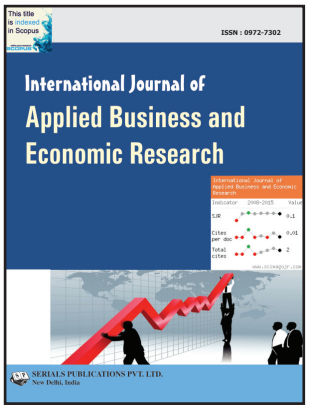

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Influence of Social Media Communication on Purchase Intentions: Role of Electronic Word-of-Mouth, Trust Aspects and Value Co-creation

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ABSTRACT

Communication through social media websites is increasingly being considered as an effective promotion channel. This article investigates the effect of electronic word-of-mouth through social networking sites guided by the socialization frame work with purchase intention as an outcome along with value co-creation and trust aspects as antecedents. A survey involving 508 participants engaged in electronic word-of-mouth about products or services through social networking sites was conducted. The survey results using Partial Least Square Structural Equation Modeling (PLS-SEM) confirmed that trust aspects and value co-creation have positive influences on purchase intention. Electronic word-of-mouth impacts purchase intention directly and indirectly by reinforcing value co-creation and consumer's trust. Eric's model was adopted for the study in determining the factors of consumer purchase intention through electronic word-of-mouth in social networking sites. These findings have significant managerial and theoretical implications.

Keywords: Consumer socialization, electronic-word-of-mouth, trust aspects, value co-creation, purchase intentions.

1. INTRODUCTION

The emergence of social media has had an effect on the decision making process of consumers and in marketing communication (Hennig et. al., 2011; Shankar 2007; Malthouse 2007). Social media is a web-based application which allows the exchange of content shared by the users. Day-to-day lives of individuals and many business practices have been integrated by social media in recent years (Okazaki 2009; Muratore 2008). Peer groups can be connected using social media through their network of friends, facilitating communication (Ahuja et. al., 2003; Zhang et. al., 2009). Social media provides a platform in which product information

can be accessed and consumer impressions can be shared, both can influence purchase decisions (Kozinets et. al., 2010). Product reviews in social media have impacts on purchase intentions (Hennig 2004; Trusov et. al., 2010). Such online reviews alter the consumer' information processing procdure and enhances the quality of marketing messages (Casteleyn and Rutten 2009; Kozinets et. al., 2010).

Consumer socialization is a process in which the individual consumer acquires knowledge, attitudes and skills from others (Ward, 1974). Electronic word-of-mouth (EWOM) is defined as any comment made by customers about a company or product, which is accessible via the web based applications. EWOM has been reported and must have profound impacts on purchase intention (PI) of consumers i.e. the willingness to purchase a product in the future (Cateleyn, Rutten, and Mottart 2009; Okazaki 2009). Social media facilitates consumer socialization among known persons and also with strangers (Muratore 2008; Lueg et. al., 2006; Okazaki 2009).

Electronic word-of-mouth is acknowledged as a key factor of consumer socialization (Moschis 1979; Churchill 1979). Social networking sites (SNS) are internet-based applications that permit users to create their own webpages to share their information. There have hitherto been few studies on effect of EWOM through SNS on purchase decision of consumers (Iyengar et. al., 2009; trusov et. al., 2010).

Earlier studies focus on EWOM generated in online forms like emails, forum (Xia et. al., 2008), blog and virtual community etc. (Chan et. al., 2011), websites (Bailey, 2004) and their capability for influencing intention to buy. Most earlier studies have been in the area of online retailing, commercial websites and shopping etc., There have been a few studies in the area of marketing in social networking sites, but such studies have examined only the technical aspects such as secure payment methods, website quality factors, graphics and number of clicks etc., Value co-creation (VCC) refers to the value uniquely created for the individual consumer and sustainable to the firm (Prahalad et. al., 2004).

In this work, we have investigated the consumption related EWOM by social networking and its effects on PI from the perspective of consumer' socialization. Studies conducted using the concept of VCC in social networking is relatively a new research area (Ng et. al., 2010). Eric's model has been used in this study based on theoretical and literature survey to understand the manner in which EWOM impacts PI through trust aspects and VCC in the SNS platform.

