Influence of Social Media Marketing on Customer Equity Drivers and Purchase Intention: Understanding World’s Most Valuable Brand - Amazon

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Abstract

Social Media is getting incredibly popular amongst brands and consumers both. This study aims to identify the constructs of perceived Social Media Marketing (SMM) activities of an e-commerce brand, Amazon and to evaluate the influence of those activities on customer equity drivers; value equity, relationship equity and brand equity and purchase intention using a PLS-SEM approach. The five constructs of perceived SMM activities are Interactivity, Informativeness, Personalization, Trendiness and Word of Mouth. The effects of SMM activities on value equity, relationship equity and brand equity were significantly positive. Out of the three customer equity drivers, only brand equity had a significant impact on the purchase intention, whereas value equity and relationship equity had no significant influence on purchase intention. The findings of this study will help the e-commerce brands to forecast the future purchasing behavior of their customers as well as manage their SMM activities.

Keywords
Social Media Marketing, Customer Equity Drivers, Brand Equity, Value Equity, Relationship Equity, Purchase Intention.

1. Introduction

E-commerce marketers have been leveraging digital content through social media platforms, to draw in visitors and promote purchases on-line. Consumers worldwide have spent nearly $3.46 trillion online in 2019 which is more from $2.93 trillion spent in 2018. Global e-commerce sales have hit $21.00 trillion in 2019 (Young, 2019). The Indian e-commerce market is expected to grow to US $200 billion by 2026, which is triggered mainly by increasing internet and smart phone penetration in India. This ecommerce transformation is expected to increase India’s user base from

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636.73 million, 2019 to 829 million by 2021 (ibef.org). By 2021, global e-commerce is expected to reach $5 trillion (Lipsman, 2019). There is a fierce competition in e-commerce industry and this all had made it difficult for e-commerce companies to survive alone on a brand name (Rajeck, 2018). Therefore, an e-commerce brand cannot depend only on its brand name, or a logo, but needs to understand more the customer relationships in depth, come up with better quality and value in order to succeed than their competitors.

Social media marketing has been used as a tool for branding by most of the e-commerce websites. Social media platforms like Facebook, Twitter, Instagram and Pinterest have been influencing the online purchasing habits of customers. These are already being used by most of the e-commerce companies in order to provide a platform for people where they can create and share content. In this way, brands and customers come together and co-create new products, services and values. With nearly all e-commerce brands using social media marketing as a tool to be in touch with the users, it becomes relevant to analyze the effects of social media on the users and how it influences them.

2. Literature Review

Social Media platforms like Facebook, Snapchat, Instagram, YouTube, and Twitter and other different forms like weblogs, social blogs, microblogging, wikis, podcasts, pictures, video, rating and social bookmarking are quite popular. Social media is a platform which not only used by brands but is also used by people who have similar interests and want to share their thoughts and opinions worldwide (Weber, 2007: 4). It helps companies to have better communication platform which is far off the traditional advertising methods (Jackson, 2011; Akhtar, 2011). (Sigala and Dimosthenis, 2009; Chen et al., 2011) stated that using social media communication platforms is critical in two aspects. First, the consumers can connect with other consumers and share opinions about brands (Sigala and Dimosthenis, 2009; Chen et al., 2011). Secondly, it can be used by businesses directly to promote products. Therefore, social media is already moving forward, has pushed the boundaries of time and space as it helps companies to come closer to customers faster (Mersey et al., 2010). An additional insight has been proposed by (Hanna, Rohm and Crittenden, 2011), found social media platforms such as Facebook, Twitter, Digg, YouTube, and numerous others are revolutionizing the state of marketing and advertising. Due to the global growth of these platforms, social media marketing is now viewed as a mandatory element in a firms marketing strategy.

As per a research published using an Infographic, it was found that once customers start getting comfortable with a social media platform activity of a company, then they start to recommend a purchase with their peers (Jackson, 2011). Since companies
understand this and they have started promoting all types of products and services, create online communities, and appoint brand supporters as influencers. People also like to share information about brands on their social media, it has becomes therefore worthwhile for brands to increase brand awareness, upgrade brand recognition and recall, and increase brand loyalty using social media (Gunelius, 2011). Thereupon, all organizations worldwide have started thinking about how they can use these platforms in attracting customers and build a profitable marketing long lasting relationship with those customers (Alalwan, Rana, Algharabat, & Tarhini, 2016; Braojos-Gomez, Benitez-Amado, & Llorens-Montes, 2015; Kamboj, Sarmah, Gupta, & Dwivedi, 2018; Oh, Bellur, & Sundar, 2015).

