Privacy and Perceptions:
How Facebook Advertising Affects its Users

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Abstract

This research paper details a study of Facebook users and their perception of advertising on the site. Characteristics such as privacy, micro targeting, Facebook use, awareness, and reactions, were all important factors that influenced these responses. The objective of this study was to see how undergraduate students from four colleges across the country view Facebook and its advertisers. The results indicated that student reactions did not overwhelmingly lean in a particular direction: Individual users perceive the site differently, and this determination directly correlates with the uses and gratification theory.

I. Introduction

Facebook Overview

Facebook is a social networking site (SNS), which provides users with a platform to create a personal profile page, add 'friends', and send messages. Since the company was founded in 2004, it has become the top ranked social networking site (Kazeniac, 2009). According to Facebook Statistics (2009), there are over 300 million current active users (i.e. users that have logged-on in the past 30 days). Facebook users have claimed the site a "necessity, along the lines of oxygen, water, and food" (Verna, 2009). For many people, visiting Facebook has become an integral part of their daily lives, and has even caused some to have an un-healthy obsession with the site. According to Elizabeth Cohen (2009), a CNN medical correspondent, thera-pists are seeing more and more "Facebook addicts," who become compulsive Facebook users to the point where the site interferes with relationships, jobs, and normal daily life. The site has transformed social com-munication in the 21st century, with Facebook and other SNS reaching hundreds of millions of people across the globe.

Features and Advertising

Facebook continues to add new features and developments on a consistent basis. Since it is free to create an account, Facebook has to generate its revenue elsewhere, through a venue such as advertising. Companies can utilize Facebook's features to reach their audiences in different ways. Gangadharbatla (2009) states that SNS are changing the way advertisers reach consumers, and that these changes are transforming

*** Keywords**: privacy, Facebook, corporate advertising, perception of ads, effective advertising.
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online advertising all together. There are a variety of ways to use Facebook, and the different features allow creativity and experimentation in advertising. For instance, when users log-on, they are taken to a homepage called a "News Feed" which highlights recent activities from other users. Each Facebook account also includes a personal profile page, a "Wall" to write public messages to other users, Facebook-generated applications (photos, events, groups, video, notes, and links), and an inbox to write private messages to other users. The site also allows users to add optional features called Platform applications to connect in new ways. According to Facebook's statistics (2009), more than 70% of Facebook users utilize Platform applications on a monthly basis. Since these Platforms are optional, it is significant that users are seeking out additional Facebook features and uses for the site. The purpose of Facebook has shifted, as the continued popularity of added features proves that its users are looking for more than just casual networking with friends.

A few of the currently popular Platform applications include games, fan pages, and gifts. Social-network gaming company Zynga has dominated the site with applications such as FarmVille, Café World, and Mafia Wars. Zynga has over 126 million monthly active users, making it the leading Facebook development platform (O'Neill, 2009). The company reported that they currently spend approximately $50 million on Facebook advertising annually, and this figure is expected to increase as the company continues to develop over the years (O'Neill, 2009). The games allow Facebook users to purchase virtual products with a credit card, as a means to advance further in the game. Techniques such as these provide Zynga with Facebook-user generated revenues and encourage more advertising and developing on the site.

Advertisers also have the option to create a free fan page, where companies and individuals can invite users to become a "fan" of a product, service, person, company, brand, etc. The page is set up similarly to a profile page, with the option to add status updates, photos, announcements, etc. According to Facebook's statistics (2009), over 10 million users become fans of pages on a daily basis, which provides growing possibilities to reach consumers without any financial risk. There is also a chance to buy birthday gifts, as Facebook has expanded its 'gift shop' to include real gifts alongside virtual ones (Klaassen, 2009, p. 38). This type of online shopping connects cyber space with the real world, so that what happens online does not necessarily stay online.

