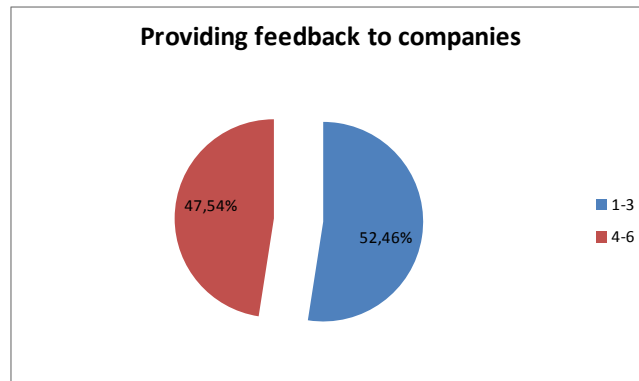


Figure 3.40: Users' willingness to provide feedback to companies overall

As this hypothesis is composed of two parts it can be studied and evaluated accordingly. Therefore its first part [**Facebook Deals allow companies to understand their customers' preferences and purchasing habits (data mining from loyalty cards) is confirmed**] by the willingness of customers to own loyalty cards that would help the data mining effort of the companies but the second part [**to access their customers' responsiveness to marketing efforts (promotions / campaigns) is not confirmed**] by the answers provided to the survey. This is the reason why the **10<sup>th</sup> Hypothesis is partially confirmed**.

The three last hypotheses (H8, H9 AND H10) were meant to study the privacy issues and the willingness of the users in what concerns information sharing, being through loyalty cards, direct feedback through surveys, or the openness to share their public profile. The following graph resumes the studied ideas and shows the values in terms of average score (from a scale of 1 to 6) given to each option. This comes

again to confirm the respondents' willingness to own a loyalty card and to receive targeted promotions while not being as willing to the rest of the options.

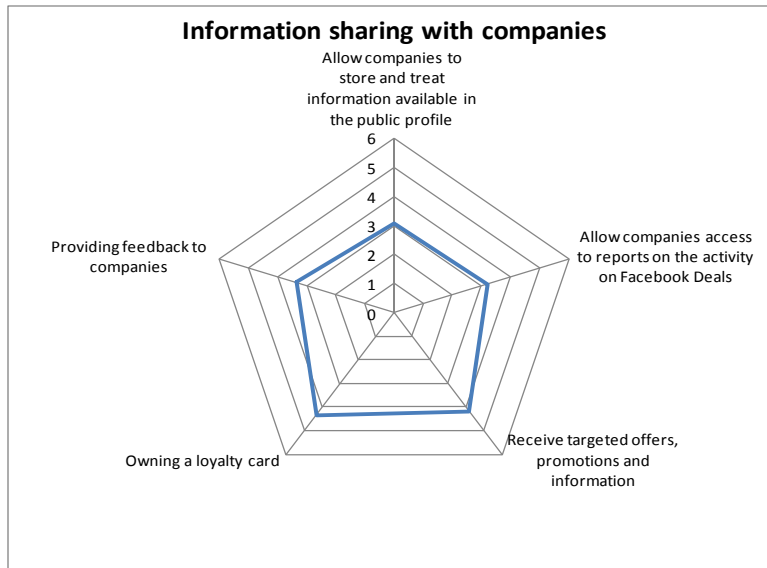


Figure 3.41: Users' overall willingness to share information with companies (matrix scorecard)

### 3.3.10.1 Hypothesis H10 conclusion

In the same context as H9, H10 tested data mining opportunities. Receiving feedback and maintain direct contact with customers are the two main features analysed here. Users are open and keen to own a company's and/or brand's loyalty card, but are not willing to offer feedback towards companies about products / services by answering to marketing studies or profiling questionnaires. The openness towards data mining through loyalty cards creates values for companies in terms of gathering information that can help creating lock-in effects and high switching costs.

## 3.4 Chapter Summary

Based on the Literature Review and the main theme of this dissertation Chapter 2 presented the research model and identified in it the main research hypothesis meant to guide the collection of empirical data. Based on the Research Model and focused on the Research Hypotheses the empirical data collection survey was built. This was meant to create the possibility of assessing the validity of the established RH. After the results' analysis intermediary conclusions will be drawn.

From the data treatment of the answers provided to the survey several conclusions can be drawn. As showed, the users of social networks in Lisbon are aware and use location based services. Moreover,

non-users of Facebook Deals consider it as a valuable application and would like to take part of it, demonstrating that people that live in the Lisbon area are aware and willing to use Facebook Deals. In this context, companies can attract users not only by offering promotions and discounts but also by offering samples of new services or products.

The most often used types of deals are considered to be Individual ones, followed by Friend and Loyalty deals while the main time frames of usage would be in daily life and weekends. The main industries where Facebook Deals would be used have also been found out. Therefore, in Lisbon, the application would be used more willingly by respondents in Restaurants, Cafes/Bars, Entertainment and Clothing sectors. Furthermore, it was showed that each type if deal has its own specific areas (or combination of areas) where it would be used more often.