**SMM of E-commerce brands**

E-commerce websites worldwide are increasingly carving how people shop online, assist them in their buyer journey from pre purchase product evaluations till purchase and post purchase by sharing their experiences online (Wilcox, 2019). Today the consumer gets a lot of experiences while shopping with smart and connected devices (Kim et al., 2015; Martins et al., 2018). This trend has left many impacts on traditional businesses. It has led many leading players like JC Penney, Sears, Macy’s, Lululemon, Urban Outfitters, American Eagle, Ralph Lauren, Le Châateau, and many more to close their physical stores (Kowsmann, 2017; Thompson, 2017). The number of Internet buyers is increasing every year, so we can say that e-commerce industry is booming. The retail industry is becoming very competitive as most of the retailers have an online store and some are launching in online mode only. This is why using social media for e-commerce is so beneficial.

**Customer Equity**

Customer equity is defined as the total of the discounted lifetime values summed over all of the firm’s current and potential customers (Rust 2004). From the past forty years marketing has become more customer focused (Vavra 1997). Marketing has come a long way from being short sighted and now focusing on customer long term relationships (Håkansson 1982; Storbacka 1994). In order to understand customer behavior, customer lifetime value (CLV) and its implications is being seen as a primary metric for understanding customers and their increasing attentiveness towards your brand (Mulhern 1999). Due to this customers and customer equity are now of prime importance than brand and brand equity. There is a shift from product-based strategy to customer-based strategy (Gale 1994; Kordupleski, Rust, and Zahorik 1993). (Bell et al., 2002) reviews the evolution from brand-centered marketing to customer-centered marketing. They described the evolution of the customer equity management philosophy in their research article.
The literature has established three key constructs of customer equity which are value equity (VE), brand equity (BE), and relationship equity (RE) (Leone et al., 2006; Rust, Danaher, & Varki, 2000, Severt & Palakurthi, 2008). Value equity specifies how purchasers determine the usefulness of products or services by practicing objective methods. Customers are keen in understanding the similarity between what they have paid in lieu of what they are delivered by company (Vogel et al., 2008, p. 99). Brand equity refers to the judgement done by customers towards a brand which is intangible and above the perceived value (Rust et al., 2000, p. 55). Lastly, relationship equity contentedly reveals the susceptibility of customers to settle in a liaison with the brand, which is atop the objective and subjective assessments of the brand (Rust, Lemon, & Narayandas, 2005, p. 25). Many researchers claim that these drivers cooperate to produce customer equity, but they can act independently as well. The relationship between value equity, relationship equity, brand equity and customer equity can alter by industry (Liu, Ge, Lin, Kuo, & Tsui, 2014). Value equity has a prevalent role for customer equity in convention industry (Severt & Palakurthi, 2008) while brand equity has a preeminent influence in chain restaurants (Hyun, 2009a). Relationship equity is a climactic source of customer equity in the theme park industry (Hyun, 2009b), whereas brand and relationship equity are of fundamental value to develop fidelity in casino industry (Wong, 2013).

**Purchase Intention**

Purchase intention relates to the willingness and preference of a buyer towards buying a certain brand or product (Kim, Kim & Johnson, 2010; Kim & Ko, 2010b; Kim & Lee, 2009; Lloyd & Luk, 2010). It is a personal disposition relating to a brand with a purpose of carrying out a buying behaviour (Bagozzi et al., 1979; Ostrom, 1969; Eagly and Chaiken, 1993). Purchase intention is a very crucial variable that measures probable action that consumer choose to be done (Fang and Lee 2015). Understanding consumers purchase intention can envision the customer’s retention of a particular brand (Kudeshia et. al. 2017). Based on the literature review done, this study is executed further by conceiving a research model (Figure 1) based on which the following research objectives were set:

1. To study and investigate the constructs of SMM activities of an e-commerce brand.
2. To gauge the effect of those activities on creating customer equity drivers.
3. To identify the customer equity driver that most impacts purchase intention for an e-commerce brand.
The aim of this research is to propose a strategy to intensify further a brand performance by delineating specific factors relating to customer equity and purchase intention. The findings from this research will empower the brands further to predict customer purchasing behaviour in a better manner and then manage their customer equity as well.

