

# Determinants of Purchase Intention in Indonesia Online Customers

Ikramina Larasati Hazrati Havidz<sup>1</sup>, Muhammad Khalid Iqbal<sup>1</sup>, M. Havidz Aima<sup>2,3</sup>

1 School of Management, Wuhan University of Technology, Wuhan, P.R.China, 430070

2 Faculty of Economic, Mercu Buana University, Jakarta, Indonesia, 11650

3 Faculty of Economic, President University, Jababeka, Cikarang Baru, Indonesia, 17550

(E-mail: ikramina7510@yahoo.com, mkhalid\_iqbal@yahoo.com, havidz.aima@yahoo.com)

**Abstract:** Social media is now the world trend in advertisement. It assists small business with low advertising's budget to present their performance on the market. The paper delivers a thorough investigation of the conceptual model designed by researcher and offers empirical evidence of its relationship to further apply by the business or future research. The research is focusing on the cosmetic product, namely Kawai cream that has gathered 110 respondents, which derived from the customers. Multiple Regression analysis is applied as the methodology of the research using SPSS 22. The findings indicate that customer engagement has negative relationship, while word-of-mouth has positive relationship on social media platforms. Furthermore, social media platforms have positive relationship to gain purchase intention under the user of social media platforms. However, none of the results indicate a significant result since the *p*-value is above 0.05.

**Key words:** Customer engagement; Word-of-Mouth(WOM); Social media platforms; Purchase intention

## 1 Introduction

Present marketers realize that it is important to engage within the online opinion leaders and personalities instead the implementation of traditional influences as a product advocates and as a means of immediately attract the extensive free publicity and word-of-mouth (Constatinides, 2014). Erdogmus & A. stated that today's customers are more powerful and busy, firms should be able to adapt the market through the benefits offer by social media (Erdogmus, A., 2012). Entrepreneurs spend a considerable amount of time learning how to boost their businesses. Baldassarre believes that the biggest difference in small businesses between now and five years ago is the more use of online marketing tools<sup>1</sup>. According to Kohli, Suri and Kapoor, the marketplace has changed where marketers are needed to understand and adapt to the changing accordingly (Kohli, Suri, Kapoor, 2015). Social media assists customers to share information directly on the digital space. By this fact, marketers have less power in influencing the consumers.

Indonesia is ranked 1 in term of percentages of online shoppers using social media to recommend product and are orderly followed by Malaysia, Thailand, USA, UK, and Japan. Eighty-80% of the internet users active in social networks around the world is reside in Indonesia, Jakarta with the most active city. According to the report written by Kunto. Indonesia is the social media capital's world which shall be the fastest way in bridging up the gaps arise in the country (Kunto, 2016). Veritrans & DailySocial defined Indonesia online market offered a potential value estimated nearly up to \$134 billion, however in reverse it only earned \$0.9 billion on the current transaction DailySocial (2012). There are two main issues on these occurrence, the trust of customers and method use in do the payment. According to Kunto, Indonesia is ranked 1 over the APAC (Asia-Pacific) Countries on the average user spends on the smartphone, yet is ranked fourth-4 when it comes to the purchase decision.

In this paper, the researcher found some interesting topics of marketing that allied with social media marketing. First, is to investigate and examine the relationship between customer engagement and social media platforms. Second, is to investigate and examine the relationship between word-of-mouth and social media platforms. Third, is to investigate and examine the relationship between social media platforms and purchase intention.

## 2 Literature Review and Hypotheses Development

The research conducted by previous literature regarding to the new base of marketing with regard to the technology development has been explored and explained in vary ways.

### 2.1 The relationship of customer engagement on social media platforms

<sup>1</sup> Baldassarre, R. 5 Online Marketing Basics Every Entrepreneur Needs to Know[I]. Retrieved from Entrepreneur: <http://www.entrepreneur.com/article/249132>, 2015, August 07.