Finally, the study showed that when it comes to privacy issues users can be harder to reach. Even so, users are open to targeted advertisement and providing a certain type of feedback, namely by owning a loyalty card, like this increasing data mining and contextual marketing opportunities.

The validity of each hypothesis can be resumed in the following table:

**Table 3.3** Research Hypotheses Validity

Hypothesis		Validity
H1	Users of social networks in Lisbon are aware and use location based social networks.	Confirmed
H2	Facebook Deals is an attractive service to non-users from Lisbon and they show interest in taking part of it.	Confirmed
H3	Receiving individual deals/discounts on a product/service and the possibility of interacting with friends through Friend Deals are the most valued features in Facebook Deals	Partially confirmed
H4	Companies can catch the attention of users` by offering promotions and discounts; creating direct contact with users; provide them with new products/services samples.	Partially confirmed
H5	Facebook Deals activity occurs mainly in the daily life or during weekends.	Confirmed
H6	The main areas/sectors of Facebook Deals usage are restaurants, cafes/bars or entertainment venues.	Confirmed
H7	Different types of Deals (i.e. Individual, Friend, Loyalty and Charity) are attractive for users in different specific areas.	Confirmed
H8	Facebook Deals can be an indirect customer database for companies.	Not confirmed
H9	Through Facebook Deals companies are able to perform one-to-one marketing campaigns to their customers.	Confirmed
H10	Facebook Deals allow companies to understand their customers` preferences and purchasing habits (data mining from loyalty cards) and to access their customers` responsiveness to marketing efforts (promotions / campaigns).	Partially confirmed

Based on the survey results, next section will institute additional hypothesis in order to study how companies could use Facebook Deals with strategic purposes.

## **CHAPTER 4: RESULTS' ANALYSIS**

In the previous chapter the validity of the Research Hypotheses was tested and intermediate conclusions concerning the study were drawn. From these, in order to test the strategic impact of Facebook Deals on companies' additional hypotheses or assumptions need to be established. The validity of these is then checked theoretically through the application of the Resource Based View presented in the Literature Review.

### **4.1 The Strategic Impact for Companies**

The empirical data collection from this dissertation has as main purpose the attribution of a set of hypothesis that, if proven (through the application of the RBV framework), will be transformed in a series of assumptions concerning the employment of this technology. Under these assumptions, frameworks conventionally presume that a technology is strategic regardless of the usage method. This paper does not propose itself to show all circumstances where the technology would be employed strategically, meaning that other strategic uses might be found.

#### **4.1.1 Hypotheses under Which the Technology is Strategic**

Location based social networks are in their essence based on social networks together with the innovation of mobile technologies. As they are user generated content websites, they rely mainly on networking effects (Hosbond and Skov, 2007; Zhang et al, 2011; O'Reilly, 2007). These refer mainly to the effect that users have on the value of a product. The effectiveness of it augments together with the quantity of other network contributors. Network effects therefore, create incentives for users to create more content that will attract new users and activity around the website (Zhang et al, 2011). Location based social media offers companies tools and models of engaging users in participating in their page's location. These network effects are showed by the high number of users that are aware and already use LBS in Lisbon and the people that would be willing to use Facebook Deals. Facebook Deals represents a new way of attracting customers for business, like this adding value for companies. As **H1** showed, in Lisbon, more than 70% of people are aware of LBS and more than 78% already use them. The impact that Facebook Deals could have on companies is, therefore, very significant. Customers are being reached and targeted in a different way, that is through LBS and, if added the deals application, the way

that business and advertising is done can be changed. Deals is an application that pays attention to the relation between Facebook Places (the LBS) and customers. **H2** managed to show that people that are not aware of this application are willing to use it, like this helping the creation of network effects. **H4** showed the fact that companies can attract customers with the help of word-of-mouth, contributing like this further in the creation of network effects. This effect is an essential condition in creating entry barriers in front of the competition while attracting switching costs. For this reason, the first hypothesis through which Facebook Deals may have a strategic impact on companies is related to network effects.

*h1: Facebook Deals represents a service capable of engaging a considerable number of users and potential users in order to create network effects.*

