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Analysing the effect of social media on brand attitude and purchase intention: the case of Iran Khodro company

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Abstract

The purpose of current study is to investigate the effect of social media on customers' attitude towards brand and purchase intention. Population was customers of Iran Khodro Company in the area of Tehran. Using a self-administrated questionnaire, 210 respondents were asked to answer the survey employing convenience-sampling method. The results of structural equation modelling indicated that traditional advertising and social media have significant impact on brand attitude. However, the effect of traditional advertising was less than social media. Further, brand attitude has a significant impact on purchase intention.

Keywords: Social media, brand attitude, SEM, Iran Khodro Company;

1. Introduction

The use of social media among Fortune 500 companies surged in 2012. Research indicated that 73 per cents of these companies now have an official corporate account in Twitter, while 66 per cents have a corporate Facebook page. In addition, as of 2011, 28 per cent of the companies had blogs at the corporate level, representing the largest increase since 2008 (Barnes et al., 2012). This increase is indicative of a long-term trend toward social media use among corporations (as well as individual brands) becoming the norm. Social media defined as a series of

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technological innovations in terms of both hardware and software that facilitate inexpensive content creation, interaction, and interoperability by online users (Berthon et al., 2012). Social media differ from traditional computer-mediated communications in three primary ways: a shift in the locus of activity from the desktop to the web (meaning greater accessibility); a shift in locus of value production from the firm to the consumer (deriving from increased interaction/interactivity); and a shift in the locus of power away from the firm to the consumer [2]. A typical classification of social media includes collaborative projects (e.g. Wikipedia), blogs, user-generated content communities (e.g. Flickr; YouTube; Youku/Toduo), social networking sites (e.g. Facebook; Cyworld), virtual game worlds (e.g. EverQuest), and virtual social worlds (e.g. Second Life) (Kaplan & Haenlein, 2010). This paper addresses the effect of social media on brand attitude and consumer purchase intention. Further, the influence of traditional advertising on brand attitude would be investigated to compare the relative effects of the two media.

1. Literature review and hypothesis development

The emergence of social media has facilitated communication of consumer to each other. Godes and Mayzlin (2004) showed that social media are cost-effective and they are suitable option to access and collect information from other consumers. These communications have main outcomes for companies. Chevalier and Mayzlin (2006) found that increasing visits of a particular book lead to increasing sale of the book. Dellarocas et al. (2007) added online ranking of a certain film to their model and revealed that this factor has a strong predictive power of company income. Bruyn and Lilien (2008) studied the effect of consumer communications to each other in the process of decision-making in the context of viral marketing. Simon and Sullivan (1993) asserted that marketing communications should be considered as an important determinant of brand equity.

Yoo et al (2000) indicated that marketing communications have a positive influence on brand equity, brand loyalty, brand awareness and brand value. However, previous works on the relationship between marketing communications and brand equity had focused on traditional marketing communications (2000).

Trusov et al. (2009) aimed to provide a precise perception of the relation between word of mouth and traditional media. The authors compared the relative effect of referral with traditional marketing tools on the growth of members in a social media. Results indicated that positive word of mouth referrals have a significant impact on members' growth and they have a long-term carryover effect compared to traditional marketing activities. Stephen and Galak (2009) studied the effect of social media (such as weblogs) and traditional media (such as television) on sales. They found that both social media and traditional media have significant effects on marketing performance of the company. However, they believed that the effect of traditional media is stronger than social media. In sum, literature asserted that social media and traditional media have significant influence on customer attitudes towards brands. According to theory of reasoned action, attitude is a combination of communication about attributes and advantages of brand and assumes that brand attitude is affected by brand awareness and brand image (Jalilvand & Samiei, 2012a). Positive and negative communications of user through social media as well as traditional advertising of the companies can influence consumers' attitudes toward a particular brand. Hence, the following hypotheses are proposed:

H1. Traditional advertising of the company has a positive and significant effect on brand attitude.

H2. The user-generated communications of other customers in social media have a positive and significant effect on brand attitude. Prior research indicated that customer attitude towards a brand has a strong effect on purchase intention as attitude is a suitable determinant of purchase intention. Behavioural intention is a psychological variable that serves as a mediating variable between attitude and real behaviour (2009). According to above discussion, the following hypothesis is recommended:

H3. Customer attitude towards a brand has a positive and significant effect on purchase intention.

2. Methodology

To achieve the study objectives, a self-administered survey questionnaire was developed based on the findings of the literature review. The questionnaire was pre-tested and revised. The survey consisted of four parts covering the following issues: 1) social media (Tsiros et al., 2004), 2) traditional media (advertising) (Tsiros et al., 2004); 3) brand attitude (Low & Lamb, 2005), and 4) purchase intention (Jalilvand & Samiei, 2012b). Population was

customers of Iran Khodro Company in the area of Tehran, Iran. Sample size was estimated at 210. A convenience-sampling approach was used to collect data. Structural equation modelling was employed to analyze data using AMOS software.

3. Findings

Table 1 illustrated mean, standard deviation, factor loadings and Cronbach's alpha coefficients of research variables. As shown, all of the alphas are higher than 0.69 and factors loadings are more than acceptable level of 0.5 indicating good convergent validity of the questionnaire.

