



Impact of Social Media Marketing on Purchase Intention and Brand Loyalty: Evidence from Indonesia's Banking Industry

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ABSTRACT

The purpose of the study is to explore the impact of social media marketing towards purchase intention and brand loyalty. The context of the study was retail banking in Indonesia and a questionnaire was developed with 286 respondents. It has been found that social media marketing leads to purchase intention and brand loyalty. Hence, brand loyalty affected by purchase intention. The implications for marketing managerial and future research are discussed.

Keywords: Social Media Marketing, Purchase Intention, Brand Loyalty

JEL Classification: M31

1. INTRODUCTION

As the social media continues to grow and becoming part of daily activities for customer, business entities have integrated their marketing activities into social media marketing. This relatively new form of communication demonstrates new challenges and opportunities for brands.

It is a must for retail banking using the latest technology for engaging with customer (Peng, 2006). This includes social media that could be accessed 24 h in mobile devices. Consequently, as part of future marketing effort and one-to-one relationship building, social media is not only selling products but also develop brand loyalty (Hennig-Thurau et al., 2010). The context of the research is retail banking in Indonesia.

Thus, as the largest country in the Southeast Asia, Indonesia has an active social media users for about 79 million (30%) out of total population 259.1 million (Kemp, 2016). Interestingly, Indonesia is ranked 7th along with Saudi Arabia and Thailand in the world in terms of daily time spent on social media. This means Indonesian spend more hours on social media than people in developed countries such as USA (1.7 h), United Kingdom (1.5 h), Australia (1.2 h) and Japan (0.3 h). Additionally, with the average daily use of social media in Indonesia is 2 h and

51 min, only 27% have purchased a product or service online in the past 30 days (Kemp, 2016). Given these statistics and information, Indonesia provides a valid platform on social media marketing study.

However, despite popular use of social media in marketing, the lack of understanding on the impact of social media marketing in various products and services is need to be explored (Ahmed and Zahid, 2014). Hence, more comprehensive study on multi-various social media sites is needed (Vries et al., 2012). Therefore, this study is to respond from those previous research.

1.1. Research Questions

For the purpose of the study, the question arise:

1. Does social media marketing have an influence to purchase intention and brand loyalty?
2. Does purchase intention have an influence to brand loyalty?

1.2. Research Objectives

The objectives of this study are:

1. To determine the impact of social media marketing on purchase intention and brand loyalty.
2. To determine the impact of purchase intention on brand loyalty.

1.3. Research Contributions

There are two significance of the study. First, theoretical contribution. The study integrates the model that incorporates a full range of stimulus and individual level variables along with multiple outcomes in social media marketing in retail banking. And second, managerial implication. The findings are useful in identifying better strategy for social media marketing efforts, enhancing the impact for purchase intention and brand loyalty in the retail banking industry.

2. LITERATURE REVIEW

2.1. Ground Theory

One of the well-known framework for decision-making process is "hierarchy of effects" (HOE) models from Lavidge and Steiner (1961). The model involves consumers perceive, process, and use of advertising and other marketing communication efforts for engagement between consumers and a specific brand. It starts from attaining awareness and knowledge about a product, developing positive or negative feelings towards a product and finally whether buying or rejecting the product (Kotler and Bliemel, 2001).

Further, the technological acceptance model by Davis (1989) explained the possibility of user's behavioral intention in using innovative technology. This belief-attitude-intention-behavior causal relationship in anticipating technological acceptance derived from theory of reasond action (Ajzen and Fishbein, 1980) and theory of planned behavior (Ajzen, 1985).

2.2. Social Media Marketing

Social media defined as "a group of internet based applications that build on ideological and technological foundations of web 2.0, and allow the creation and exchange of user generated content" (Kaplan and Haenlein, 2010. p. 61). It has been studied in various contexts, such as public relations (Andzulis et al., 2012; He et al., 2013), engagement (Kumar et al., 2013; Mangold and Smith, 2012; Parent et al., 2011), networking (Hsu, 2012; Pentina and Koh, 2012), promotion and sales (Curran et al., 2011; Phan et al., 2011) and branding (Gensler et al., 2013). There are four types of social media, they are weblogs, social networks micro-blogs, photo and video sharing sites. Further, the advantages of using social media are no restrictions on time, place, media and cost (Kim and Ko, 2012).