The Resource Based View study showed that the ability to gather new knowledge outside organizational boundaries is an important source of competitive advantage (Barney, 1991; Peteraf, 1993). The reach and richness of information is an important characteristic of an online service. The reach is meant to show how many customers a business can connect and in the same time the number of products that can be offered. The richness concerns the information; information offered by companies to customers and in the same time information gathered by businesses from clients. If the information about customers gets richer, companies can have better and more personalized customer services. Like this by keeping contact and communication with customers reach and richness of information can be augmented, helping businesses to expand long-term customer value. On a large period of time this could be done from multiple transactions (loyalty) or cross-selling (new services/products), for instance. Both reach and richness of information can be built from the Facebook Deals database. As the empirical data shows while confirming **H1** over 50% of people are aware about the application and from these more than 40% already use it. Additionally, a large percentage of people that do not use the application are possible customers, as they are enthusiastic about using it (78% of respondents of the survey, in Lisbon). Also, the reach is showed in the context on time frames of usage. **H5** shows that Facebook Deals would be mainly used in daily life and weekends. Together with the main locations of usage showed by **H6**, these records help companies attain data that makes the reach of information more precise. The richness of information can be achieved by offering information, promotions and deals, samples and new services, brand awareness as showed by **H4** and also by collecting information through loyalty cards (as **H10** also showed). If the amount of information that is gathered is larger than what a competitor can achieve, a business can create better suited and more targeted promotions for their customers; information therefore allowing contextualization. Moreover, given the amount of information obtained

through time, companies can create a barrier towards imitation in front of competitors, as building a similar database of information is impossible and very costly. In a nutshell, a second hypothesis concerning Facebook's Deals strategic impact for companies can be showed.

*h2: Facebook Deals can have a strategic impact for companies if they are able to attain reach and richness of information.*

One of the important parts of the empirical study is related to the sectors of activity, in Lisbon, where Facebook Deals would be used most often. By discovering the most important areas of usage, companies in those sectors can have a privileged position in front of others. These businesses would be able to attract significantly more customers, enlarging like this the network effects and reach and richness of information. Reaching customers through a new application, in specific sectors can be a source of added value for companies. **H6** showed that the main industries where Facebook Deals could bring the most for companies. Moreover, **H7** showed that these industries can take advantage of various types of Deals. If discussed more detailed, each sector has different types of deals that users are more interested in taking advantage of. The empirical study showed that Individual Deals are more appreciated in the Clothing, Restaurants and Cafes/Bars sectors; Friend Deals are preferred in the Restaurants, Cafes/Bars and Entertainment area; Loyalty Deals are more valued in the Gyms sectors and also in the Clothing and Beauty Centres areas; Charity Deals favour the Gyms followed, Restaurants and Cafes/Bars sectors. This shows that there are businesses that can take particular interest and advantage of Facebook Deals, in Lisbon with their belonging to a certain industry. This shows that acquiring momentum is of prime importance, as consumers are willing to learn how to use and take advantage of a new technology, creating like this first mover's advantage for those businesses. Companies in the mentioned sectors, in Lisbon, can take advantage of that momentum and create like that an advantage, as the initial significant occupant of a market segment. After meticulous analysis and showing that each type of Deal has a particular combination of preferred industries, the 4 main sectors where Facebook Deals would be more used are Restaurants, Cafes/Bars, Entertainment and Clothing areas. By utilizing these combinations of preferred industry – deal, companies can obtain first mover advantage while creating unique products and customers databases in order to create value.

*h3: Facebook Deals can have a strategic impact for restaurants, cafes/bars, entertainment or clothing companies.*

Contextual marketing is one of the favourite sources used by consumers in making purchase decisions, as they are given customized and contextual information (Xueming Luo and Seyedian, 2003). This preference can be influenced by direct targeting through online social networks, as a higher level of contextual marketing is interpreted as more value and consequently more usage/purchases (Xueming Luo and Seyedian, 2003; Kenny and Marshall, 2000). This can be done if data is collected from consumers. By data mining, businesses can understand what type of promotions and discounts customers want, what type of deals are more preferred, when their venues are being more visited or which of their customers are more loyal. **H5** and **H6** showed the main time frames and locations preferred by users and how important these are to be taken into consideration when trying to target and interact with customers. By owning information regarding users' that access locations and use of deals and promotions business can increase the success of companies' direct marketing. In this context the confirmation of **H9** shows the users' value for one-to-one marketing campaigns. This is why the fourth hypothesis concerning Facebook's Deals strategic impact on companies is related to contextual personalization.

*h4: Facebook Deals has a strategic impact for companies if they are able to carry contextual marketing campaigns through it.*

Empirical data showed that users are willing to be directly targeted when it comes to promotions and discounts offered by companies, in **H9**. Moreover, there is a particular type of deal, Loyalty, which was shown in **H3** to be quite valuable for consumers. In this exact context, customer loyalty is increased with certainty. Other types of Deals that do not present the loyalty feature that obvious are able to create customer loyalty. For example a part of **H4** shows that awareness can be raised through promotions and discounts and loyalty can be created through testing samples or new products. **H10** proved that users are willing to have loyalty card for data mining purposes. The potential for customer information accumulation creates customer lock-in effects and high switching costs. All of these prove that Facebook Deals can create switching costs for customers.

*h5: Creating switching costs for customers through Facebook Deals have a strategic impact for companies.*

#### 4.1.2 Hypothesis Theoretical Study

The Resource Based View transfers the attention from the external market towards internal resources of a company. It shows that resource heterogeneity is one of the most significant resources of inter-firm prosperity differences while there exist several “isolating mechanisms” meant to help companies that have superior resources to keep the advantages that they have from those and have a sustained competitive advantage (Barney, 1991; Peteraf, 1993; Dierickx and Cool, 1989). The isolating mechanism can be property right, reputation, information asymmetries, causal ambiguities or switching cost (Madhok et al, 2010).