2. THEORY AND HYPOTHESES DEVELOPMENT

2.1. Consumer Socialization through Social Media

Consumer socialization theory predicts that cognitive, affective and behavioral attitudes are affected by the consumer' communication (Ward, 1974). Consumption related skills, attitudes in the marketplace and knowledge are learned by consumers through the socialization process. Socialization framework outlines the learning processes and the role of consumers in society (Churchill et. al., 1979; De Gregorio et. al., 2010; Moschis et. al., 1978). The cognitive development model and social learning theory (Moschis and Churchill 1978) offer two theoretical perspectives on understanding and predicting consumer-to-consumer information transmission. Cognitive and psychological aspects form the focus for the former while the latter highlights environmental learning sources or social network as 'socialization agents'. Norms, motivations, attitudes and behavior are transmitted by the socialization process (Kohler et. al., 2011; Moschis and Moore 1948; Shim 1996). Consumer socialization process among non-family members has been explained by the

consumer socialization theory (Ahuja and Galvin 2003; De Gregorio and Sung 2010; Taylor, Lewin, and Strutton 2011).

Social networking sites act as agents of consumer socialization and provide a virtual space for communication through the internet (Kohler et. al., 2011; Lueg and Finney 2007; Muratore 2008; Zhang et. al., 2009). Consumer socialization among peers is encouraged by three conditions. First, instant messages through electronic communication offer knowledge and skill sharing through interaction with other members. Second, consumers use social media websites for consumption related decisions (Lueg et. al., 2006). Third, they provide quick information and evaluation (Gershoff and Johar 2006; Lewin, Taylor and Strutton 2011).

An integrated model was suggested by McKnight et. al., (1998) to explain the various construct of trust aspects including disposition to trust (DTT), institution based trust (IBT) and trusting beliefs (TBS) integrated with the context of Theory of Reasoned Action (TRA) (Fishbein et. al., 1975). Their work suggests that beliefs directs to attitudes and then to intentional behaviors.

Technology Acceptance Model (TAM) theory (Gefen et. al., 2003) and Trust theory (Kim et. al., 2009) suggest that EWOM has a direct impact on PI and has a mediating effect through trust. Based on the theory of socialization, we have adopted a model by Eric W.K. See-To (2014) to explain that EWOM influences in social networking sites and their outcomes. The model has EWOM, trust aspects, VCC and PI as various constructs. In the following sections, we describe the model and explain the interaction of these constructs and develop hypothesis based on the model.

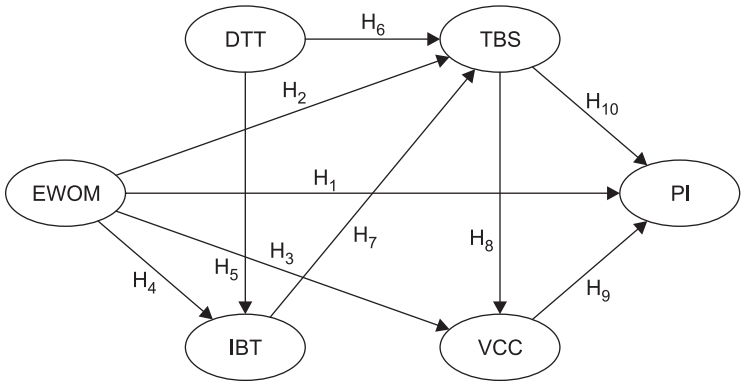

Figure 12.1: Theoretical model

2.2. Hypotheses

2.2.1. Relationship between EWOM and PI

Previous studies advocate the effect of EWOM on PI as consumers rely on information and comments prevailing on the internet (Par and Kim 2008). EWOM developed in SNS platforms (Bailey et. al., 2004) have an impact on PI. Positive EWOM produces positive belief about the product and the service rendered. Views or performance rating behavior for a firm can be provided by peer consumers through their consumer-supplier relationship. Thus, EWOM can be used by a potential consumer to form a trust with the firm in an online transaction. EWOM generates and develops trust among consumers and thereby triggers the intention to buy (Kim 2009). Hence, we hypothesis that,

H1: Positive EWOM is positively related to PI

2.2.2. Relationship of EWOM and TBS

Trust of consumers has been empirically validated to be an important factor influencing PI (McKnight et. al., 2002). User-generated EWOM through social networking has an impact on consumer trust and influences others (Dellarocas 2003) to buy the products. Thus, EWOM helps prospects to develop trust in the firm and their products.

