

Chapter 42

The Impact of EWOM Referral, Celebrity Endorsement, and Information Quality on Purchase Decision: A Case of Instagram

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ABSTRACT

This study aims to explore factors that have impact on purchase decision on a social commerce, viz., social media Instagram. Thus, several dimensions namely eWOM referral, celebrity endorsement, information quality, brand satisfaction, brand trust and brand attachment are identified and examined. This research uses SEM method and LISREL 8.80 application. Data was collected using questionnaires with Likert scale. The result from 350 respondents shows that a significant positive correlation exists between eWOM referral and purchase intention, information quality and brand satisfaction, information quality and brand trust, brand satisfaction and brand attachment, brand satisfaction and purchase intention, brand trust and purchase intention, brand attachment and purchase decision, and also between purchase intention and purchase decision.

1. INTRODUCTION

Social media is a group of Internet-based applications that are built on Web 2.0 ideology and technology that allow information creation and exchange of the Internet users (Kaplan and Haenlein, 2009). The rapid growth of gadget development has been subsequently followed by the fast development of software applications which leads to social media as a new communication trend. Social media allows users to socialize with each other and interact without space and time limitation.

The Internet and social media opens wide opportunities for consumers to engage in social interaction on the Internet as well as for trading companies to conduct a new way of marketing. According to Muniz and O'Guinn (2001) in Kaplan and Haenlein (2009), some companies are already using social networking to support brand community's creativity. In addition, the social media platform has become an integral element for companies who want to develop a deep online customer relationship (Chen, Fay, and Wang, 2011). The marketing trend is known as the social media marketing which concerns the relationship which companies ought to change from "trying to sell" to "making connections" (Gordhamer, 2009). Businesses that engage consumers with social media is known as social commerce which is shaped into a dynamic and profitable e-commerce (Hajli and Featherman, 2014). They further stated that social commerce could create an environment in which consumers turn into brand ambassadors. Another definition of social commerce comes from Paul (2009) in Adiputra (2013) who stated that social commerce is part of e-commerce that uses social media as an online media that supports social interaction and user contributions to help online purchase and sale of products and services.

One of the social media that supports social media marketing is Instagram. According to Lisa Pomerantz, senior vice president of global communications and marketing Michael Kors, Instagram can connect companies with fans and inspire fans with nice pictures with a message in it. Furthermore, according to the Pew Research Center, Instagram is social media with the most rapid growth.

According to Kotler (2000), purchase decision is a problem-solving process that consists of analyzing the needs and desires, information search, selection sources appraisal towards purchase alternative, purchase decisions, and behavior after purchase. Previous researches were not yet able to demonstrate the influence of social media, viz., Instagram from more than one aspect, on purchase decision. An example is the work of Dyah (2014) and Sari (2015) that discussed only the impact of celebrity endorsement of Instagram towards purchase intention. In addition, Goor (2012) and some articles on <http://blog.business.instagram.com/> examined only the content and marketing strategy using Instagram, without explaining how the content and marketing strategy affect purchase decision. On the other side, companies have had beliefs towards Instagram as media to apply marketing strategies as supported by Simply Measured (2015) which found that in Q4 2014 86% of leading brands in the world are already using Instagram. Therefore, given the current belief and practice of these many companies, it is intriguing to observe and discover whether the belief and practice of using Instagram actually meets its underlying goal viz., have significant impact towards customers' purchase decision. Hence, this study aims to explore aspects of Instagram, one of the existing and relatively popular social media these days, that could have significant correlation towards purchase decision.

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