

Impact of Social Media Promotion on Customer Purchase Intention of Commercial Banks Services

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Abstract

Banking sector these days are providing many products/services to the customers in a competitive way. Using social media promotion is a strong tool to reach the prospective and regular customers in the cost effective and time efficient way. So, in this way this research attempts to measure the impact of social media promotion on customer purchase intention of commercial banks services. Descriptive and causal research design was used. Convenience sampling method was used to collect sample. Primary cross- section data were collected. Two hundred samples were approached and data were collected from them. Partial Least Square Structure Equation Modeling (PLS-SEM) was used to measure the research model. The research confirmed customer awareness, customer engagement, product/service perception and trust has significant impact on customer purchase intention of banks services. Banks management should focus on the importance of social media to enhance these factors.

Keywords: Social Media, Customer Purchase Intention, PLS-SEM.

Introduction

These days we can't predict live without social media. Social media is indispensable part of our daily life. Social media supports us to make views towards people, products, events and others. For marketing, social media has been viewed as major factors of consumer behavior. Social media contributes to customer awareness, information processing and understanding, developing attitudes, purchase activity and post purchase (Mangold & Faulds, 2009). After the rise of internet and smart phone, it can be witnessed that consumers are preferring many social media platform like Facebook, Twitter, Instagram, YouTube and many more interactive media for information acquisition and sharing than traditional type media (Radio, Television, Magazines and Newspapers etc) (Lempert, 2006; Rashtchy, Kessler, Bieber, Shindler, & Tzeng, 2007; Vollmer & Precourt, 2008). Social media is getting popular day by day (Solomon, 2011). Approach of social media to contact and communicate customer is very cost effective and higher efficient than traditional one

(Kaplan & Haenlein, 2010). Companies can interact their customers at any time and also user-generated content will be facilitated. Companies share their promotional activities mostly at social media.

Social media is an online applications, platforms and media that facilitate interactions, collaborations and sharing of contents (Palmer & Koenig-Lewis, 2009). It is called Web 2.0 and also identified by blogs, social networks, content communities, forums, content aggregators (Constantinides & Fountain, 2008). Social networking sites are linked with business strategy that connects strategic value and business performance (Zhou, Wu, & Luo, 2007). Social media increases brand awareness, induces to purchase behavior, and provides pre and post purchase communication (Ahlqvist, Back, Halonen & Heinone, 2008; Mangold & Faulds, 2009; Sarkkinen, 2009).

Social media communicates message around the Globe within a second (Foux, 2006). Company can communicate their corporate message, product promotion through social media, new product launch, any instant messages before big advertisement campaign (Chen, Fay, & Wang, 2011). Marketers include social in their marketing strategy. Impact of promotion is very high when it is done through social media. Also, it is a powerful tool to promote banking and financial services like interest rates, loan facilities, bancassurance, remittance, online transactions and many more. Chi (2011) depicts social media platform provides a deep connection between brands and customers leads to social bonding. Company can form a brand community through social media. Companies should undertake social media plan in their business plan (Mangold & Faulds, 1999). Every company is doing efforts to get digital presence everywhere. Nepalese banking and financial sectors are also doing this.

People life is surrounded and controlled by technology (Alalwan, Rana, Algharabat, & Tarhini, 2016). Development of 4G and 5G makes possible to faster data processing and new gadgets like smart phones, laptops and tablets substitutes telephones, desktop computers, books, watch, radio and ways of viewing television broadcasting (Zhu & Chen, 2015). Social media teach new habit to customers to behave. For ten years of history, Social media like Facebook, Twitter, Instagram, LinkedIn and YouTube has been winning heart of people as people share, post, connect and create virtual user account (Gensler, Volckner, Liu-Thompkins & Wiertz, 2013).

Jeanjean (2012) highlights more than 1.5 million brand pages were recorded and it is increasing tremendously. Social media user is following a brand in every second (Bellegem, Eenhuizen, & Veris, 2011). Social media has possibility to attract new user who would be the customer in the future (Luarn, Lin & Chiu, 2015). Social media changes the dynamics of today's markets (De Vries, Gensler & Leeflang, 2012). Social media is boosting social relationship with company and customers (Minton, Lee, Orth, Kim & Kahle, 2012). Companies are doing sustainable marketing practices as green advertising and green branding (Minton et al., 2012).

Customer trust means how customer relies on company's information or communication message (Ba & Pavlou, 2002). Perception is customer's impression about company and its offerings (Allport, 1934). Customer awareness means how customer knows the products and services of a company. Customer must be understood about the product which he is going to purchase and how it is delivered to him. A famous proverb "Out of sight, out of might" motivates companies to undertake activities to better aware the customers or markets.

Customer engagement is the customer's involvement in the processing and purchasing the products. Customer engagement facilitates customer interaction with the company. Purchase intention means customer purchases the products in near future (Espejel, Fandos & Flavian, 2008).