Growth

Another benefit to Facebook advertisers is the site's growth. "Traffic to Facebook is up almost 200% over the last year. … Social media is no longer just for techies or younger generations—it has become a mainstream phenomenon" (Swedowsky, 2009). Not only traffic to Facebook increasing, but users are also spending more and more time on the site. According to Anchin (2009), network and blogging sites account for 17% of all time spent on the Internet in August 2009, and that figure is triple what it was the year before. All of these increases show how technology has revolutionized the lives of people around the world, and advertisers need to recognize and react to these changes. Klaassen (2009) reports a recent study, where 43% of online purchasers named social-network surfing as the reason they decided to make their purchase. This statistic shows the potential power that advertisers have to reach a willing and active audience. However, to fully understand the effect of Facebook advertising, it is important to understand how consumers perceive Facebook and its advertisers. This study will show how advertising can affect Facebook users, and provide further suggestions for a more effective means to reach a target audience through social networking.

II. Literature Review

Uses and Gratification Theory

The "uses and gratification" theory (Katz, et al., 1974) provides important insight into why Facebook is so widely used. As an audience-based theory, uses and gratification hypothesizes that different consumers use the same media messages for different purposes, depending on their individual needs and goals (Sheldon, 2007, p. 40). According to Katz et al. (1974), the uses and gratifications theory is based on the assumption that (1) the audience is active, (2) the media choice lies with the audience member, (3) all mediums compete with other sources of need/goal fulfillment, (4) mass media goals can be found in the message of the source, and (5) cultural value judgments should be not be taken into consideration as the audience explores their own opinions.

By directly applying these assumptions to mass media in terms of the social networking sites (specifically Facebook), a few customized observations can be made. First, the average Facebook user is active, as he or she has willingly created an account, and is a member of the site. Next, the user chose Facebook as a means to fulfill his or her wants and goals over other sources. Essentially, the Facebook user came to the site for a unique purpose. This can include the need to connect interpersonally as well as the want to promote a business or product (i.e. advertising).

In order to understand the perspective of a potential consumer, it is essential to study why Facebook users visit the site in the first place. The uses and gratification theory is a reminder that these needs are customized for each person, and therefore cannot be generalized to an entire population. However, meaningful information can be developed covering smaller populations with common characteristics. For the purpose of this study, our subjects are college students who are already Facebook users, having joined the site for their own specific reasons.

Advertising

With individualized motives comes an individualized need for advertising. Social networking sites provide unique opportunities for companies that simply don't exist elsewhere. Among the advantages are increased interaction between the business and customer, a more targeted means for reaching an audience, and a direct way for customers to connect to each other (as well as potential customers). Learmonth (2009) states that Facebook is an effective marketing platform because networking and communication are already taking place. This allows companies to be directly woven into conversations simply by appearing on the site. Facebook presents an entirely new way of scrutinizing a product or brand: "(It) has not only transformed the research and purchase consideration phase, but it also provides shoppers with a platform to advocate for the products and stores they love" (Swedowsky, 2009). For example, product raves and reviews could appear on a fan page, or in an application.

Not only does interactivity increase, but Facebook also allows for a complete customization of advertisements by the ad creators. For the traditional web site advertiser (i.e. using a banner ad on the side, bottom, or top of a site), Facebook advertisements are relatively easy to generate, and allow the creator a variety of choices when making an ad. The site lets advertisers select the exact demographic that sees the ad, which helps them not waste time or energy on people outside of their chosen market. The advertiser can view the results of who is clicking their ad, and modify it accordingly. Gangadharbatla (2008) found that Facebook ads are extremely relevant to users because they are so highly targeted.

To test the effectiveness of Facebook's advertisers' micro-targeting method, Lessin (2008) did an experiment by creating his own Facebook advertisement. It was an ad targeted to his girlfriend, so he typed in her specific demographic (a Wall Street Journal Reporter, 25 years old, living in San Francisco, graduated from Harvard in 2006, majored in history, etc.) and was able to get the ad directly placed on her Facebook website. This test demonstrated advertisers' ability to nano-target their market in a unique way not seen in traditional advertising.

Privacy

While the aforementioned story does show a highly effective means in reaching a target audience, it also brings up the question of the accessibility of private information. Although users put up all personal information willingly, they may or may not know that their information can be shared with a third party. Facebook's recent partnership with Nielsen in September 2009 is just beginning to change the advertising front of the site; so very little research currently exists in terms of consumer response to nano-targeted ads (Anchin 2009). However, the online privacy debate has existed since the creation of the Internet, with private information becoming increasingly available to companies and individuals alike.