Changes in brand images for firms can be caused by EWOM in informal groups in the internet and also by EWOM available in SNS pages created by the firms to propagate their information on marketing (Trusov et. al., 2009) through subscription. The consumer receives this marketing information and reviews the comments from other consumers. The firm and its products are thus affected by the EWOM in the e-Forum (Dellarocas 2003). Similarly EWOM in SNS fans page can also affect the product or service of a firm. They are like feedback generated from the existing customers. We therefore recommend that EWOM in SNS impacts trusting beliefs of consumers. Therefore, we propose the hypothesis that,

H2: EWOM is positively associated with TBS

2.2.3. Relationship between EWOM and VCC

Payne et. al., (2008) found that VCC helps in engaging the firm's product or service provided and to better understand. The attributes of VCC are behavioral alignment, empowerment and control. It is the situation where the firm and SNS user both effectively develop innovative ideas. It is predicted that the EWOM through SNS has a direct impact on VCC too (Payne et. al., 2008). VCC helps in effective communication between the SNS user and the firm and developing ideas in association with the service and product. Hence we hypothesis that,

H3: EWOM is positively related to VCC

2.2.4. Relationship between EWOM and IBT

IBT refers to perception of an individual with regard to internet environment such as internet safety and security. Institution trust is based on sociological structure (Mcknight and Chervany 2001). Both aspects of IBT are structural assurances and situational normality. Structural assurance believes in protective and conducive situations being in place. On the other hand, situational normality refers to the situations a person faces when networking with the institution. It is the trust that confers a sense of ease while using SNS and making PI. Therefore, we hypothesis that

H4: EWOM is positively associated with IBT

2.2.5. Relationship between DTT and IBT

DTT is the first trust aspect included in the model and is an antecedent (McKnight et. al., 2003) of TBS and IBT (McKnight et. al., 2002). Thus, DTT is included as an independent construct in the model. McKnight & Chervany, 2001, defines DTT in a general situation as the trust of a person on other person and it is anticipated to have significant effect on institution based trust. Hence, we hypothesis that,

H5: DTT is positively associated with IBT

2.2.6. Relationship of DTT and TBS

TBS is the truster's perception that the trustee has beneficial attributes. It is the specific belief on a firm that it will act to provide benefit to user (Mcknight and Chervany 2001). The three dimensions of trusting beliefs are competence, benevolence and integrity. Competence means the ability of providing the products in an acceptable form (McKnight & Chervany, 2001). Benevolence refers to the person's trust that the firm motivates and upkeeps for their interest. Integrity is defined as a person's trust that the firm upkeeps its promises. Hence, all the antecedents of trusting belief affect the SNS user. DTT is defined as a general propensity to trust people and it can influence trusting beliefs. Therefore, we postulate that,

H6: DTT is positively associated to TBS

2.2.7. Relationship between IBT and TBS

Trusting beliefs is influenced by both DTT and IBT (McKnight et. al., 2002). SNS user and their TBS on a SNS fan page of a firm is affected by the IBT (Chervany et. al., 2001). Hence, we hypothesis that,

H7: IBT is positively related to TBS

2.2.8. Relationship between TBS and VCC

Prahalad et. al., (2004) developed the notion of VCC. It refers to the value the individual consumer creates, which is sustainable by the firm (Prahalad and Ramaswamy, 2004). The product value or service value is not made by the manufacturer or supplier alone but is also generated by consumers through application of their knowledge and expertise (Vargo et. al., 2008). VCC is developed by the emotional engagement (Payne et. al., 2008) of consumers with the brand. Consumers' TBS on a firm are affected by EWOM in SNS and it is expected to impact on VCC. Therefore, we hypothesis that,

H8: TBS is positively related to VCC

2.2.9. Relationship between VCC and PI

Value co-creation enhances purchase intention through engaging consumer (Payne et. al., 2008). VCC helps in engaging the firm's product or service provided and to get the better understanding about it. The attributes of VCC are behavioral alignment, empowerment and control. It is the state where the firm and the SNS user effectively develop innovative ideas. It is predicted that the EWOM through SNS has a direct impact on VCC well. This study helps to understand how VCC affects purchase intention. This proves the basis for developing the research hypothesis as,