Retail banking actively utilizes social media for advertising and marketing. This two-way communication platform is ideal for increasing customer's value by interacting with relevant information, media, events and entertainment (Kim and Ko, 2010).

2.3. Purchase Intention

With the constant buying decisions every day and numerous options in the market, consumers have to cope with information overload. Purchase intention is defined as the possibility of consumer in purchasing product or service in the near future (Ajzen and Fishbein, 1980). One of the most well-known HOE model in purchase decision is attention, interest, desire, action (AIDA) that consists of AIDA (Hutter et al., 2013).

2.4. Brand Loyalty

Brand loyalty is defined as customer's consistent repurchase one brand out of a set of alternative brands (Aaker, 1991). Brand loyalty is important because it could generates entry barriers to competitors, avoid competitive threats from competitors, increasing sales and revenue (Delgado-Ballester and Munuera-Aleman, 2001) and lowering customer price sensitivity (Rowley, 2005).

3. HYPOTHESES DEVELOPMENT AND RESEARCH MODEL

3.1. Hypotheses Development

As a means to provide communication, selling and relationship to their customers, banks have now turn to social media. This two-way communications platform is perfect for sharing information and opinions. Social media is considered more sincere to consumers because it communicates what the brand is instead of try to control its image. This type of interaction enhanced positive attitudes towards the brands, affects stronger commitment and purchase-decision making process Hutter et al. (2013). Further, it has been found that social media affects brand's sales performance Zhu and Zhang (2010). Accordingly, purchase intention influenced by social media marketing (Kim and Ko, 2010) therefore:

H₁: There is a positive relationship between social media marketing and purchase intention.

With its practical and flexibility characteristics, social media has been widely used for marketing communication effort. The advantages of using social media include no restrictions on time, place, media and cost (Kim and Ko, 2012). Therefore, it has been widely used for communicating and promoting products and services (see for examples, Karimi and Naghibi, 2015; Pentina and Koh, 2012; Phan et al., 2011; Vries et al., 2012). Finally, it has been found that it could increase brand loyalty (Laroche et al., 2013) thus:

H₂: There is a positive relationship between social media marketing and brand loyalty.

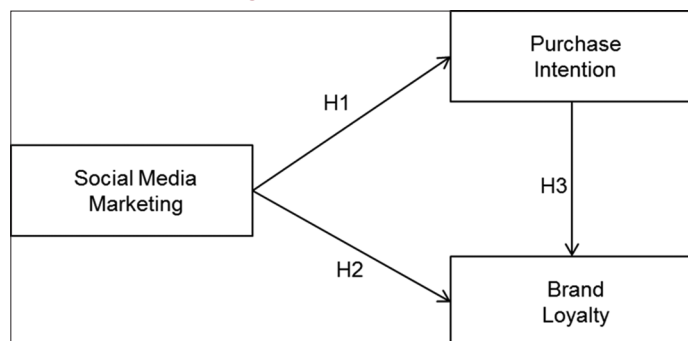
The likelihood of a consumer purchasing a product or service to one particular brand depends on its attributes, features, quality, image and price. Regardless the outcome of consumers' past purchasing experience, it has been found that the experience of purchasing remains in consumers' mindset for a long time (Keller, 2008). Consequently, it has been found that brand loyalty affected by purchase intention (Keller, 2008; Macintosh and Lockshin, 1997) therefore:

H₃: There is a positive relationship between purchase intention and brand loyalty.

Research model for the study is presented in Figure 1.