For a variety of reasons, Facebook privacy settings are not always fully utilized. Users can change the way others see their private information, and Lange (2008) hypothesized that privacy settings may not be adjusted due to ignorance or the "it won't happen to me" assumption. Lange's study also points out that when users click the "Accept Terms and Conditions" button when joining a site or adding an Application, they tend not to read the fine print, which may say that the user is (unknowingly) agreeing to sell or give away his/her personal information. Sherman (2008) adds that a term such as "Privacy Policy" on a website may make users automatically assume that their information is safe when that may not actually be the case. This shows

how Internet ethics and morals can come into question, and asks "How far is too far?" in terms of providing information to third parties.

In an announcement in late October 2009, Schrage (2009), the vice president of communications and public policy for Facebook, admitted that one of the goals of the site is for the ads to be "relevant and interesting" for viewers. Facebook is also assuring that the information shared is "anonymized," meaning that advertisers receive demographic information, but no individual information that could be traced back to one person (Schrage, 2009). Although Facebook is improving communication with its users through blog announcements such as these, it does not make it clear as to exactly what information is shared, and to whom the information is given. Therefore, Facebook is not necessarily guaranteeing that certain information will be kept private, and this may be information that the user may not want a third party to have access to.

Like Facebook privacy, prior research on SNS in general is limited, as Facebook in particular has only existed for the past five years. Therefore, there has not been a significant amount of research done in the area of social networking sites and advertising's effect on the users. Since SNS have become such an integral part of our daily lives, it is important for advertisers to understand how customers and potential customers on the site perceive them.

To advance that understanding, three primary research questions were constructed. The first question examines the Facebook user's point of view, which is essential for success and understanding: *RQ1: How are Facebook and its advertisers scrutinized in the eye of the consumer?*

The second question deals with the issue of privacy, as online safety and the control of private information is more difficult to monitor online: *RQ2: How is privacy perceived on Facebook?*

Lastly, the third question yields the opportunity to provide suggestions and ideas for advertisers, which would be beneficial information for advertisers, as well as future research: *RQ3: What would make Facebook advertising more effective?*

III. Method

Sample

To address these questions, a survey of undergraduate students at four universities was conducted using the Facebook site. The participants were recruited from Elon University in North Carolina (n=125), Pomona College in California (n=69), Miami University in Ohio (n=108), and University of Pittsburgh in Pennsylvania (n=47). These four schools were chosen because they represent all different geographical regions of the country and, additionally, Miami and Pittsburgh represent relatively large (> 15,000 undergraduate students), public institutions, while Pomona and Elon represent relatively small (< 5,000 undergraduate students), private institutions. According to Gangadharbatla (2008), a student sample is a relevant and significant group, as college students fit the demographic of SNS users. As an incentive, students were offered the chance to win a $15 iTunes gift card through one random selection per school.

Design and Procedure

Because the goal was to reach as many students at the four schools as possible, a simple survey was developed. The survey consisted of 12 questions, including three major sections: (1) demographic, (2) Facebook and advertising, and (3) privacy and perception. There was an optional box at the beginning of the survey for students to enter their e-mail addresses for a chance to win a $15 iTunes gift card. With the exception of optionally providing an e-mail address, the survey was completely anonymous. Participants answered close-ended demographic questions regarding their year in school (freshman, sophomore, etc.) and gender. In the Facebook and advertising section, close-ended questions were asked regarding the number of Facebook "friends" the participant currently has, how often the participant checks his or her Facebook, and what Facebook "Applications" the participant has used. In terms of advertising, the participant was asked how aware he/she is of advertising on Facebook, and where he/she has seen advertising on Facebook.

In the privacy and perception section, participants were offered a chance to express how they feel about Facebook advertising, and relate this to their personal privacy. Participants were first asked about their current privacy settings on Facebook, in an effort to gauge their interest in protecting their personal information and identity. They were then asked about Facebook ads they have seen for their specific demographic,

and were asked to share what specific ads they had seen. From this information, they were asked if this type of advertising changes their perception of privacy on Facebook, as well as their perception of the companies that advertise, and to elaborate if they so chose. In closing, the participants answered an open-ended question about how companies can utilize Facebook to advertise more effectively.