In this context, the network effect can be an isolating mechanism, as customers can be seen as critical resources. Critical resources are considered to be essential to the firm in order to generate greater value. The network effects have been showed in the empirical data with the confirmation of H1 and H2. A large majority confirmed that the potential of Facebook Deals to create network effects is very large. The potential of Facebook Deals in Lisbon has been showed in clearly H2 confirming therefore the existence of the network effects. Interaction with friends, discounts or promotions sharing or discovering new businesses through friend show the power of social media through the word-of-mouth feature, as showed by H4. Companies can keep and also attract customers, as eWOM has been showed to be one of the most trustworthy online advertising. To this is added the phenomenon of herd behaviour as consumers base their choices depending on the comments and opinions of the others. These features have a direct influence on companies in terms of sales or reputation. As a result, a large network enjoys competitive advantage, as a larger number of participants is able to generate higher value. The network effect is an essential condition in creating entry barriers in front of the competition while attracting switching costs. In this context, the **hypothesis h1 is confirmed**, demonstrating the first assumption under which Facebook Deals can have a strategic impact on companies.

Barney (1991) and Peteraf (1993) showed that the capacity to gather new knowledge outside organizational limits can be an important source of competitive advantage. UGC websites rely on the Internet infrastructure, information creation, high reach and richness of information and network effects. This is why, in what concerns LBS and their applications, information and information handling capabilities may increase effectiveness, thus becoming a critical source of advantage. These capabilities become tools to diminish advertising costs and means to create and sustain customer communities and products. Facebook Deals can create the possibility for companies to offer additional information, in real time concerning products and services. This can offer business valuable resources. Richer information

assists companies in finding out how to better serve customers and provide personalized services. Contact and communication with customers is essential when trying to enlarge businesses and long-term customer value, by attaining loyalty or expanding business through new products. Facebook Deals represents a way for business to attain reach and richness of information. The confirmation of H1 and H2 with the empirical study validated the high reach of information that Facebook Deals can create for businesses. Moreover, H5 and H6 give additional information that makes the reach more precise as the time frames and location of preferred usage are shown, while H3 shows the types of deals that would create more value for customers. The partial confirmation of H4 is related exactly with the richness of information. This is done by offering information, promotions and deals, samples and new services, creating brand awareness. Moreover H10 confirms the value of collecting information through loyalty cards.

Strategic resources that help firms exploit reach and richness of information can create more value than other resources, as the information offered and held by companies is unique and services or products that can be offered from it are personalized. If so, these resources are clearly valuable for companies and consumers in the same time, while being in the same time difficult to imitate or substitute. Brand loyalty, together with targeted marketing draws with itself various switching costs for users. Companies can attain larger amount of information when compared with the competition. The actual information creates a barrier to imitation as in unique and costly to replicate. As it is personalized and contextualized, competition also needs to interact with the consumer if they want to obtain it. Like this, companies can create better suited and more targeted promotions for their customers. Attaining large amounts of information concerning users is costly, as this happens in time and needs openness from customers. If reach and richness of information is attained, businesses have a rare and unique resource at their advantage, quite hard in terms of cost and time consuming to be replicated. For this, the **hypothesis h2 is confirmed.**

The third hypothesis (h3) claims that companies in selected sectors have a privileged position, knowing already that they have an advantage by just belonging to a certain industry. By having a large preference from customers, companies are able to attract significantly more customers, expanding like this the network effects and reach and richness of information. The resources available for companies are the same, as once registered a business has the same tools in creating deals as any other, but personalization and customer targeting is what creates more value. The companies' capabilities are different, as a certain business can offer better suited promotions by collecting information from more users or a specific segment of customers. Here, companies from preferred industries have a clear

advantage in front of others, as their customer and information database is more compound and can be more socially complex. H6 and H7 showed very detailed that that each industry has different types of deals that users are more interested in taking advantage of. By utilizing these combinations of industry – deal, companies can create unique promotions/discounts and customers databases in order to create value.

Peteraf (1993) claims that causal ambiguity shows the impossibility of competitors to find out the source of competitive advantage that a firm has, mainly if this is knowledge-based or socially complex. This can preserve the condition of resource heterogeneity that is one of the most important resources of inter-firm prosperity differences. As showed, the resources at the basis of this can be identified as value-creating resources but their reproduction is highly uncertain, as they are socially complex, creating clear barriers for imitation. Moreover by acquiring momentum, as consumers are willing to learn how to use and take advantage of a new technology, mainly in those industries, companies can create first mover's advantage, being the initial significant occupant of a market segment. Through all these arguments, **hypothesis h3 is confirmed.**

In the online advertising world, contextual marketing is a very useful tool when it comes to providing customers with customized information. Companies manage to create greater closeness with their customers, like this being able to create more efficient and targeted marketing campaigns. It has been showed that contextual marketing is associated with higher stage of perceived value, user satisfaction and increased online purchases (Xueming Luo and Seyedian, 2003; Xueming Luo, 2003).