Cheung, Lee, and Jin implies that customer engagement is having positive effect on online social media platforms. It is considered that customer engagement as one of the tendency that may lead a person to embraced on a social media platforms (Cheung, Lee, Jin, 2011). Moreover, there are some prior research that revealed out the customer engagement as important to attract the people voluntarily join the social media platforms. Prior reasearch Mollen & Wilson, Mangold & Faulds, and Lariscy et al. pictured that the definition of Web 2.0 is the main reason for it to happens as it will only work by the existence of the user-generated content, more particularly it requires user to participate on these new media (Mollen, Wilson, 2010; Mangold, Faulds, 2009; Lariscy et al., 2009). Therefore, it is hypothesized that:

H1: Customer engagement has positive relationship on social media platforms

## 2.2 The relationship of word-of-mouth (WOM) on social media platforms

Killian and McManus presents a statement of an interviewee, Janna, a participant who has been interviewed that offline interactions with people may also lead to the online platforms, social media platforms (Killian and McManus, 2015). Social networking sites may consider as the fastest growing arena of the World Wide Web. However, the increase of number in terms of sign up by user may happen, as there appears support under the WOM recommend by others. Trusov, Bucklin and Pauwels revealed that WOM referrals lead to strong impact and indicate a positive trend on new consumer acquisition within the social network sites. Therefore, the second hypothesis is:

H2: Word-of-mouth has positive relationship on social media platforms

## 2.3 The relationship of social media platforms on purchase intention

JiHailun and Yun Believes that people's opinion or comment may have strong influence on consumer to make up a purchase decision (JiHailun, 2012; Yun, 2012). Furthermore, the success of company is depending on the social media and how they organize it. Balakrishnan, Dahnil and Yi stated positive E-WOM may leads to the intentions of customers purchase following by a greater effect on purchase than advertising. In this perspective, positive E-wom represents the social media platforms (Balakrishnan, Dahnil, Yi, 2014). It was revealed by a research conducted by Western Kentucky University in the year of 2003 that consumer decision-making toward a products is highly affected by the recommendations on social media platforms. Either it comes from contacts or friends on social media. Furthermore, another fact that may lead social media as reason why company need to taken into account is that through this platforms consumers can easily influence another to purchase a product follow by prices as nota big deal. As long as people give recommendation of products, it means that the product offers a good quality (Forbes, Vespoli, 2013). Therefore, it is hypothesized that:

H3: Social media platforms has positive relationship on purchase intention

## 3 Methodology

### 3.1 Research method and sample selection

Multiple regression is applied in this study in order to determine the factors of purchase intention under social media platforms in the case of Kawai Cream in Indonesia. There were 110 questionnaires distributed to the respondents to be filled by the customers of Kawai Cream and all the questionnaires successfully filled. The questionnaire was divided into two sections, such as; demographic and 5-point likert scale.

### 3.2 Reliability and validity tests

The Cronbach's alpha is used to test the reliability, while Kaiser-Meyer-Olkin (KMO) and factor analysis for its validity test. The values of overall variables indicated as reliable with the Cronbach's alpha value more than 0.60 and the value of KMO and Bartlett's test indicated as valid with the value 0.832.

**Table 1 Cronbach's Alpha Test**

Factor	No of Items	Cronbach's Alpha value
Customer Engagement	9	0.868
Word-of-Mouth	2	0.619
Social Media Platforms	4	0.641
Purchase Intention	6	0.683

Source: Derived table from survey data



**Table 2 Kaiser-Meyer-Olkin (KMO) and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.832
Bartlett's Test of Sphericity	Approx. Chi-Square	879.592
	Df	210
	Sig.	.000

Source: Derived table from survey data

#### 4 Findings

Table 3 will explain the demographic information based on the distributed questionnaires.

**Table 3 Demographic Details of Respondents**

Characteristics	Frequency (f)	Percentages (%)
Gender:		
A. Male	17	15.5
B. Female	93	84.5
Total	110	100.0
Age:		
A. < 21	2	1.8
B. 21-30	76	69.1
C. 31-40	17	15.5
D. 41-50	8	7.3
E. > 50	7	6.4
Total	110	100.0
Income (IDR):		
≤1 million	9	8.2
>1-2 million	23	20.9
> 2-3 million	13	11.8
>3-4 million	17	15.5
>4-5 million	13	11.8
>5 million	35	31.8
Total	110	100.0
Occupation:		
Civil Servant	8	7.3
Private Employee	34	30.9
Entrepreneur	18	16.4
College Student	25	22.7
Senior High School Student	3	2.7
Others	22	20.0
Total	110	100.0

Source: Derived table from survey data

The finding of model 1 indicates a negative relationship and insignificant of customer engagement on social media platforms. Buss and Begorgis found that, companies are still lack of skill in achieving the customer engagement through social media use and lead to unsatisfied result of the positive impact of customer engagement on social media (Buss, Begorgis, 2015). Furthermore, the study framed that customer has no interest to engage through social media. Moreover, model 1 of Word-of-Mouth (WOM) has positive relationship and insignificant on social media platforms. Nasir, Vel and Mateen revealed that traditional word-of-mouth is more important compare to social media marketing in reflecting the



decision-making (Nasir, Vel, Mateen, 2012).