Four separate but identical surveys were hosted at Survey Monkey, which allows users to create their own web-based surveys (www.surveymonkey.com). To maximize the potential for a large quantity of participants, Facebook itself was utilized for maximum, quick, and fast exposure. Four Facebook "events" were created, specialized for each school, and the event included a description of my research, as well as a link to take the survey. Next, hundreds of students from each school were invited to their schools' "event." The survey stayed open for exactly one week during mid-November 2009.

IV. Findings

The goal of this study was to see how Facebook users perceive the site and its advertisers. Each section of the survey provided information and opportunities for participants to honestly and openly express their perceptions, and give specific examples as to why they feel the way they do.

Demographic

Out of the total amount of participants: 74.2% were female and 25.8% were male. For year in college, 2.3% were freshman, 14.9% were sophomores, 16.9% were juniors, and 65.9% were seniors. Individual school demographics were as follows:

Elon University: Gender: 75.2% female, 24.8% male
                        Year: 1.6% freshmen, 15.2% sophomores, 24.0% juniors, 59.2% seniors

Miami University: Gender: 74.1% female, 25.9% male
                        Year: 0.9% freshman, 17.6% sophomore, 9.3% junior, 72.2% senior

Pomona College: Gender: 66.7% female, 33.3% male
                        Year: 0.0% freshman, 4.3% sophomore, 23.3% junior, 72.5% senior

University of Pittsburgh: Gender: 83.0% female, 17.0% male
                        Year: 10.6% freshman, 23.4% sophomore, 6.4% junior, 59.6% senior

Facebook and Advertising

Collectively, 48.1% of respondents had between 500 and 1,000 Facebook "friends," and only 2 out of the total 349 had less than 100 friends. Miami matched that number with 48.1%, of respondents having between 500-1,000 friends, while at Elon, the highest response came at 1,000-1,500 friends (44.2% of respondents chose this option). Pittsburgh showed that 63.0% had between 500-1,000 friends, and Pomona had 55.2% of respondents fall in the 500-1,000 category.

In terms of Facebook usage, 80.1% of participant's log-on to their Facebook *multiple* times daily, and 95% of the respondents check their Facebook at least once a day. At Pomona, 98.5% of students surveyed check their Facebook daily, and 95% of Elon students are logging on daily. Pittsburgh showed that 95.6% of participants were on Facebook at least once a day, and this number was 92.6% at Miami.

Across the board, 100% of participants used Applications on Facebook. All of the students used Facebook-generated Applications, such as events, photos, and groups. The next most popular application was "fan pages," with a combined 66.2% of participants using this application (76.1% for Elon; 59.3%, Miami; 68.2%, Pomona; and 54.3%, Pitt). Games, quizzes, and gifts were spread out relatively evenly, with no percentage greater than 34.8% (which was for the quiz application at Pomona).

Advertising awareness varied by school, but 79% of respondents were aware of advertising on Facebook at least half of the times they log-on. Data from the individual schools in terms of advertising awareness

is shown in Table 1.

Table 1. Logged-on users who were aware of advertising

	100% of the time	75% of the time	50% of the time	25% of the time	0% of the time
Elon University	30.00%	25.00%	30.00%	12.50%	2.50%
Miami University	27.80%	20.40%	28.70%	22.20%	0.00%
Pomona College	25.40%	17.90%	26.90%	26.90%	3.00%
University of Pittsburgh	32.60%	23.90%	21.70%	17.40%	4.30%

Students had seen advertising in a variety of places on the site. As a whole, 39.8% of respondents saw advertising on applications; 82.0% saw advertising on their main page; 34.5% saw advertising when they write on a friend's wall for their birthday; and 83.2% saw advertising on the side bar of other people's profiles.

Privacy and Perception

In an analysis of all participants, the majority at every school considered their profile settings to be "strict," meaning only their Facebook friends can see all of their information, but they are searchable to other users. Of the total, 88.2% of respondents said that their current privacy settings on Facebook are "strict" or "very strict," meaning they do not appear in search results, and have an extremely limited profile. No respondents admitted that their Facebook pages were "extremely open," meaning that everything on their Facebook page can be seen by everyone. Only 4.7% students of Miami, 28.4% of Pomona, 13.0% of Pittsburgh, and 3.5% of Elon would consider their profile pages to be considered "open," meaning that friends and networks can access all of their information).