H9: VCC is positively related to PI

2.2.10. Relationship between TBS and PI

Intention can be defined as the degree of perception of buying behavior of a particular group and it applies the Theory of Reasoned Action (Fishbein et. al., 1975). TRA suggests, people's attitude is influenced by beliefs and which also subsequently influence intentions. Trusting belief (Gefen et. al., 2003) has a significant effect on PI and leads the customer to purchase (Wen et. al., 2012). The TBS of an SNS user to generate EWOM is expected to have significant effect on PI. Hence, we hypothesis that,

H10: TBS is positively related to PI

3. METHODS

Primary data for research was collected in Chennai, an urban city in the state of Tamilnadu in South India using a questionnaire. The respondents were individual users of social media sites. The questionnaire had two sections, A and B. Section-A had questions on the demographic profile of the respondent such as gender, age, occupation, education, monthly income, etc., Section-B comprised of 23 questions that called for responses to the measure of the latent variables in this study. It comprised five questions relating to TBS, four questions on EWOM, DTT, IBT, three for PI and VCC.

The questionnaire was validated by a survey with 20 respondents as pilot study. Structural equations modeling (SEM) was used with partial least squares (PLS 2.0) for analysis. The first step was to assess the indicators or operational variables as it represents a latent variable. CFA was used to measuring reliability and for implementing the measurement model in determining the factor loading of the latent variable.

4. MEASURES

The measurement items or operational variables were adopted from prior studies i.e., EWOM was measured with items from Shu-Chuan Chu et. al., (2011), IBT, DTT and TBS items were developed from Mcknight, Choudhury, and Kacmar (2002), VCC was modified from Leuthesser (1995) and Reich (2000) and validated scales and PI was adapted from Xia.Wang et. al., (2012) with 4, 4, 4, 5, 3 & 3 items respectively. The Latent variables were measured by a seven point Likert scale representing "1" indicates "strongly disagree" and "7" indicates "strongly agree".

5. DATA ANALYSIS

The demographic profile of the 508 respondents are shown in Table 12.1. 56.8% of participants were frequent users of the social networking site Facebook and 17.1% used Google Plus; 10.1% used LinkedIn, 7.1% of the participants used Twitter and 8.9% used other social networking sites. There were 369 (72.6%) men and 139 (27.4%) women. Most of the respondents, 305 (60%) were in 17-26 age category and 120 (31%) respondents had an annual of income of 2.4 lakhs. Among them, 335 (65.9%) had a bachelor's degree, 130 (25.6%) had a master's degree, 10 (2%) completed high school and 33 (6.5%) belonged to other categories of education including diploma. 388 (76.4%) of respondents were employed, 120 (23.6%) of them were students. Regarding social networking site usage, approximately 15.6% of the participants spent more than 3hours per day on their chosen social networking site and 10.1% spent 2-3hours per day, 60.2% spent 1-2hours per day, and 14.2% spent less than an hour per day. The demographic characteristic related to the total Chennai population represented a higher level of young and educational respondents.

Inter item reliability on variables was measured using Cronbach's Alpha. Its value is expected to be more than 0.70 for a construct to have satisfactory level of reliability (Glien et. al., (2003); Sekaran, 2009). In this study with six latent variables, the Cronbach's alpha coefficient values were greater than 0.70 for all the variables. Validity and reliability of the research instrument can be evaluated through item reliability, convergent validity and discriminant validity (Chin et. al., 1998). Convergent validity can also be evaluated through item loadings.

Table 12.1
Demographic Profile

Items	*Categories*	*Frequency*	*%*
Gender	Male	369	72.6
	Female	139	27.4
Age	17-26	305	60
	27-36	158	31.1
	37-46	33	6.5
	≥47	12	2.4
Education	High School	10	2
	Bachelor	335	65.9
	Master	130	25.6
	Others	33	6.5
Occupation	Government	61	12
	Private	310	61
	Others	137	27
Annual Income	<1	04	01
(Lakhs)	1-1.99	81	21
	2-2.99	107	27.5
	3-3.99	68	17.5
	≥4	128	33
Social Networking Sites	Facebook	383	56.8
(Multiple choice)	Google Plus	115	17.1
	LinkedIn	68	10.1
	Twitter	48	7.1
	Others	60	8.9
Frequency of use per day	<1hr	72	14.2
	1-2hr	306	60.2
	2.01-3hr	51	10.1
	>3hr	79	15.6

