THE CREATION OF PURCHASE INTENTION THROUGH ONLINE SOCIAL TIES AND SOCIAL MEDIA ADVERTISEMENT

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Abstract

The growing number of social media users makes many companies want to get subscribers through their social media activities. There are several choices of strategies that can be done by the company to be able to take the huge market. This study compares the effect of advertising activity on social media and user group development that has strong tie to purchase intention. This study was conducted on social media users on land Transportation Company that already has a group in social media, Facebook, and does advertising activities on it. The results of this study provide theoretical implications in the verification of the previous research results and managerial implications that can help the company in conducting marketing activities through social media.

Introduction

Background of the Study

The development of the internet is now growing rapidly with the number of users who increase every year. In March, 2017 the number of internet users around the world reached about 3.7 billion, or approximately 49.7% of the total world population. The percentage of internet users' growth from 2000 to 2017 was 936%, so that the average number of users was growing by 117% each year. The largest number of Internet users are in Asia with a percentage of 50.1% of all internet users worldwide (www.internetworldstats.com, 2017).

The growth of internet users cannot be separated from the number of social media users around the world which are increasing every year. By 2017, the number of active users of social media is 2.8 billion or 37% of the world's population. Of the total active social media users, 2.5 billion of them use a *smartphone*. *Facebook* is the most accessed social media, and then the second is Youtube, Qzone from China, Instagram, Tumblr, Twitter and LinkedIn (www.statista.com, 2017).

Indonesia has the 4th largest social media user worldwide with a growth of 34% over the previous year. The number of social media users in Indonesia reached 106 million users or 40% of the total population of Indonesia. Of all those social media users, there are 92 million or 87% of total active social media users in Indonesia who use *smartphone* to access social media (www.wearesocial.com, 2017)

The growing number of outstanding social media users makes producers interested in promoting their products in social media. It can be seen in the amount of advertising revenue up at the end of 2016 amounted to 6.8 billion dollars with the number of advertisers about 2 million, and is expected to increase by 59% from the previous year. It also can be found in social media of Instagram which has experienced an increase in the number of active advertisers from around 200 thousand in 2016 to about 1 million active advertisers in 2017, with earnings of $595 million (www.wordstream.com, 2017).

Researches on advertising in social media have resulted in several findings that can help companies in conducting marketing activities through advertisements on social media. Advertisements on social media can increase customer confidence in the product by increasing perceived value after seeing the promotion of the company (Van-Tien Dao et al., 2014). Advertisements on social media that are appealing and appropriate to social media users will give rise to a desire to spread viral positive information about the advertised product (Petrescu et al., 2015).

Social tie is also very influential on the users' desire to perform activities of electronic word of mouth (e-WOM) which is very helpful in the spread of product positive information. The source of referral information and strong social tie will have a greater impact than those with weaker social tie (Steffes & Burgee, 2009).

Research Gap

From some previous researches on social tie in social media, some say that advertising messages delivered by parties who have higher social tie, will improve the attitude of the message recipient to the brand. The same study also explains that advertising coming from companies that advertise on Facebook, will improve attitudes toward the brand and also increase purchase intention (Yang, 2012). Therefore, the study concludes that advertisements submitted by companies that advertise on Facebook have a better impact than advertisements delivered by parties who have high social tie, such as close friends. This is in contrast to previous research that found that advertising messages delivered by people with high social tie have a greater impact on the recipients than the advertisements submitted by producers (Brown & Reingen, 1987).

The gap in the difference between the results of the studies relating to the large ratio of advertising influences conveyed by those who have high social tie compared to the advertisement submitted by the producers is what this study will fill.

Literature Review and Model Development
Social Media Advertisements

Social media has become a very attractive medium for companies to do promotion because of the ever-increasing number of users and nearly one-third of the world's population. Facebook users prefer to respond to information provided through the brand community rather than advertisements on Facebook. They give more confidence to the brand community compared to advertising on social media (Chi, 2011). It becomes a question of whether advertisements on social media without or with the influence of the tie power in social media will have an effect on online trust.