When asked about specific Facebook ads, 88.0% of total respondents have seen ads that directly target their demographic. Among those who saw nano-targeted advertising were 90.5% of Miami students and 84.4% of Pittsburgh respondents. At Pomona, the percentage was 83.9%, and at Elon it was 87.7%. Some of the ads seen by all of the schools included t-shirts for shows they like, law school advertising, dating services for the newly single, internships in their specific majors, study abroad, sorority merchandise, housing in the area where they live, etc.

After describing the highly targeted ads, participants were asked if these ads change their perceptions of privacy on the site. For this question, respondents were split. Collectively, 54.7% of students thought that the ads did *not* change their perception of privacy, but this majority did not hold up at all schools. At Miami, only 40.6% of students said the ads changed their perception of privacy, followed by 45.7% at Pittsburgh and 45.6% at Elon. However, Pomona was slightly swayed in the opposite direction, with 52.2% of respondents thinking that the advertising changed their perception of privacy. Respondents at Pomona cited the following as reasons for the change invasion of privacy, feeling less secure, or questioning why the information is accessible when privacy settings are strict. Each school had respondents that expressed concern over their privacy on Facebook, but the results were not particularly clear either way.

When asked how they felt about the companies that create this highly targeted advertising, the majority of respondents at each school answered that the advertising did not change their perception of the company (a total of 66.7% of students).

However, each school did have some who disagreed. The number of students who said that they saw the companies in a new light because of advertisements reached 28.3% at Miami, 38.8% at Pomona, 34.2% at Elon, and 34.8% at Pittsburgh. Their perception of the companies, as described by one exact word they used, is shown below in Table 2.

Table 2. Common Perceptions of Companies by Facebook Users

Open-Ended Answer	Elon	Miami	Pomona	Pittsburgh	Total
Relevant	1	5	1	2	9
Manipulative	4	1	6	0	11
Smart	4	4	2	3	13
Less credible/legitimate	3	3	1	3	10
Technologically savvy	2	2	2	4	10
Desperate	4	0	3	1	8

In the last question, respondents were asked to give constructive criticism, and respond as to how they thought Facebook could be used to advertise more effectively. Table 3 below shows the top eight common responses.

Table 3. Suggestions for more Effective Advertising on Facebook (unit: response)

Open-Ended Answer	Elon	Miami	Pomona	Pittsburgh	Total
Not advertise at all	8	6	8	5	27
Keep it the way it is	6	12	5	5	28
More targeted ads	5	10	4	2	21
Less targeted ads	5	4	3	3	15
Not sure	4	3	5	2	14
Fan pages	5	3	1	3	12
Incentives	3	4	3	2	12
More creative/exciting	9	7	8	3	27

V. Discussion

Based on the results generated from the surveys, a number of inferences can be made. First, the average participant had between 500-1,000 Facebook friends. This number is significant, because according to Facebook's Statistics (2009), the average user on the site only has 130 friends. This may indicate that the participants in this survey are more active on the site, and know more fellow "Facebookers" than the average user.

Another significant statistic was that only 5% of participants did *not* log-on to their Facebook account on a daily basis. According to Social Peel (2009), 70% of college students log-on daily, making this particular group of college students even more active on Facebook than the average college student. The fact that all participants used applications was expected, as participants were told about the survey through a Facebook event (which is technically an application). The next most popular application set was the fan page, which over 66% of respondents use/visit. This should be noteworthy to companies and potential advertisers, as it is a free way to get Facebook users connected to a specific brand or product. The rest of the application types did not get enough respondents from the participants to be as important in the same sense.

The study proved that the majority of students are fully aware of advertising on Facebook, with less than 5% of respondents from each school not noticing it at all (at Miami, every student noticed the advertising). The most common places these ads were seen were on the "news feed" home page, and on the side bar of other people's profiles. These are typically displayed as traditional banner ads, and the fact that students did not notice ads in other places (i.e. in Platform applications) could indicate that they are not fully aware of untraditional advertising on Facebook.