Table 12.2
Reliability and validity

	Mean	*Standard Deviation*	*AVE*	*Composite Reliability*	*R Square*	*Cronbach's Alpha*	*Communality*
DTT	4.08	1.63	0.53	0.82	-	0.70	0.53
IBT	4.31	1.71	0.55	0.83	0.21	0.73	0.55
PI	4.63	1.88	0.67	0.86	0.23	0.76	0.67
TBS	4.19	1.68	0.54	0.85	0.39	0.78	0.54
VCC	3.91	1.68	0.66	0.85	0.33	0.75	0.66
EWOM	4.14	1.90	0.62	0.87	-	0.80	0.62

Table 12.3 shows the loadings of the measurement model and hence, the research validity was attained to a satisfactory level.

Table 12.3
Loadings of the measurement model

Items	*1*	*2*	*3*	*4*	*5*	*6*
Disp_T3	**0.682**	0.295	0.291	0.340	0.283	0.380
Disp_T4	**0.756**	0.272	0.250	0.347	0.410	0.327
Disp_T5	**0.753**	0.343	0.297	0.279	0.400	0.361
Disp_T6	**0.712**	0.287	0.229	0.286	0.379	0.312
Ewom1	0.275	**0.774**	0.322	0.292	0.318	0.365
Ewom2	0.315	**0.825**	0.289	0.275	0.372	0.356
Ewom3	0.361	**0.835**	0.340	0.331	0.375	0.411
Ewom5	0.343	**0.721**	0.311	0.247	0.453	0.376
Ins_T2	0.252	0.325	**0.743**	0.295	0.346	0.290
Ins_T3	0.295	0.224	**0.734**	0.262	0.287	0.250
Ins_T5	0.279	0.306	**0.757**	0.291	0.359	0.319
Ins_T6	0.266	0.326	**0.736**	0.334	0.297	0.272
Pro_Int1	0.372	0.299	0.354	**0.842**	0.355	0.349
Pro_Int2	0.394	0.328	0.300	**0.803**	0.316	0.354
Pro_Int3	0.278	0.263	0.326	**0.814**	0.311	0.293
Tru_B10	0.383	0.312	0.326	**0.279**	0.746	0.410
Tru_B6	0.363	0.363	0.343	0.327	**0.693**	0.398
Tru_B7	0.351	0.414	0.286	0.325	**0.713**	0.369
Tru_B8	0.360	0.365	0.324	0.255	**0.733**	0.312
Tru_B9	0.408	0.309	0.314	0.272	**0.769**	0.359
Val_C2	0.378	0.443	0.280	0.384	0.441	**0.845**
Val_C3	0.412	0.369	0.328	0.265	0.424	**0.791**
Val_C4	0.368	0.348	0.333	0.335	0.372	**0.803**

Finally, in the Table 12.4, √AVE is highlighted diagonally by excessing the correlations value of the constructs.

Table 12.4
Discriminant validity test

Latent variable	*1*	*2*	*3*	*4*	*5*	*6*
1. DTT	**0.73**					
2. IBT	0.33	**0.74**				
3. PI	0.40	0.36	**0.82**			
4. TBS	0.51	0.38	0.33	**0.74**		
5. VCC	0.44	0.36	0.42	0.45	**0.81**	
6. EWOM	0.39	0.37	0.36	0.40	0.51	**0.79**

6. RESULTS

Smart PLS 2.0 was employed to analyse the model. Structural paths and R^2 determined the validity of the research. The path coefficients (β) were significant at 0.05 level.