Model 2 of social media platform indicates a positive relationship and insignificant on purchase intention. It was proved under the study of Chandio, Ahmed and Zafar, on the context of social media, perceived quality of a customer is consider as having no significant relations. Basically it may come as the less trust that arises from customers (Chandio, Ahmed, Zafar,2015).

**Table 4 Standardized Coefficients under Regression Method**

	Model 1 (SM)	Model 2 (PI)	Sig.
Customer Engagement	-0.125		0.192
Word-of-Mouth	0.180		0.849
Social Media Platforms		0.250	0.797

Source: Derived table from survey data

## 5 Conclusions

The objective of this study is to examine the acceptability of purchase intention before social media platforms. The result showed that customer engagement has negative and insignificant relations on social media platforms, while WOM has positive and insignificant relations. Moreover, social media platforms has positive and insignifant relations on purchase intention. Researcher has to further acknowledge regarding some limitations faced during the present study. There may appears some literature that need to be improve as this study has been analyzed under particular firm in Indonesia. Future study shall able to conduct a research to find out the significant value of all variables designed under the study. The significant value can not be fully satisfied as there might be happened the company used under the study is consider as a small firms. Future study shall therefore attempt to capture the missing parts of the models. Moreover, identify another variable that may potentially affect the purchase intention in order to create a more explanatory model is highly recommended as it may serve another study for a better understanding.

## References

- [1] Constatinides, E. Foundations of Social Media Marketing[J]. *Procedia - Social and Behavior Science*, 2014,(148):40-57
- [2] Erdogmus, I. E., A., M. C. The Impact of Social Media Marketing on Brand Loyalty[J]. *Procedia-Social and Behavior Sciences*, 2012,(58):1353-1360
- [3] Kohli, C., Suri, R., Kapoor, A. Will social media kill branding?[J].*Business Horizons*, 2015,(58):35-44
- [4] Kunto, G. Social Media Marketing Report for Indonesia: A Strategy Guide to Improve Engagement and Conversion[M]. Indonesia: SociaBuzz, 2016
- [5] Cheung, C., Lee, M., Jin, X. Customer Engagement in an Online Social Platform: A Conceptual Model and Scale Development[J]. *ICIS Proceedings* (p. 8). ICIS, 2011
- [6] Mollen, A., Wilson, H. Engagement, Telepresence, and Interactivity in Online Consumer Experience: Reconciling Scholastic and Managerial Perspectives[J]. *Journal of Business Research*, 2010,63(9-10):919-925
- [7] Mangold, W. G., Faulds, D. Social Media: The New Hybrid Element of the Promotion Mix[J].*Business Horizon*, 2009,52(4):357-365
- [8] Lariscy, R., Avery, E., Sweetser, K., Howes, P. An Examination of the Role of Online Social Media in Journalist' Source Mix[J]. *Public Relations Review*, 2009,(35):314-316
- [9] Killian, G., McManus, K. A marketing communications approach for the digital era: Managerial guidelines for social media integration[J]. *Business Horizons*, 2015,(58):539-549
- [10] Ji Hailun. How to use social media to develop e-commerce marketing[J]. *Marketing Theoretical Exploration*, 2012,(5):73-74
- [11] Yun, C. Social Media, Chinese enterprise can not miss the opportunity[J]. *Journal of Modern Economic Information*, 2012,(11):117-118
- [12] Balakrishnan, B. K., Dahnil, M. I., Yi, W. J. The Impact of Social Media Marketing Medium Toward Purchase Intention and Brand Loyalty among Generationn Y[J]. *Procedia-Social and Behavioral Sciences*, 2014,(148):177-185

- [13] Forbes, L. P., Vespoli, E. M. Does Social Media Influence Consumer Buying Behavior? An Investigation of Recommendations and Purchases[J]. *Journal of Business & Economics Research*, 2013,11(2):107-111
- [14] Buss, O., Begorgis, G. *The Impact of Social Media as a Customer Relationship Management Tool*[M]. Sweden: Karlstad Business School, 2015
- [15] Nasir, S., Vel, P., Mateen, H. Social Media and Buying Behavior of Women in Pakistan toward Purchase of Textile Garments[J]. *Business Management Dynamics*, 2012,(2):61-69
- [16] Chandio, Z., Ahmed, S., Zafar, S. Impact of Social Media Marketing on Customer Purchase Intention[J]. *IBT Journal of Business Studies (Formerly Journal of Management & Social Sciences)*, 2015,11(1):119-129