Advertisements on both paid and unpaid social media as earned from e-WOMs of social media users has a good impact on overall brand purchases (Thornhill et al., 2017). So companies can combine the power of paid and non-paid advertisements on social media to get maximum performance.
H1. Advertisements on social media give more effect on users e-trust compared to online social tie

Online Social Tie

Online social tie becomes an important factor for consumers in making decisions based on online marketing activities. Online users are more confident of an information

source that has a strong tie in understanding and evaluating product quality before making a decision (Wang & Chang, 2013).

Online social tie becomes the basis of user generated content (UGC) which is the core of social media. The stronger the online social tie, the stronger the UGC's influence in giving a positive impact on products shared by social media users (Zeng & Wei, 2013). H2. Online social power gives more effects on e-trust users compared to advertising on social media.

e-Trust

With the growing number of transactions taking place in e-commerce, especially in social media, electronic trust (e-trust) becomes an important thing for social media users. The development of theoretical model is to find out what factors affect the emergence of e-trust on users consisting of reliability, assurance and credibility. Gender affects the priority differences of factors in the e-trust. Guarantees are the most important priority factors for both male and female users (Tamimi & Sebastianelli, 2007).

The e-trust development mechanism which consists of certification by a third party, reputation and return policy will increase the trust of online sellers. The e-trust development effort undertaken by the company is the most effective mechanism of trust development (Chang et al., 2013). The implications of e-trust built by this company are a direct influence on perceived usefulness and intention to buy (Mansour et al., 2014).
H3. E-trust users on online companies affect the perceived usefulness of users.
H4. E-trust users on online companies have an effect on user's intention to buy.

Perceived Usefulness

Social media users who want to make an online purchase will have a perception of the usefulness or benefits of purchasing the brand. Perceived usefulness has more influence on purchase intentions than perceived ease of use. Factors in perceived usefulness consist of informative, fast, efficient and easy (Kucukusta et al., 2015).

Perceived usefulness needs to be emphasized in advertising on social media by companies to differentiate with competitors. In addition, perceived usefulness can also be developed from product quality, completeness of information and security (Sohn, 2017).
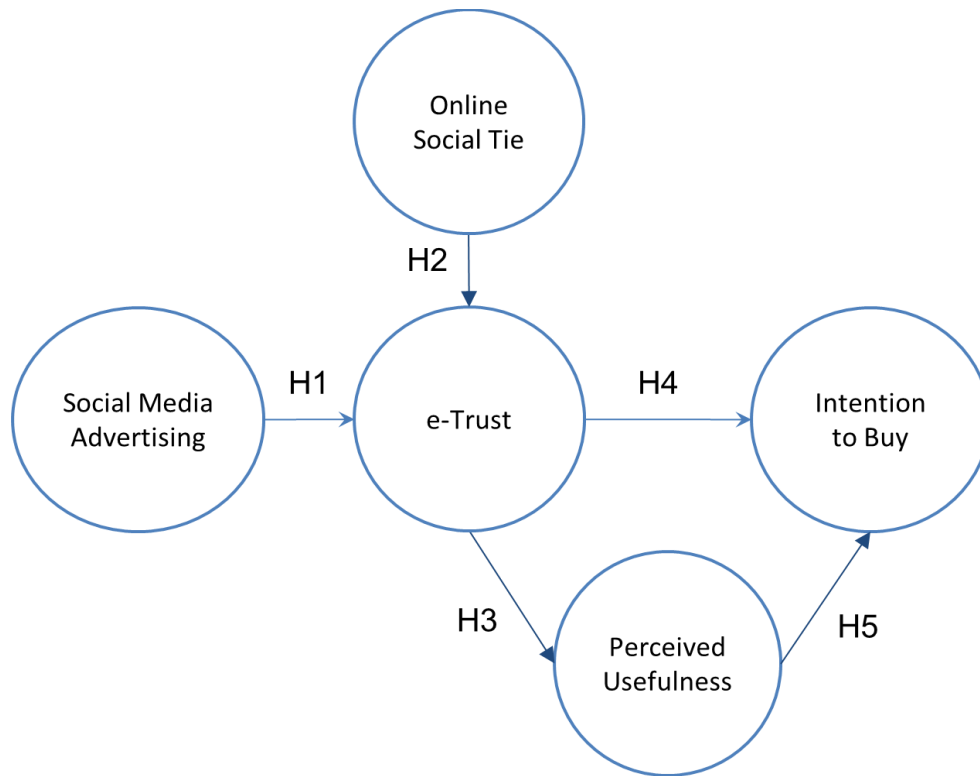H5. Perceived usefulness of the users in the company affects the users intention to buy.