Odhiamboo (2012) and Lee (2013) proved social media promotes customer engagement and customer awareness. It is found positive relation between social media marketing and customer engagement (Farook & Abeysekara, 2016). Saleema and Rutsha (2014) depict social media support in customer purchase intention. Sultana, Abdullah and Tabassum (2013) argue banks should maintain structured communication system to promote banking services through social media. Customers are expecting more and more services from banks. Customers expect faster and speedy services to them (Faramarzpour & Mahmoudzadeh, 2015).

Khanum, Nagrami and Trivedi (2016) argue social media provides many rooms to banks for customized marketing, improved products and services development, increased sales, improved service and increased brand value. So, banks incorporate social media as a part of their marketing strategy (Fuller, 2009). Banks in Nepal are providing many banking services competitively and communicating through social media too. So, this research is designed to measure the impact of social media on customer purchase intention of commercial banks services in Kathmandu.

Research questions

Research questions raised in this study are:

- What is the impact of customer awareness on customer purchase intention?
- What is the impact of customer engagement on customer purchase intention?
- What is the impact of trust on customer purchase intention?
- What is the impact of product/service perception on customer purchase intention?

Research Objectives

Objectives of this research are set as the following.

- To analyze the impact of customer awareness on customer purchase intention.
- To measure the impact of customer engagement on customer purchase intention.
- To assess the impact of trust on customer purchase intention.
- To examine the impact of product/service perception on customer purchase intention.

Independent Variables

Dependent Variable

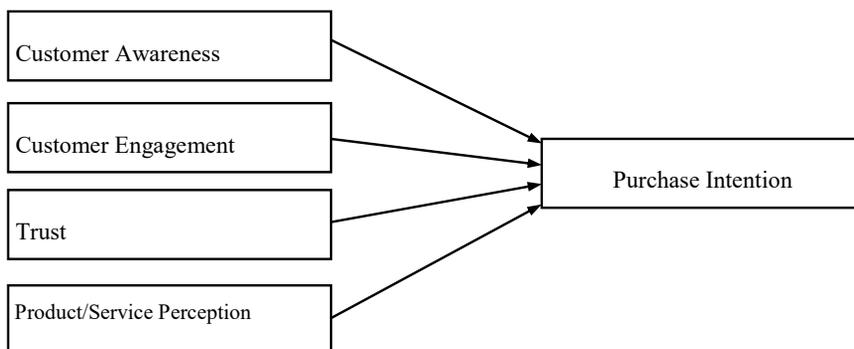


Figure 1. Research framework

Research Hypothesis

Research hypotheses were proposed as,

- H1: Customer awareness influence on purchasing purchase intention.
- H2: Customer engagement influence on purchase intention.
- H3: Trust influence on purchase intention.
- H4: Product/Service perception influence on purchase intention.

Research Methodology

Research design was descriptive and causal. Constructs were derived from thorough study of extant literature. Primary cross-section data were collected in this research. Sources of data were the respondents of banks who were continuously taking bank services for a year. Population of the study was the banks customer who is taking services online in Kathmandu City. Sample of the study were the customer who is using social media and mobile banking of particular banks. Structured questionnaires based on five point Likert scales were administered for collecting data. Two hundred respondents were approached and data were collected from them. PLS-SEM version 2.0 was used for data analysis. Validity and reliability of the measurement model was done and hypothesis testing was done for the structural model.

The research showed male respondent 57 percent and female respondents 43 percent. Majority of the respondents were age of 30 to 40 accounted 53 percent followed by age of 20 to 30 years 33 percent. Hundred percent respondents were using Facebook and 82 percent respondents were using YouTube and Messenger. Sixty five percent respondents were using Viber. Forty percent were using Twitter and Instagram.

Results and Discussion

Partial Least Squares (PLS) analysis with Smart PLS 2.0 software was used to analyze the research model. Two stage analytical procedures were done for SEM. First, it was tested the measurement model (Validity and reliability of the measures) and secondly, tested the structural model (Hair, Hult, Ringle & Sarstedt, 2013). Bootstrapping method (5000 resamples) was applied to examine the significance of the path coefficients and the loadings (Hair et al., 2013). PLS is a well known tool for estimating path coefficients in structural models and has been used in many researches. The PLS technique has become popular in marketing and management research just because of able to dealing with non-normality and small to medium sample sizes (Hair et al., 2013).