Hypothesis h4 tried to show Facebook's Deals strategic impact on companies if these are able to carry one-to-one marketing with its help. As businesses that would use the Deals application would start with the same resources available, it is important to create a personalized offer that would create the capabilities to set them apart from the rest. Through one-to-one marketing businesses can treat each customer as an individual focus, identifying its preferences and value for the company, handling its needs while aiming towards satisfying its personal preferences. Companies can store information about the customer and the deals/ promotions that were more popular for it, helping to create an open and direct connection with it. From the empirical data, H9 confirmed users' preference and openness towards personalized marketing campaigns. Therefore, Facebook Deals can help companies to collect data from customers, understanding in the same time what type of promotions and discounts they want, what type of deals are more preferred, when their locations are being more visited or which of the customers are more loyal. By owning information concerning their customers companies can increase the success of their direct marketing campaigns. Contextual personalization can be hard to

replicate, because is addressed to each customers preferences; is a durable capability as it involved a set of complex resources; is immobile and covered as the techniques for data mining can be specific and complex and the way the information is collected is hard to duplicate. All these capabilities can have the power to spawn sustainable competitive advantage; it depends only on the companies' appropriability skills to attain it. Consequently, **hypothesis h4 is confirmed.**

If companies are able to create and sustain contextual marketing, they are able to create switching costs for customers. Empirical data already showed users openness towards one-to-one marketing and, if interdependency connections are being created between a customer and a brand, incremental costs of leaving the brand are produced for customers. The potential for customer information accumulation creates customer lock-in effects and high switching costs. This happens as benefits are already being attained from a brand, like the loyalty that has been created or the personalized offer that they can take advantage of. H10 proved that users are willing to have loyalty cards for data mining purposes. From these, companies can attain information about purchasing habits or the efficiency of their promotions and discounts. This is similar to a brand's card, like for example Continente. Continente card creates customer loyalty (clients always return to the venue as it offers promotions on a loyalty card) and is also a data mining source (being able to discover what customer purchases and from that if a promotion was efficient or not). These capabilities are an intangible, durable asset and because they cause switching cost they can create barriers for imitation and transference. The one-to-one relationship that was created is unique, it cannot be recreated and the possibility of doing that would raise high costs for competitors. According to the Resource Based View and all the characteristics mentioned, switching costs can create a source of sustained competitive advantage, like this **confirming hypothesis h5.**

#### **4.1.3 Section Summary**

The previous section presented and confirmed through the application of the RBV framework a set of hypothesis. This means that under these assumptions, Facebook Deals can have a strategic impact for companies. This paper does not propose itself to show all circumstances where the technology would be employed strategically, meaning that other strategic uses might be found. Nevertheless, the main purpose of this dissertation was to show that this technology can be strategic, but it does not show all the conditions possible.

The presented and tested hypotheses show that the capacity to gather new knowledge outside organizational limits can be an important source of competitive advantage for companies. In this context, the network effects are considered to be an isolating mechanism, as customers can be seen as

critical resources. With the network effect, the reach and richness of information creates valuable resources for companies' that are difficult to imitate or substitute. By taking advantage of the industry – deal combination, companies can create unique promotions/discounts and customers databases in order to create value while their reproduction is highly uncertain, as they are socially complex, creating clear barriers for imitation and attaining first movers' advantage. Contextual marketing is considered to be a unique, durable and immobile capability for both companies and customers, being able to also create switching costs. These are possible due to the interconnection between brands and their customers.

The next chapter of this dissertation will present the main conclusions drawn from the study. Also the major limitations and future research directions will be presented.

## CHAPTER 5: MAIN CONCLUSIONS AND FUTURE RESEARCH

### 5.1 Conclusions

Throughout the dissertation various theoretical concepts were tested with the help of empirical data collection. Moreover, the importance of an application like Facebook Deals is being showed. The collection of the primary data is one of the most important assets through which this dissertation tries to show that in a certain environment Facebook Deals is an application that can create value for customers and business, being under certain assumptions a strategic tool for companies.