![Proposed Research Model](image)

**Figure 1: Proposed Research Model**

**Research Methodology**

**3. Hypothesis Development**

Brands are unifying the social media channels to send out an integrated marketing message and increase the engagement activity to create a good impact on the customer equity drivers. Therefore, based on a review of the relevant literature, the following hypotheses are proposed:

H1: Social Media Activities have positive effect on Brand Equity
H2: Social Media Activities have positive effect on Relationship Equity
H3: Social Media Activities have positive effect on Value Equity

Purchase intention is an attitudinal variable and customer equity is a behavioral variable. Since attitude has been considered as an antecedent to behaviour in the decision making process, so the drivers of customer equity are likely to have an influence on purchase intention. Brand equity invokes subjective assessments like brand recall, brand awareness, and how much emotional attachment a customer has towards a brand and consequently may aim one to have some interest and/or possibly buy the brand. Value equity can be defined as an objective evaluation of the utility of a brand, which focuses on convenience, price, and convenience (Zeithaml, 1988). Lastly, relationship equity focuses on brand loyalty and thus if a customer...
shows loyalty to a specific brand they may have a greater purchase intention. It is 
the tendency of the customer to stick with the brand above and beyond objective and 
subjective assessment (Rust et al., 2005)”. In some selected industries Rust et. al. 
(2004) conducted CE studies and found that drivers may change from one industry 
to another (Blattberg & Deighton, 1996; Rust et al., 2000a,b), so the drivers should 
be established on an industry-by-industry basis. Therefore, based on the literature 
review, we also wanted to identify the driver that most impacts purchase intention for 
an e-commerce brand, Amazon. Thus, the following hypotheses are posited:

H4: Value Equity relates positively to Purchase Intention  
H5: Brand Equity relates positively to Purchase Intention  
H6: Relationship Equity relates positively to Purchase Intention  

3.1 Preliminary Test

A prior test was done to select a sample e-commerce brand. We asked twenty 
graduate students from a known university in India to think and list three e-commerce 
brands that were on top of their mind when thinking of online shopping. Amazon 
was mentioned most often in this test. Amazon has been ranked as most valuable and 
influential brand for 2020. According to an article published by (Guttman, 2020) in 
statistica.com, Amazon has been ranked as the most valuable brand in the world with 
an estimated brand value of about 221 billion U.S. dollars, soaring over Google and 
Apple’s brand valuations. Amazon is ranked as number one brand of 2020, which is 
based on following the International Organization for Standardization’s ISO 10668 
standard which maps out the appropriate process of valuing brands by adhering to 
some key requirements like it has successfully connected the values and positive 
brand associations from one business – ease of use, speed, reliability – to other areas. 
Since our target audience also had a high awareness about this e-commerce giant and 
Amazon shows a high presence on social media, therefore, Amazon was chosen to 
represent an e-commerce brand for this study.

3.2 Measures

The participants in this study were experienced users of social media. The questionnaire 
for this study was divided into two parts. The first part collected the information 
regarding gender, age, education, time the respondents spent online, purchase 
frequency from Amazon and monetary value of purchases made online. The objective 
of asking these questions was to predict the customer behavior towards purchasing 
from e-commerce brands and understanding their receptivity towards Amazon. The 
second part of the questionnaire focused on proposed research model prepared from 
the previous literature.
We measured perceived SMM activities on a five-point Likert type scale (1 = strongly disagree; 5 = strongly agree), adapted from an existing SMM activities scale created by Yadav and Rahman (2017). We measured SMM activities on the basis of 15 items for (Interactivity, Informativeness, Word-of-Mouth (WOM), Personalization, and Trendiness, with three items in each dimension. Value Equity was measured on the basis of the user responses to 8 items configured from Rust et al. (2000), and Wiedmann et al. (2009). Constructs of value equity measures included price, product quality, service quality and, convenience. The constructs of relationship equity measured Cognition, Emotion and Behaviour towards the brand. Seven items were used to measure relationship equity which were developed from (Cheng et.al.), as per which relationship equity was linked to brand resonance in a social networking environment. Ten items were used to measure brand equity which included questions on brand awareness, perceived value, brand personality, brand association, and perceived uniqueness aspects. These items were developed from the work of Aaker (1991) and Yun (2006). Measures of purchase intention were adapted from the instrument used in Park et al. (2007). Google forms was used as a tool for preparing an online questionnaire and the link was dispersed to collect the required data from a convenience sample of customers who have already used few social media platforms (Dwivedi and Irani, 2009). Since this study focuses on an e-commerce brand’s SMM, respondents were restricted to consumers who had made any purchases online within the past 1 year and are familiar with Amazon’s social media sites. Data was collected from online survey questionnaires from May 10 to 25, 2020. From among the 450 survey questionnaires distributed, 430 were finally analyzed after excluding the incomplete responses.