Measurement Model Testing

First stage, measurement model was tested for convergent validity. This was measured through factor loadings, Composite Reliability (CR) and Average Variance Explained (AVE). Table 1 shows all item loadings exceeded from the threshold of 0.6 (Chin, Peterson, & Brown, 2008). Composite Reliability values denotes the construct indicators identify the latent construct, exceeded the base value of 0.7 (Hair et al., 2013). Average variance explained represents the overall amount of variance in the indicators accounted for by the constructs and it is exceeded the

base value of 0.5 (Hair et al., 2013). Here, Composite reliability is greater than 0.7 (CR >0.7) for all the latent variables and also Composite reliability is greater than Average Variance Explained (CR > AVE). So, Convergent validity is achieved. Second stage, measurement model was tested for discriminant validity which shows the measures are reflected from some other variables. This is indicated by low correlations between the measure of interest and the measures of other constructs. Table 1 shows the AVE of all the constructs were above than 0.5 cut-off value (Fornell & Larcker, 1981). So, Discriminant validity was achieved.

Table 1
Validity and Reliability of the Model

Constructs	Items	Loadings	CR	AVE
Customer Awareness	CA1	0.774	0.883	0.655
	CA2	0.772		
	CA3	0.876		
	CA4	0.810		
Customer Engagement	CE2	0.759	0.884	0.72
	CE3	0.920		
	CE4	0.859		
Trust	CT1	0.790	0.869	0.625
	CT2	0.855		
	CT3	0.741		
	CT4	0.771		
Product/Service Perception	PS1	0.844	0.851	0.657
	PS4	0.720		
	PS5	0.860		
Purchase Intention	PI1	0.844	0.917	0.736
	PI2	0.909		
	PI3	0.909		
	PI4	0.761		

Structural model

To measure the structure model, Hair et al. (2013) suggested about R^2 , beta coefficient and corresponding t-values via bootstrapping procedure with a resample of 5000. It is shown in Figure 2.

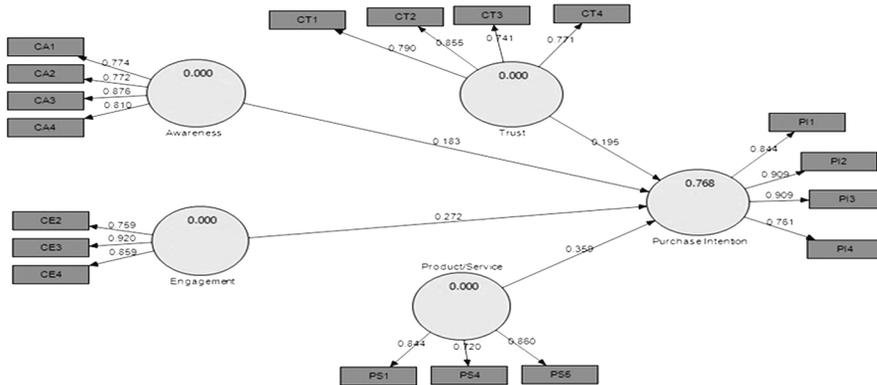


Figure 2. Structural model with beta coefficient and R^2

The effectiveness of the model was measured by variance explained by the structural model. R^2 of the structural model is 0.768 or 76.8 percent. Direct impact of customer awareness, customer engagement, products/service perception and trust on purchase intention is 0.183, 0.272, 0.353 and 0.195. All paths have direct positive impact on purchase intention. Product/service perception and customer engagement is more important factors for customer purchase intention of banks services.

Table 2

Hypothesis Testing of Structural Model

Hypothesis	Path Coefficients	Standard Error	T Statistics	p-value	Decision
H1: Awareness -> Purchase Intention	0.183	0.062	2.952	0.021	Significant
H2: Engagement -> Purchase Intention	0.272	0.090	3.009	0.030	Significant
H3: Trust -> Purchase Intention	0.195	0.081	2.419	0.033	Significant
H4: Product/Service -> Purchase Intention	0.359	0.072	4.957	0.015	Significant

From Table 2, the result concluded that customer awareness influenced significantly on purchase intention ($\beta=0.183$, $p<0.05$). Customer engagement influenced significantly on purchase intention ($\beta=0.272$, $p<0.05$). Trust influenced significantly on purchase intention ($\beta=0.195$, $p<0.05$). Accordingly, Product/Service perception influenced significantly on purchase intention ($\beta=0.359$, $p<0.05$). Thus, H1, H2, H3 and H4 were all supported. It can be said that customer awareness, customer engagement, trust and product/service perception are the major factors for customer purchase intention for commercial banks in Nepal.

Conclusion

This research hypothesized four causal relationships to measure the impact of social media promotion on customer purchase intention of commercial banks in Kathmandu. It was found customer awareness, customer engagement, product/service perception and trust towards social media has direct significant impact influence on customer purchase intention of banks service. This research is in line with Farook and Abeysekara (2016), Odhiamboo (2012) and Lee (2013) that social media promotes customer awareness and customer engagement for purchase intention. Also this research is consistent with Faramarzpour & Mahmoudzadeh (2015) that product/service perception can be enhanced by social media. In today's competitive world, banks are making more offers to attract and retain customer sustainably. Social media promotion is an important aspect of banks that could increase the customer awareness, customer engagement, changing favourable perception towards their products services and creating trust.

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