Intention to Buy

Purchase intention or intention to buy is a situation where consumers want and intend to engage further in the process of online transactions (Chen & Barnes, 2007). Online transactions have different characteristics than traditional transactions, ie intensive interactions using information technology, uncertain, temporary and non-personal transaction environments, and open and unpredictable transaction infrastructure (Pavlou, 2003).

Research Model

From an intensive study of literature using a variety of good reference studies, an empirical research model is produced as presented in the following figure.

This model illustrates that advertising in social media and online social tie has the potential to develop online trust. The impact will affect the perceived usefulness of social media users of the advertised product and intention to buy against the product.

Method and Procedure
Research Object
The object of this research is the users of social media of Facebook incorporated in the group managed by the autobus company of *Bejeu*. The group has about 86,000 members consisting of customers, users, *Bejeu* bus lovers who actively share, communicate and conduct activities in a community called Black Bus Community (BBC).

Method of Collecting Data
This study used primary data obtained directly from the respondents with a target of 150 members of the group taken as a sample. The data were collected by survey method using questionnaire which contained questionnaires submitted directly to respondents.

The questionnaire was administered by online using the Google Forms facility and key chains were provided to 150 members who meet the survey requirements. From the results of Google Forms, it was obtained valid data of 122 samples.

Data Processing and Analysis
Data entered through Google Forms is then converted into SPSS software before doing further analysis. Next, they will be done some testing using AMOS software to obtain the results of the tests required.

Research Result
The Description of Research Variables

The description of research variables is obtained by calculating the index value. The results are presented in the following table.

Table 1
The Description of Research Variables

Variable	Index	Explanation
Social Media Advertising	47.0	Average
Online Social Tie	45.2	Average
Electronic Trust	45.1	Average
Perceived Usefulness	42.7	Average
Intention To Buy	48.1	Average

From the calculation of the index value for the research variables, it was obtained the description that the variables studied was in average category.

Confirmatory Test

Confirmatory tests were conducted to confirm whether the indicators used were the correct measuring instruments or not.

Table 2
Confirmatory Test result

			Std Estimate	Estimate	S.E.	C.R.	P
X1	<---	Social_Media_Adv	,773	1,000			
X2	<---	Social_Media_Adv	,709	,943	,147	6,414	***
X3	<---	Social_Media_Adv	,704	1,030	,155	6,641	***
X7	<---	Electronic_Trust	,724	1,000			
X8	<---	Electronic_Trust	,799	,949	,122	7,782	***
X9	<---	Electronic_Trust	,810	1,082	,135	8,028	***
X4	<---	Online_Social_Tie	,727	1,000			
X5	<---	Online_Social_Tie	,708	1,250	,180	6,939	***
X6	<---	Online_Social_Tie	,865	1,318	,169	7,781	***
X10	<---	Perceived_Usefulness	,819	1,000			
X11	<---	Perceived_Usefulness	,806	,979	,111	8,855	***
X12	<---	Perceived_Usefulness	,814	1,023	,114	8,995	***
X13	<---	ItB	,731	1,000			
X14	<---	ItB	,712	,982	,149	6,571	***
X15	<---	ItB	,705	,913	,142	6,430	***

Confirmatory testing requires that the standardized value should be greater than 0.5. From the results of tests conducted, the value could be met on each measured indicator so that it could be concluded that these indicators were the right measuring tool.

Testing of SEM Assumptions

1. Normality Test

    Research data is normal if the value of CR Multivariate is in the range ± 2.58. CR Multivariate in this study was 2.578 which were still in the range specified. Therefore, it can be said that the data of this study was normally distributed

2. Outliers test

    Outliers test has a close relation with normality test. When the assumption of normality cannot be proven, it also indicates an outlier's problem. Outlier is examined from Mahalanobis distance <value of Chi Square table.
    The result of Mahalanobis distance value was 30,802 <Chi Square table 37,697. It meant that there was no problem of outliers.