The research question that this dissertation tries to answer is whether Facebook Deals, as a geo-location service, can have a strategic impact on companies. In order to answer it empirical data from inhabitants of the Lisbon area was collected. Subsequently, after the formulation of research hypotheses, those that were confirmed bring important arguments in support of a positive answer towards the research question. In this way the confirmation of hypothesis H1 and H2 that show the potential that Facebook Deals brings for companies in order to create network effects brings out the isolating mechanism that it creates for businesses, being an essential entry barrier in front of competition. This is why, having a large network of users, companies are able to create switching costs for customers; customers that are critical resources for companies and generate for them greater value. The strategic impact for companies comes from the value creation of the showed network effects. Secondly, the empirical study showed that Facebook Deals is an application that creates value for users. This was confirmed by the respondents of the study when agreeing that the application would be valuable for them (H2 confirmation) and when suggesting the main industries where it would create more value (restaurants, cafes/bars, entertainment or clothing – H6). As for a technology to be strategic it needs create value, the study showed that value can be created not only for users, but for companies too. For the businesses in the mentioned sectors, acquiring momentum is very important as it can bring first movers' advantage. Being able to position themselves as initial occupants of a certain market segment is of prime importance, because like this they are able to create entry barriers through the formation of network effects, contextualized marketing and switching cost for customers. The study also showed that each industry has different types of deals that users value more, like that being able to create contextualization and this is an essential criterion in order to create value.

Another important conclusion of the empirical study in what concerns the creation of value for both businesses and customers comes from the confirmation of hypothesis H9. This showed that companies

can create personalized offers for their customers and that the personalization is a valuable attribute. They can create capabilities to set them apart from the competition through contextualization. Users value one-to-one marketing and through it companies can create a durable capability. This involves complex resources gathered from users that are hard to replicate by competitors. The characteristics mentioned above are all parts of the RBV that show that this technology can be strategically used by companies. Furthermore, the study showed that users are willing to offer companies their information (through the partial confirmation of H10). This creates data mining opportunities for companies, allowing them to offer a more personalized service, creating like this value for both users and businesses. In this way switching cost are created for their customers and these are an important part of proving with the RBV the strategic use of this technology. In this context, the study contributes in showing how Facebook Deals can have a strategic impact for companies.

This dissertation wants to show that Facebook Deals can have a strategic impact on companies, but there are several assumptions that need to be taken into consideration; assumption that were justified in section 3.5.1 (Hypotheses under Which the Technology is Strategic) and 3.5.2 (Hypothesis Theoretical Study). These were drawn from empirical data collection, study and theoretical analysis through the Resource Based View. This paper does not aspire to show all circumstances where the technology would be employed strategically, meaning that other strategic uses might be found. Under the established assumptions and in a specific population/location, this dissertation wants to show that the technology can be employed strategically by companies.

First of all, the empiric study showed that this application creates values for users; therefore, Facebook Deals can have a strategic impact on companies under the assumption that it **creates value**.

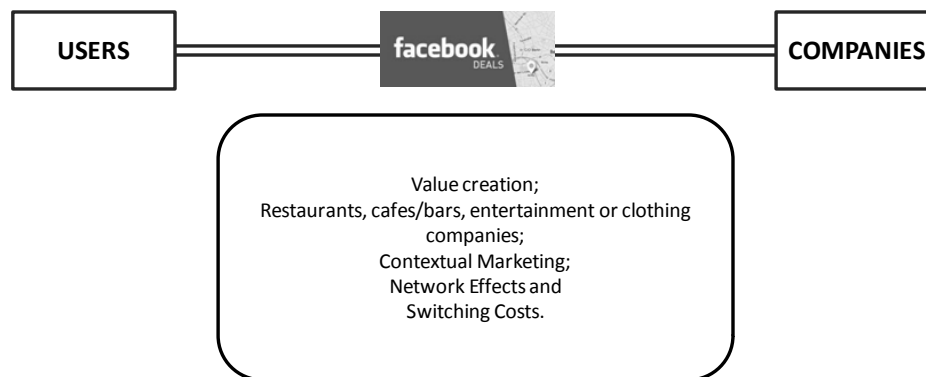
Secondly, given the study limitation and according to the empiric data gathered it can be assumed that Facebook Deals can have a strategic impact for **restaurants, cafes/bars, entertainment or clothing companies**. This solution does not represent all the circumstances in which the technology could be employed strategically, meaning that other industries can be found; it is meant to show the areas where the technology would create value for users under the limitations of the empirical study.

Thirdly Facebook Deals can have a strategic impact for companies under the assumption that those businesses are able to carry **contextualized marketing campaigns** through it. This is the conclusion that comes from the value creation capabilities, as in order for the application to create value it needs to engage the contextualization component.

The last assumption is related to the fact that Facebook Deals is a service that is able to engage a considerable number of users so it can create **network effects**. These network effects are essential for

the creation of entry barriers through **switching costs** that have been created for customers. These are essential parts in what concerns the answers to the Resource Based View.

The next figure condenses the results illustrated above.