Table 1. Descriptive statistics, factor loading and alpha coefficient

Variable	Item	Factor loading	S.D	Mean	Label	α
Traditional media	I am satisfied with campaign of the company (brand) in traditional media such as radio and television.	0.801	0.7648	3.72	Adv1	0.753
	The level of campaign of the company (brand) in traditional media such as radio and television has met my expectations.	0.745	0.7136	3.58	Adv2	
	Compared to the campaign of other companies (brands) in traditional media such as radio and television, the campaign of this company in the media is acceptable.	0.782	0.8767	3.43	Adv3	
Social media	I am satisfied with received information of other customers about this company (brand) in social media	0.727	0.7574	3.69	Cust1	0.706
	Information received from other customers in social media has met my expectations.	0.753	0.6220	3.91	Cust2	
	Compared to other received information from other sources, the received information in social media about the company (brand) is acceptable.	0.756	0.7324	3,73	Cust3	
Brand attitude	This company (brand) is pleasant.	0.647	0.8597	3.46	Att1	0.748
	This company (brand) is famous and credible.	0.692	0.9183	3.42	Att2	
	This company (brand) has positive attributes.	0.783	0.7736	3.70	Att3	
Purchase intention	I would buy this product/brand rather than any other brands available	0.746	0.9001	3.50	Int1	0.836
	I am willing to recommend others to buy this product/brand	0.749	0.7990	3.60	Int2	
	I intend to purchase this product/brand in the future	0.796	0.0333	3.05	Int3	

Figure 2 shows the overall explanatory power, the standardized path regression coefficients that indicate the direct influences of the predictor upon the predicted latent constructs for the model, and associated t-values of the paths of the research model. The goodness-of fit statistics show that the structural model fit the data reasonably well. The four-item model produced a chi-square of 137.196 (df = 51, p = 0.000). To alleviate the sensitivity of the chi-square statistics, the value of chi-square is divided by the degrees of freedom. The re-estimated chi-square value was 2.69 and this new value is within an acceptable cut-off value range, from 1.0 to 3.0. The goodness of fit is index (GFI =0.934, with 1 indicating maximum fit), comparative fit index (CFI =0.901, 1 = maximum fit), the comparative fit index (NFI =0.912, with 1 indicating maximum fit), and Tucker-Lewis index (TLI = 0.907, 1 = maximum fit). Finally, the root mean square error of approximation (RMSEA = 0.076, with values, 0.08 indicating good fit), one of the indices best suited to our model with a large sample, indicated that the structural model was a reasonable fit.
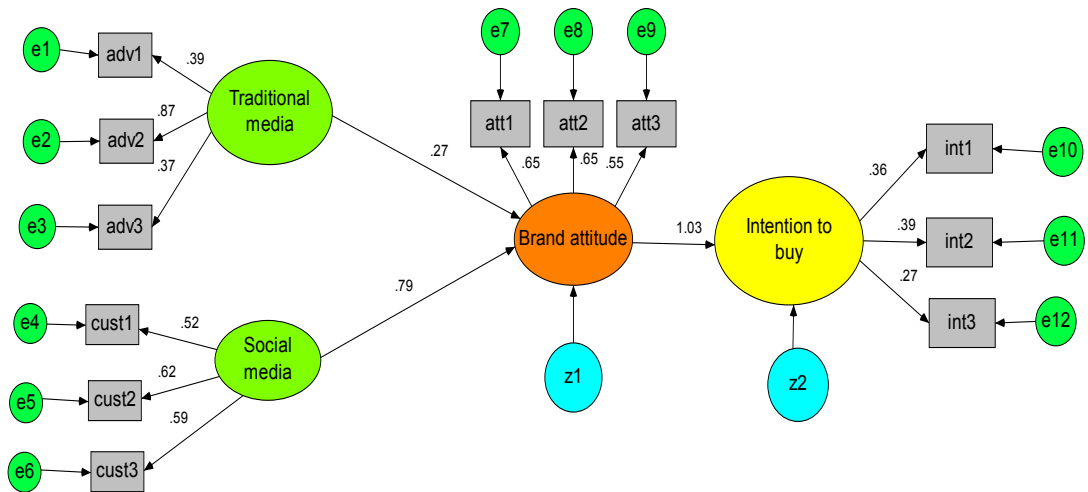

Fig 1. Standardized regression coefficients proposed model

Table 2 presents the results of the individual tests of the significance of the relationship among the variables. Traditional media had a positive and significant impact on brand attitude, with β = 0.271, t = 3.305, and p= 0.000, indicating that advertising efforts of the company was an important antecedent of customer attitude towards brand. Social media also had a strong positive effect on brand attitude (β= 0.79, t = 6.231, p = 0.000). Finally, brand attitude was the main determinant of purchase intention in the context of automobile industry (β= 1.03, t = 5.236, p = 0.000), supporting H3.

Table 2. SEM results

Hypothesis	Independent variable	Dependant variable	Path coefficient	Standard coefficients	Standard error	t	P	Result
H1	Traditional media	Brand attitude	0.474	0.271	0.144	3.305	0.000	Supported
H2	Social media	Brand attitude	0.877	0.879	0.141	6.231	0.000	Supported
H3	Brand attitude	Purchase intention	0.528	1.026	0.101	5.238	0.000	Supported

4. Conclusions

Results of current study are useful for managers of Iran Khodro Company. As social media can influence customers' decision to purchase the product of company, managers should try to encourage customers to speak each other about the products and services of the company. These conversations can be face-to-face or virtual through social media such as chat rooms in Facebook. This is implied on focusing on improvement of products and services quality and providing them with fair prices to the customers in an attempt to satisfy them. Satisfied customers would have positive attitude towards the company and they would disseminate positive word of mouth in social media. The referrals, in turn, can affect customers' decision to purchase company products.

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