4. METHODOLOGY

This study is an empirical research with cross-sectional approach. It was conducted in Jakarta with 286 respondents. A

Figure 1: Research model

self-administered survey was conducted and a non-probability convenience used for accomplish a great deal of respondents inexpensively and in a short period of time and in (Swartz and Iacobucci, 2000). Further, a five-point Likert scale was used, where 1 = “strongly disagree” and 5 = “strongly agree.” The questions from the survey was derived from previous studies.

The measurement was come from past studies. The social media marketing was measured from the study of Kim and Ko (2012). Whilst purchase intention was adopted from Bolton and Drew (1991), brand loyalty was adopted from Aaker (1991) and Yoo et al. (2000).

The inferential statistics and several statistical analysis were conducted for the study. First, for ractor loading significance, exploratory factor analysis (EFA) was empolyed. Only factor loading with values over .50 were accepted. Consequently, items with loading <.50 were eliminated for further statistical analysis (Hair et al., 2006). Second, reliability test was used for consistency, stability and credibility of the presented findings (Hair et al., 2006). In other words, the higher the construct, the higher the reliability is. Accordingly, values below .60 considered unacceptable (DeVellis, 2003). Lastly, for testing hypotheses ANOVA was used for testing a dependent variable with two or more independent variables (Zikmund et al., 2011).

5. RESULTS

Out of the total sample of 286 respondents, 144 (49.7%) were men and 142 (50.3%) were women. The majority of respondents were aged between 21 and 30 (59.4%), professionals in the private sectors (40.9%). Further, the majority were high school education background (43.7%) with monthly income in less than Rp.5.000.000, - (52.8%). The respondents were also asked what type of bank do they associated with. Not surprisingly, most of the respondents have bank account(s) in national commercial bank (57.7%), followed by state owned bank (33.9%), foreign bank (5.6%) and sharia bank (2.8%).

As for the social media that being used, out of total 286 respondets, many of them have more than one social media for their daily used. The majority has Line (191), followed by Facebook (135), Path (121), Twitter (87), Instagram (61), Snapchat (47), and others (1).

For the purpose of the study EFA was conducted to study the factor structure. Out of 19 items, 3 items had factor loading <.50. They

are Social Media Marketing Social Media Marketing 1.5, Social Media Marketing 1.9, and Brand Loyalty 3.4 (Table 1). Therefore, they need to be terminated for further statistical analysis (Hair et al., 2006).

As for the reliability test, the results provided decent confirmation of measurement choice. Cronbach's alpha for the four constructs ranged between .786 and .820. The lowest is purchase intention and the highest is Social Media Marketing (Table 1).

As H_1 stated that there is a positive relationship between social media marketing and purchase intention, it has been demonstrated that the correlation is weak as indicates by the multiple correlation coefficient (R) 42% and only 18% (R^2) of purchase intention can be explained or predicted by social media marketing. Hence, with a significance level of almost 100% (significance = 0.000) it indicates a significant relationship. Therefore, H_1 is supported.

Similarly, H_2 posited that there is a positive relationship between social media marketing and brand loyalty. It has been shown that the correlation between the two latter is weak with R values 38% and R^2 values 14%. That means only 14% of brand loyalty is explained by social media marketing. Further, it affirms that social media marketing creates brand loyalty with significance level of almost 100% (significance = 0.000). Consequently, H_2 is supported.

Finally, the findings also support the hypothesis that there is a positive relationship between purchase intention and brand loyalty (H_3). It has been demonstrated that there is a very strong signifance value at 0.000 with correlation at 56% (R) and 32% (R^2) of brand loyatly was explained by purchase intention.

In sum, Table 2 indicates that all of the hypotheses were supported with statistically significant well above the conventional 95% confidence level.

6. DISCUSSION AND CONCLUSION

Results indicate that social media marketing is significantly impacts both purchase intention and brand loyalty. It also reveals that purchase intention affects brand loyalty. These findings offer new insights for both research and managerial implications.

First, social media marketing was found affects purchase intention. This is in support with previous studies from Kim and Ko (2010) and Hutter et al. (2013). The social media allows two-way communications between consumers and the banks. Consequently, its interaction has a positive impact on product evaluations and financial performance (Zhu and Zhang, 2010).