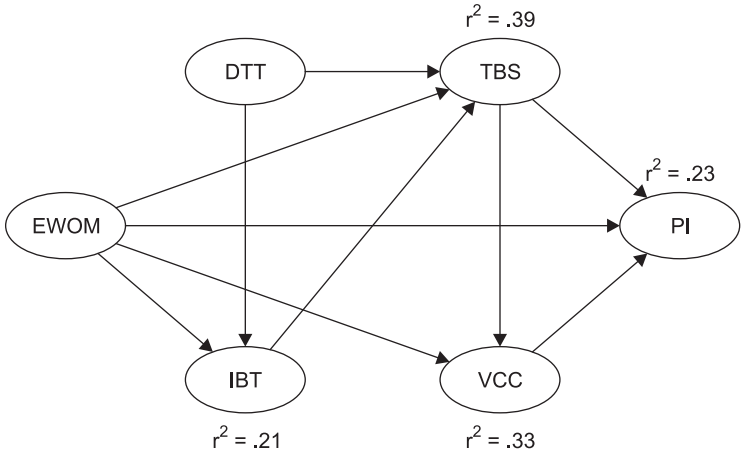

Figure 12.2: The structural model

Table 12.5
Structural equation modeling results

Hypothesis	*Relationship among constructs*			*t-Value*	*β-Value*
H1	EWOM	→	PI	2.80	0.15
H2	EWOM	→	TBS	5.18	0.27
H3	EWOM	→	VCC	5.48	0.30
H4	EWOM	→	IBT	5.90	0.30
H5	DTT	→	IBT	4.83	0.24
H6	DTT	→	TBS	6.53	0.32
H7	IBT	→	TBS	3.94	0.21
H8	TBS	→	VCC	6.97	0.36
H9	VCC	→	PI	4.29	0.23
H10	TBS	→	PI	4.01	0.21

The coefficient value of this model showed EWOM as having a positive effect on PI (*t*-value = 2.80, β = 0.15), TBS (*t*-value = 5.18, β = 0.27), VCC (*t*-value = 5.48, β = 0.30) and IBT (*t*-value = 5.90, β = 0.30) which confirms hypothesis H1, H2, H3 and H4.

Disposition to trust has a significant relation to IBT (*t*-value = 4.83, β = 0.24) and TBS (*t*-value = 6.53, β = 0.32) by confirming hypotheses H5 & H6. IBT has a significant relationship with TBS (*t*-value = 3.94, β = 0.21) and TBS has a significant effect on VCC (*t*-value = 6.97, β = 0.36), PI(t-value=4.01, β=0.21) by confirming hypothesis H7, H8 & H10. VCC has a direct effect on PI (*t*-value = 4.29, β = 0.23) with significant supporting on hypothesis H9.

7. DISCUSSION AND CONCLUSIONS

Electronic Word-of-Mouth, IBT, DTT, VCC and TBS have significant positive effects on consumer PI. The projected coefficient indicates a linear association between the predicted variable (purchase intention) and five other predictor variables (EWOM, IBT, DTT, TBS and VCC).

The coefficient of determination (R squared) is 0.23 for the PI variable. It indicates that the EWOM, TBS, VCC moderately explain 23% of the variance in PI. Also, the R squared value for TBS, VCC and IBT are 0.39, 0.33 and 0.21 respectively. Which means EWOM, DTT and IBT explain 39% of variance in TBS, 33% of variance in VCC and 21% of variance in IBT.

We conclude that PI is impacted directly by EWOM and indirectly by different facets of trust and VCC. This research reinforces our understanding of EWOM and its impact on PI through SNS; this echoes the research study of Cheung et. al., (2010). In particular, this study is the initial contribution on EWOM, influencing PI through VCC with empirical justification.

7.1. Implications for the Study

First, grounded on the result of the empirical study, practitioners can gain acumen to build their brand image and get assurance of effective utilization of the social media resources. Second, empirical results emphasize the relationship between EWOM and VCC. This research will help practitioners improve co-creation of value with product users and improve their approach to the use of social networking platform. Third, the research helps practitioners understand consumers in terms of PI through application of the notion of VCC, which increases the revenue and sales volume for the firms. Finally, the marketing messages can be spread better with the help of SNS to develop positive EWOM on services and products.

7.2. Limitations and Further Research

We suggest that the model validity and other constructs in TAM model (like perceived usefulness) may have interfaces with existing constructs in the model. For further research, we suggest the consideration of mixed methods of research, which combine quantitative and qualitative methods. We anticipate a mixed method study could provide further insights on how EWOM improves PI.

The present research model is tested using a cross sectional study; a longitudinal study would further enhance the research insight of social network learning process and the competitive advantage of information sharing through EWOM sources.

Since, the data collected was self-report by respondents, there could exist error due to common method bias.

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