*Figure 5.1: Facebook Deals as a connection between Users and Companies and the Assumptions under which Facebook Deals has a Strategic impact for companies*

The Resource Based View shows that there exist several “isolating mechanisms” meant to help companies that have superior resources to keep the advantages that they have from them and have a sustained competitive advantage. One of the most important isolating mechanisms showed is the network effect as the main component of UGC websites, transforming customers into critical resources. Strategic resources that help firms make use of reach and richness of information can create further value as the information offered and held by companies is personalized and contextualized, creating like this barriers to imitation. Furthermore, companies in preferred industries have a privileged position in front of others, their customer and information database being more compounds and more socially complex, being able to create achieve like this first mover advantage. As companies that would use the Deals application would start with the same resources available, it is important to create a personalized offer that would create the capabilities to set them apart from the rest. Contextual personalization is hard to replicate, because is addressed to each customers preferences; is a durable capability as it involved a set of complex resources; is immobile and covered as the techniques for data mining can be specific and complex and the way the information is collected is hard to duplicate. Consequently, if companies are able to create and sustain contextual marketing, they are able to create switching costs for customers.

All in all Facebook Deals was conceived with the purpose of creating higher proximity between companies and customers. It is a service that can improve a business's customer database by increasing its exposure while reaching and attracting new customers. It is a word-of-mouth marketing tool, as is based on the word spread power, as being a part of a powerful social network, through the news feed after a check-in has been made, awareness among friend is raised, creating like this herd behaviours. It is an important part in building customer loyalty, as the relationship between companies and customers is enhanced. Furthermore, it was showed that loyalty induces repeated purchase and influences other people purchase decision. When trying to take advantage of the value that Facebook Deals can bring for a company, is important to be taken into consideration that this application is available for all businesses, this is why the creation of a strategy that would increase receipts, reinforce the online profile and strengthen customer loyalty is of prime importance. Businesses need to develop and enhance their capabilities in order to better communicate with their customers while guarding them from the competition. As Facebook Deals is a new and very interactive application, companies need to establish clear strategies of reaching customers and plain communication approaches. Data mining is one of the most important resources that this application can offer as it creates the opportunity for contextualized marketing, personalized offers and in this way creating switching cost for customers. For this, all achieved records need to be protected from public exposé, like this respecting users' privacy while creating affluent resources for targeted business.

The empirical study showed that Facebook Deals, as a geo-location based service, can create opportunities for businesses to differentiate themselves through the help of contextual marketing. In the Introduction of this paper was mentioned that social networks already changed the way that marketing is practiced nowadays. Facebook is placed as one of the most influential social networks on this matter (Miller and Kelli, 2012); and when combined with a mobile application based on location based services [that is a growing trend (Parker (2009))], the proximity between businesses and customers through the power of contextual personalization becomes a very powerful marketing tool. Companies can know how users react to various promotions helping like this their market positioning techniques. Moreover, if taken into account the word of mouth and large network effects, this application becomes of true value for businesses.

In conclusion, the empirical study brings an essential contribution to this dissertation as is manages to show, through its findings, that under certain assumptions, Facebook Deals can have a strategic impact for companies.

## **5.2 Limitations**

The results that were obtained with the empirical study for this dissertation are limited to the studied sample and cannot be extrapolated for other populations.

Firstly the majority of respondents are considered young adults (around 80% being in the 22-30 years old age group). Moreover, the study was conducted in the Lisbon district and all respondents are from the mentioned geographical area. This is why the entire Portuguese population or any other different culture could present different results. Another limitation is set by the significance level of survey answers assumed by this dissertation. Regarding the Likert-type scale of responses the same importance value was given to responses between 1 and 3 (rejection) and 4 and 6 (acceptance). If any other significance level is assumed the data treatment results could be more complex or even interpreted in a different manner.

Any conclusion drawn by this dissertation is valid under the studied population. This assumes that under different study populations results might differ.

## **5.3 Future Research**

As a direction for future research, it would be interesting to replicate this empirical study with a bigger and more representative sample to base the conclusions' on. This could be done at the level of the entire Portugal, as businesses have branches in other cities beside Lisbon. A study of these proportions could have more complex results and recommendation for businesses at a national level. Moreover various regions around the globe could present different results and for international and multinational companies this would be a very useful study.

The collection of empirical data could be expanded to companies, as understanding how they see Facebook Deals as a new business model and their reasons and purposes for being part of it.

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## Exhibit – Questionnaire

Hello

This survey is about Facebook Deals and is destined to people that live/are in the **Lisbon** area; its objective is to understand what are users' or potential users' perceptions towards Facebook Deals.

The data collected through this questionnaire is completely anonymous and destined exclusively to my Master Thesis and it will be maintained confidential.

Thank you very much for your time and support. Please start with the survey now by clicking on the <Continue> button below.

1. Do you currently live/are in the **Lisbon** area?

Yes

No

(Restriction: if the answer is “No” the survey cannot be not be opened or completed)

2. Gender

Feminine

Masculine

3. Age

<18

18-21

22-25

26-30

>30

4. Do you have and use regularly a Smartphone?

Yes

No

(If the answer is “Yes” the survey includes question 4a)

4a. What type of Smartphone are you using?