Second, similarly, the research has shown that social media marketing indeed affect brand loyalty. The overload information on the internet has been a challenge for communicating and engaging with consumers. Therefore, for a positive impact on brand the communication efforts must be interactive, customized and yet entertaining. These findings is consistent with past research from Hutter et al. (2013) and Zhu and Zhang (2010).

Table 1: EFA and inferential statistics

Construct	Items in the questionnaire	Factor loading	Mean	Cronbach's alpha
Social media marketing	Entertainment			0.820
	1.1 Using bank X social media is fun	0.750	3.496	
	1.2 Content shown in bank X's social media seem interesting	0.726	3.472	
	Interaction			
	1.3 bank X social media enables information sharing with others	0.523	3.468	
	1.4 Conversation or opinion exchange with others is possible through bank X social media	0.877	3.328	
	1.5 It is easy to deliver my opinion through bank X's social media	0.426	3.521	
	Trendiness			
	1.6 Contents shown in bank X's social media is the newest information	0.623	3.769	
	1.7 Using bank X's social media is very trendy	0.514	3.615	
	Customization			
1.8 Bank X's social media offers customized information search	0.638	3.514		
1.9 Bank X's social media provides customized service	0.125	3.769		
Purchase intention	Electronic word of mouth			0.786
	1.10 I would like to pass along information on brand, product, or services from bank X's social media to my friends	0.592	3.335	
	1.11 I would like to upload content from bank X's social media on my blog or micro blog	0.852	3.171	
	2.1 I would intend to become bank X customer	0.570	3.569	
	2.2 My willingness to become bank X customer is high	0.696	3.468	
Brand loyalty	2.3 I am likely to become bank X customer	0.600	3.489	0.811
	2.4 I have a high intention to become bank X customers	0.668	3.507	
	3.1 The next time I am in the market for banking products, I plan to buy from bank X	0.754	3.741	
	3.2 I intend to keep buying from bank X's for the foreseeable future	0.618	3.608	
	3.3 I am committed to bank X	0.690	3.517	
	3.4 Next time I buy a banking product, I would be willing to pay more from bank X than other banks	0.333	3.132	

EFA: Exploratory factor analysis

Table 2: Results of model tests

Hypotheses	R	R ²	Significant	Results
H ₁ There is a positive relationship between social media marketing and purchase intention	0.427	0.182	0.000*	Supported
H ₂ There is a positive relationship between social media marketing and brand loyalty	0.382	0.146	0.000*	Supported
H ₃ There is a positive relationship between purchase intention and brand loyalty	0.565	0.320	0.000*	Supported

*Significant at 0.01

Finally, the study has demonstrated that purchase intention has positive impact on brand loyalty. This is in accordance with previous study that purchase intention affects brand loyalty (Macintosh and Lockshin, 1997) and they were found to have direct correlation one to another (Malik et al., 2013).

In conclusion, the results indicate that the study was successful. All of the hypotheses were supported. Overall, the study has demonstrated that social media marketing has a positive impact

on purchase intention and brand loyalty. Hence, brand loyalty also affected by purchase intention.

7. LIMITATIONS AND FUTURE RESEARCH

Although the study has demonstrated the impact of social media marketing on purchase intention and brand loyalty, the study still presents some limitations.

First, one limitation is that the current study only based on cross-sectional data. Consequently, longitudinal studies would be adequate for a new understanding.

Second, other factors influencing purchase intention or brand loyalty could be included to refine the model and further understanding of social media marketing's influence on those two variables.

Third, caution should be noted in generalizing the results for all industries. Consequently, it is recommended that empirical research in various industries are needed to further understand social media marketing in the various contexts.

Finally, only social media users from Indonesia were recruited for the study, therefore generalizations for the entire population of social media users are inappropriate. Therefore, research with various nationalities would be a value for having a better understanding in social media users.

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