In terms of privacy, all students surveyed had taken some precautions and modified their privacy settings on Facebook. All participants knew what their settings were—and none classified themselves as having "extremely open" profiles. This indicates that the students are concerned and aware that their information may leak out to third parties. This may also correlate with the fact that the majority of respondents have seen

mirco-targeted ads, specifically to their demographic. Although participants gave many examples of these nano-targeted ads, it did not necessarily change the way the students thought about Facebook or its advertisers. Participants were split in terms of whether or not it changed their perception, and even when their perception was changed, it was not necessarily for the worse. This indicates that there was not an overall consensus as to the effects of advertising on Facebook users.

It may seem obvious that students would prefer the advertising not to exist in the first place; however, less than 30% of all respondents suggested that Facebook stop advertisements all together. For effective advertising, many suggested ideas, such as give-aways, promotions, and more eye-popping advertisements to catch a user's attention. Advertisers should use this information to their advantage when pursuing an advertising campaign on Facebook.

VI. Conclusion

This study took a critical look at Facebook advertising and how it affects the users of the social networking site. As of now, there is no conclusive data as to a "universal" perception of Facebook advertising. This conclusion directly relates to the uses and gratification theory mentioned in the literature review. This study was limited because it could not be entirely random due to limitations in contacting students at the participating colleges. Also, the manner in which the survey was advertised limited the participants to students who checked their Facebooks during that particular week in November. Therefore, less frequent Facebook users were not represented in the results.

In order to further understand how to effectively advertise on social networking sites, more research should be conducted. It would be beneficial to follow a specific company who is advertising on Facebook, and see how the company grows or changes as a result of social network exposure.

Acknowledgments

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Appendix

Survey Questions:

Demographic

a. What is your gender?

    i. Male   ii. Female

b. What is your class year?

    ii. Freshman   ii. Sophomore   iii. Junior   iv. Senior

Facebook and Advertising

a. How many current Facebook 'friends' do you have?

    iii. Less than 100   ii. 100-500   iii. 500-1,000   iv. 1,000-1,500

    v. 1,500-2,000   vi. Over 2,000

b. How often do you check your Facebook?

    i. Multiple times a day   ii. Once a day   iii. A few times a week

    iv. A few times a month   v. Hardly ever

c. What Facebook 'Applications' have you used?

    i. Events, Photos, Groups (Facebook-generated Applications)

    ii. Games (Farmville, Jetman, Mafia Wars, etc.)

    iii. Quizzes (Social Interview, Quiz Monster, etc.)

    iv. Fan Pages (Being a "fan" of a product or service)

    v. Gifts (Giftshop items—including virtual and real gifts)

d. To what extent are you aware of advertising on Facebook?

    i. I am aware of advertising 100% of the time I go on Facebook

    ii. I am aware of advertising 75% of the time I go on Facebook

    iii. I am aware of advertising 50% of the time I go on Facebook

    iv. I am aware of advertising 25% of the time I go on Facebook

    v. I am not aware of advertising on Facebook

e. Where do you see advertising on Facebook?

    i. In Facebook "Applications"

    ii. On the main homepage

    iii. When I write a wall post for a friend's birthday

    iii. On the side bar of other people's profiles

Privacy and Perception

a. What are your current privacy settings on Facebook?

    i. Extremely Strict (Extremely limited profile page, I do not appear in search results or news feed, pictures are blocked, etc.)

    ii. Strict (Only my "friends" can see all my information, but I am searchable)

    iii. Open (My friends AND networks can see all my information, and I am searchable)

iv. Extremely Open (Everyone can see everything about me)

v. I have no idea

b. Have you seen Facebook ads targeted toward your specific demographic? (for example, job opportunities for recent or soon-to-be college graduates?

i. Yes (If so, briefly describe this experience):

ii. No

c. Does Facebook advertising change your perception of PRIVACY on the site?

i. Yes (If so, how?)

ii. No

d. Does Facebook advertising change your perception of the COMPANIES that advertise (Do you see them as smarter, more relevant, etc. or as less ethical, more manipulative, etc.?)

i. Yes (If so, how?)

ii. No

e. How do you think companies could use Facebook to advertise more effectively?