3. Multicollineaity and Singularity

    Multicollineaity and Singularity was conducted to determine the closeness of the relationship between two exogenous variables i.e. facebook line and online social tie with respect to determinant of sample covariance matrix value which was greater than zero.
    The testing of this model yielded a determinant of sample covariance matrix of 2542988,505 which was more than zero. This means that there is no multicollineraity problem between the facebook line variables and the online social tie and both show the singularity for each variable.

4. Residual Assumption

    A study of residuals resulting from the research models testing is needed to determine whether the research model modification is necessary or not. The residual assumption was assessed by observing the value of standardized residuals which was greater than 2.58. Testing of this model yielded two standardized residual values which was greater than 2.58. However, the amount did not exceed 5% of the total standardized residual value which was greater than 2.58. Therefore, it can be concluded that there is no residual problem and the model does not require modification.

5. Reliability Construct and Variance Extracted

    Reliability Construct and Variance Extracted calculations are presented in the following table.

Table 3
Reliability Construct and Variance Extracted Value

Variabel	Reliability Construct	Variance Extracted
Social Media Advertising	0,773	0,532
Online Social Tie	0,812	0,593
Electronic Trust	0,822	0,606
Perceived Usefulness	0,854	0,661
Intention to Buy	0,759	0,513

The values set for Reliability Construct are > 0.7 and Variance Extracted > 0.5. Referring to the above calculation results it can be concluded that the assumption of Reliability Construct and Variance Extracted can be met for each research variable.

Model Feasibility

Feasibility analysis of the model is required to justify that the model has been developed as a fit model. Model feasibility testing is performed by examining the following values.

Table 4
Model Feasibility Testing

Goodness of Fit Index	Cut Off Value	Result	Model Evaluation
Chi-Square (df=84)	Small (<106.395)	105.596	Good
Probability	≥ 0.05	0.056	Good
CMIN/ DF	≤ 2.00	1.257	Good
GFI	≥ 0.90	0.898	Marginal
AGFI	≥ 0.90	0.855	Marginal
TLI	≥ 0.95	0.964	Good
CFI	≥ 0.95	0.971	Good
RMSEA	≤ 0.08	0.046	Good

The calculated Chi Square values (105,596) < 106, 395 and the significance (0.056) > 0.05 became empirical evidence that justified that the model tested in this study was a fit model. In other words, it could be used to estimate the population of the study.

Hypothesis Testing

Hypothesis testing became the final step undertaken in this study. The following table is results of the hypothesis testing.

Table 5
Hypothesis Testing Results

			Std Estimate	Estimate	S.E.	C.R.	P
Electronic_Trust	<---	Sosial_Media_Adv	**,399**	,356	,122	2,918	,004
Electronic_Trust	<---	Online_Social_Tie	,337	,384	,144	2,660	,008
Perceived_Usefulness	<---	Electronic_Trust	,405	,406	,113	3,598	***
ItB	<---	Electronic_Trust	,636	,684	,137	5,009	***
ItB	<---	Perceived_Usefulness	,235	,252	,118	2,133	,033

The results of hypothesis testing conducted in this study resulted in probability values which was smaller than 0.05. It indicated that the five hypotheses tested could be accepted and verified statistically.

For H1 and H2, as compared to the power of influence between advertisement in social media and online social tie, therefore, if it was seen from standard value of estimate of both variables, it was found that advertisement in social medical have bigger influence compared to online social tie toward e-trust. Thus, from the results of the comparison, then H2 rejected.

Conclusion

Theoretical Implications

The theoretical implication of this study is that the results of previous studies which suggest that advertising messages conveyed by people who have high social ties have a greater effect than those advertised by producers (Brown & Reingen, 1987) are not proven. This study is in line with previous research that explains that advertising on facebook has a greater impact than advertising delivered by people who have strong social ties (Yang, 2012).

This research also contributes in adding antecedent which has been proven to have an effect on the development of e-trust for companies in social media, i.e. advertising in social media and online social tie.

Managerial Implications

The use of social media to conduct marketing activities becomes increasingly important and should be done for the company. This can be seen in the results of research that advertising in social media and corporate brand group development has a considerable influence in the development of e-trust for the company. By having a high e-trust from customers, the company will be able to make its customers have a good perceived usefulness and ultimately can increase intention to buy the company's products. In other words, with high e-trust, the company will be able to convert the customer's trust into intention to buy which will have good impact for the company.

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