4. Findings and Discussions

Demographically, the results showed that most of the respondents were females (59.3%), majority of the respondents were within the age group of 21–30 years, however respondents above 50 years of age were just 1.6%. With respect to education, most of the respondents were graduates (48.4%) followed by Post Graduates and Doctorate level of education (44.2%). Based on the age group of majority of respondents, it was seen that most of them spent up to even more than 4 hours browsing internet. Majority of the respondents purchased 3-4 times in a year from Amazon and most of the respondents (58.6%) spent on an average Rs. 1000-3000 per purchase. Since this study deals with an e-commerce portal purchase being initiated via Social Media Marketing efforts, that’s why it can be said that approximately 60% of the sample were the real shoppers on Amazon portal encompasses a certain amount of monetary commitment.
Assessment of the Measurement Model

To test the hypothesis, SPSS 17.0 and PLS-SEM package programs were used. Cronbach alpha was measured as suggested by Nunnally and Bernstein (1994) and the results had a Cronbach’s alpha value over 0.7, which proved the internal consistency of each variable. The Smart PLS (version 3.2.4; Ringle, Wende, & Becker, 2015) software was used to run the analysis by applying the technique of bootstrapping in order to evaluate the factor loadings’ significance, and path coefficients. Moreover, a two-step approach for analysis as proposed by Anderson & Gerbing (1988) was adopted in this study. First, the evaluation of the measurement model was done by performing the reliability and validity analysis on each of the model’s measures and then the structural model was analyzed by estimating the paths between the model’s constructs determining the significance of path relationships and the Goodness of Fit of the model. Normality of data with sample size 430 and number of variables 42 was checked to get Mardia’s multivariate skewness and kurtosis values.

In order to decide whether a construct should be formatively or reflectively measured, a confirmatory tetrad analysis (CTA-PLS) was used (Gudergan et al., 2008). Since CTA can be done with the constructs which have 4 or more indicators, Value Equity, Relationship Equity and Brand Equity had more than four indicators. Therefore, CTA was run on these constructs with subsamples of 5000, parallel processing with two tailed test at 10% level of significance where $H_0 : \tau = 0$ V/s $H_1 : \tau \neq 0$. All scales were measured reflectively. In the measurement model, reflective constructs were assessed on the basis of reliability and validity (Chin and Newsted, 1999; Hulland, 1999). The reliability was assessed on the basis of three key criteria’s like: factor loadings, composite reliability and internal consistency reliability. The results showed satisfactory factor loadings on all reflective items on their corresponding latent constructs (with the minimum of 0.56-0.888) except for one factor loading of value equity (0.34) which was not satisfactory. The results also showed high reliability (0.785-0.925) and high internal consistency reliability (0.785-0.924) in all latent constructs.

Discriminant validity was assessed further using three criteria including cross-loadings, Forner-Lacker criterion, and HTMT as suggested by Hair et al. (2017). In assessing the cross-loadings, the outer loading of an item should be greater on its respective latent variable than its cross-loadings on other latent variables. In our study, this measure was almost satisfied. The second criteria of Discriminant validity was not confirmed since the AVE’s was not greater than the squared correlation coefficients, which is the problem of multicolinearity. Therefore, we had to go for higher order Reflective Model. In order to establish the discriminant validity Henseler et al. (2015) have recommended heterotrait-monotrait ratio (HTMT) which works
on assessment of correlations. This shows the true correlation between two latent variables. A threshold value of 0.90 has been suggested for HTMT (Henseler et al., 2015) and if it is above 0.90 it shows a lack of discriminant validity. The discriminant validity was violated between Informativeness and Personalization (0.912) and also between Trendiness and Word of Mouth. Since HTMT criterion did not fulfill for our PLS model, therefore, Higher Order Constructs were formed. Now, the model was revised as shown below in Figure 2. Here the higher order construct is social media marketing which consists of all the indicators mentioned in lower order constructs; those are Interactivity, Informativeness, Personalization, Trendiness and Word of Mouth. All the lower order constructs were connected with the higher order construct and then on the basis of beta values between lower and higher order constructs, its reliability and validity was checked.