- iPhone
- Android
- Nokia
- Windows Mobile

5. Are you aware of the location-based social networks' concept?

- Yes
- No

(If the answer is "No" the survey goes directly to 8a and question 8)

6. From the following list, which social networks do you know? You may select more than one answer.

- Foursquare
- Facebook Places
- Yelp
- Gowalla
- I don't know any
- Other

7. In which of the social networks presented below are you more active? You may select more than one answer.

- Foursquare
- Facebook Places
- Yelp
- Gowalla
- I'm not registered in any
- Other

(If the answer is "Facebook Places" or any combination of option that includes "Facebook Places" the survey includes question 7a)

7a. Are you aware that the location-based network Facebook Places gives you access to Facebook Deals?

Yes

No

(If the answer is “No” the survey goes directly to 8a and question 8; If the answer is “Yes” the survey includes question 7b)

7b. Are you an active user of Facebook Deals?

Yes

No

(If the answer is “No” the survey includes question 7c; If the answer is “Yes” the survey goes directly to question 9)

7c. Why you don't use the application?

I don't know how it works

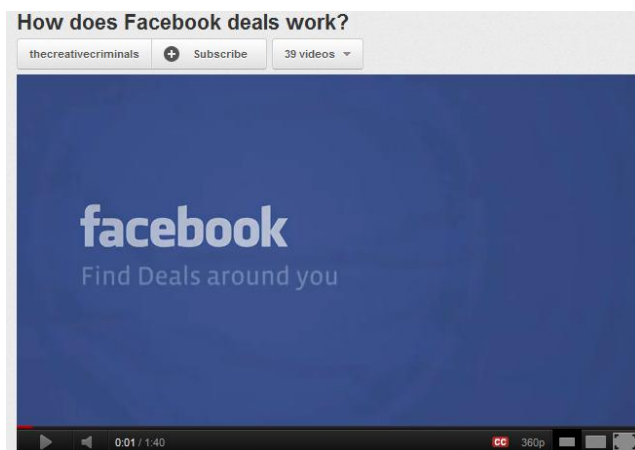
I find it too complicated

I don't see any benefits

I don't know how to take advantage of it in Lisbon

Other

8a. Please watch this video:



(Source: YouTube, Available at <http://www.youtube.com/watch?v=3lo9DtxjR2I>)

8. Would you be interested in taking part of Facebook Deals, the application offered by Facebook?

Yes

No

9. Which of the 4 types of deals would you use more often?

Individual

Loyalty

Friend

Charity

10. In a scale from 1 to 6, according to your personal preferences, please classify the following deals:

(1=uninteresting and irrelevant, 6=essential and very interesting)

	1	2	3	4	5	6
<b>Individual Deals</b>						
Receive a product/service	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Try a sample of a new product/ service	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Receive a discount on a product/service	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>Friend Deals</b>						
Discover new places through your friends	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Benefiting from the deals in group (enhancing connections with friends)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>Loyalty Deals</b>						
Receiving a product/discount after repeated purchase	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Increase my knowledge about my favourite brands	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>Charity Deals</b>						
Help companies to contribute to the community	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Being sympathetic with a charity	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

11. How often would you be interested in using Facebook Deals?

- In daily life
- During lunch breaks
- After work
- In weekends
- Other

12. What are the areas/sectors where you would use more Facebook Deals?

- Restaurants
- Café/ Bars
- Hotels
- Beauty Centers
- Gyms
- Clothing
- Entertainment (cinema, concerts etc.)
- Other

13. In a scale from 1 to 6, according to your personal preferences, please classify the usage areas/sectors given the type of deal:

(1=uninteresting and irrelevant, 6=essential and very interesting)

	1	2	3	4	5	6
<b>Individual Deals</b>						
Restaurants	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Café/ Bars	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Hotels	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Beauty Centers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Gyms	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Clothing	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Entertainment (cinema, concerts etc.)                       

**Friend Deals**

Restaurants                       

Café/ Bars                       

Hotels                       

Beauty Centers                       

Gyms                       

Clothing                       

Entertainment (cinema, concerts etc.)                       

**Loyalty Deals**

Restaurants                       

Café/ Bars                       

Hotels                       

Beauty Centers                       

Gyms                       

Clothing                       

Entertainment (cinema, concerts etc.)                       

**Charity Deals**

Restaurants                       

Café/ Bars                       

Hotels                       

Beauty Centers                       

Gyms

- Clothing
- Entertainment (cinema, concerts etc.)

14. In a scale from 1 to 6, according to your personal preferences, please classify the following option in terms of your willingness:

(1=unwilling, 6=willing)

	1	2	3	4	5	6
Receive personalized offers, promotions and information about the brands and/or places which I like / visit more frequently	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Allow companies to see my detailed activity that I had on Facebook Deals	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Have a company's and/or brand loyalty card (eg. like Continente)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Allow companies to see and store the information that is available in my public profile	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Provide feedback to companies about products / services by answering to marketing studies or profiling questionnaires	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Thank you very much for the time given in answering this survey. Your answers are essential for my work.