Figure 2: Model with Higher Order Construct

After checking the (Standardized) Root Mean Square Residual value which was 0.073 and the cut-off is <0.10, which satisfies means, the model was fit for considering for hypothesis analysis. After checking fitness, validity and reliability, Consistent PLS Bootstrapping was run to test the hypothesis and the decision taken on the hypothesis as mentioned in below table.
<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Causal Path</th>
<th>Standardized Estimate</th>
<th>T Statistics</th>
<th>P Values</th>
<th>Hypothesis Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>Social Media Marketing -&gt; Brand Equity</td>
<td>0.734</td>
<td>18.298</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>H2</td>
<td>Social Media Marketing -&gt; Relationship Equity</td>
<td>0.736</td>
<td>24.412</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>H3</td>
<td>Social Media Marketing -&gt; Value Equity</td>
<td>0.761</td>
<td>19.964</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>H4</td>
<td>Value Equity -&gt; Purchase Intention</td>
<td>-0.033</td>
<td>0.331</td>
<td>0.741</td>
<td>Not Supported</td>
</tr>
<tr>
<td>H5</td>
<td>Brand Equity -&gt; Purchase Intention</td>
<td>0.956</td>
<td>8.082</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>H6</td>
<td>Relationship Equity -&gt; Purchase Intention</td>
<td>0.015</td>
<td>0.215</td>
<td>0.830</td>
<td>Not Supported</td>
</tr>
</tbody>
</table>

From the above table, it was found that there was no impact of value equity and relationship equity on purchase Intention. Therefore, the model was modified as shown below in Figure 3.
5. **Conclusion**

The intent of this study is to examine the effects of social media marketing activities of e-commerce brands on customer equity drivers and purchase intention. The findings of this study draw the following conclusion.

First SMM activities showed a predominant influence on all customer equity drivers. The results showed that SMM activities had a positive and significant effect on relationship equity. This result is in line with the study of Kim and Ko (2012). Since social media activities drives friendly relations between the company and its customers, the relational equity of a company gets increased. Amazon’s social media marketing activities are trying to engage the customers in a friendly manner so the Amazons intended actions are positively affecting the relationship equity. The SMM activities had a positive influence on value equity, and thereby this hypothesis is supported. As we know value is the keystone of any good customer relationship, Amazon’s SMM activities offers a ground for customers to get engaged in a friendly communication with it. Amazon has been able to generate good brand awareness and brand image, thus positively impacting the brand equity as well.

Although the SMM activities are contributing as effective marcom methods but not all of them are able to create a purchase intention as per our study. Unlike some prior studies on this topic, not all customer equity drivers show a positive influence on the purchase intention in our study. Some of the most possible reasons for such results are as follows. Amazon is a company which focuses on e-commerce, cloud computing, digital streaming and artificial intelligence. Its product line include several digital media apparel, baby products, consumer electronics, beauty products, gourmet foods, groceries and many more items. In our study the age group of the sample who majorly shopped on Amazon was 21-30 years old and this the consumer segment who browse internet for at least four hours a day, but at the same time would not spend more than Rs. 3000-Rs. 4000 on an average when they buy from Amazon. These are majorly Generation Y or Millennial consumers. Generation Y likes to spend money on experiences rather than materialistic items. It is the least loyal and the least satisfied customer segment which is always looking for a unique experience and a change. Generation Y customers are not much interested in utilitarian benefits but look out more for the hedonic benefits, therefore the value equity doesn’t show a positive influence on purchase intention. The hedonic features of an e-commerce website are not usually directly related to purchase decisions, although they can increase customer satisfaction (Cai and Xu, 2011). There is a big possibility due to this the Generation Y customers don’t seek value based benefits, therefore even if the social media activities carried out by Amazon towards value equity are great, but this segment is rarely looking out for such benefits. There is also a lot of competition in e-commerce brands who want to reach out to this segment. India is bestowed with the largest population
of millennials, which is over 440 million and comprises 34% of the total population. Due to the increased competition, it is difficult to maintain a customer loyalty towards a specific brand which impacts the purchase intention. While comparing the influence of all three customer equity drivers on purchase intention, this study concludes that only brand equity has a positive impact on purchase intention. The Indian millennial seems to be either brand sensitive with least loyalty towards a specific brand. Consequently, brand equity to an e-commerce brand is more influential than value equity or relationship equity.

6. Limitations and Future Research

The empirical findings from this study are taken from Indian sample from the age group which is less than 20 years old to more than 50 years of age as well. This makes it a very wide sample segment for study which can impact the findings by creating more errors. A future research should be conducted taking each generation as an independent sample. This study focuses on Indian consumers only, there is scope of replicating the study with additional samples of global consumers of Amazon worldwide. Since Amazon sells a variety of product lines, a study needs to be done focusing on a specific product category for better results. A study may also be conducted to understand how brand loyalty of Generation Y to e-commerce brands can be increased. Although the results of the study show that SMM activities had a positive impact on value, relationship and brand equity but only brand equity influenced the purchased intention. Thus based on the importance of social media these days, it is proposed a study needs to be conducted on how social media marketing needs to be improvised further for developing the intention to purchase more.

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