

## The Impact of Social Media Marketing – Study from Malaysia Perspective

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### Abstract

In Malaysia, banks are mindful of the power of social media, and are active on social media platform, because they want to meet the rising customers' expectations for personalization and demonstrating value to them. On the other hand, fierce commercial competition, extensive customers demand and new innovations forced organizations to constantly seek uniqueness in their offering that can cultivate customer loyalty. Nevertheless, banks are still struggling to cultivate customer loyalty and empirical studies conducted from the social media perspective seems to be equivocal. As such, a study investigating the power of social media involving three variables, namely functional value, social value and customer experience took place with population sampling represented by domestic bank Facebook community members. The rigorous empirical study took place between the time period of April 2019 – June 2019. 90 completed questionnaires were used for the data analysis using the Smart PLS 3.0. The results indicated that social value and customer experience have direct effect on customer loyalty and customer experience has the most significant effect. Nevertheless, functional value does not have direct effect on customer loyalty. Moreover, customer experience has mediation effect between social and functional value leading to customer loyalty. The study aims to give an insight to the bank practitioners on how they can prepare when dealing with customer in the digital platform. As for the body of knowledge the empirical study provides an evidence the importance of customer experience and social value and close the gap between the value-attitude-behaviour in the digital setting.

### Keywords

Customer loyalty, social media, functional value, social value and customer experience

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## Introduction

The development of technology in the banking sector has significant implications for banks' marketing efforts (Dootson et al., 2016), especially the use of Social Media (SM) for banking purposes. The usage of SM in banks are increasing and the traditional banking models are declining (Continas et al., 2010, Bruhn, Schoenmueller & Schafer, 2012). Banks are mindful of the power of SM, and are active on SM platform, and searching ways to provide the right value to customers (Shankar & Khan, 2012; NM Incite, 2012), especially after the financial crisis of 2008 (Monferrer Terado et al., 2016).

Furthermore, fierce commercial competition, extensive customers demand and new innovations forced organizations to constantly seek uniqueness in their offerings that can cultivate Customer Loyalty (CL) (Business Innovation Observatory, 2014; Hakanen and Jaakkola, 2012). According to Woodruff (1997) the creation of customer value has long been recognized as a central concept in marketing and the fundamental basis for all marketing activity (Holbrook, 1994; Akaka & Vargo, 2014), and service marketing in particular (Grönroos, 2011; Prahalad, 2004; Vargo & Lusch, 2004; Wieland & Akaka, 2015). Moreover, in this 21<sup>st</sup> century competitive advantage can only be defined in terms of customer value (e.g. Christensen, 2010; Eggert and Ulaga, 2002; Gale, 1994; Payne and Holt, 2001). Moreover, Babin and James (2010); van Rensbury (2012) claimed that all meaningful marketing activity is directed at creating value. Hence, customer value is widely regarded as a key source of competitive.

## Background Study

SM which revolutionized the 21st century has been found to be more effective than traditional marketing communications in influencing the attitudes and behaviors of users (Thackeray et al., 2008). SM allow organizations to interact, engage with customer through interactive campaigns, positive messaging, and simply being responsive to customer needs and request (Capgemini.com, 2014) in order to provide a pleasant experience. According to Social Bakers. Com (2015) number of Maybank Facebook fan is about 1.2 million and CIMB Bank with 1.3 million fans.

The main purpose using SM are: (Asian Strategy and Leadership Institute, 2011).

- SM able to assist in new product development or product innovation,
- To solicit customers' views and feedback
- SM able to enhance customer experience (CES)
- Able to use as a promotional platform, thus enhance brand name

On the other hand, value has been conceptualized on an individual level (Holbrook 1994; 1999), as an assessment of the tradeoff between benefits and sacrifices (Zeithaml 1988; Day 1990; Woodruff and Gardial 1996), desired value and perceived value (Woodruff, 1997). Moreover, value also being classified into value in exchange (Bagozzi, 1975; Yip, 2012; Gronroos, 2008) and value-in-use (Normann and Ramirez, 1993; Ballantyne and Varey, 2006).

More recently the cognitive perspective has shifted to a more holistic perspective as opposed to value being embedded in goods (none-interactive) and recognizing value-in-social

context as proposed in service dominant logic (SDL) (Chandler and Vargo, 2011; Lobler and Hahn, 2013; Kuzgun and Asugman, 2015).

SDL designates the value concept as value-in- social context where context refers to a “set of unique actors with unique reciprocal links among them” (Chandler & Vargo, 2011, p. 40). This implies that value, rather than being embedded in a product, social context view that providers co create services and products in collaboration with their customers (Chandler and Vargo, 2011; Echeverri and Skalen, 2011). Nevertheless, past framework or empirical research has not been embark upon interactive or social value (Echeverri and Skalen, 2011) or on non-traditional media (Carlson, 2010), thus makes previous research inadequate in terms of theoretically explaining and practically guiding interactive or social value.

Moreover, it has been debated that hard evidence proving the benefits of SM platform in rendering loyalty remains unclear (Jaser, 2010 and Vemuri, 2010). Moreover, little academic research is reported to date and it is claimed that SM banking is relatively new (Majekodunmi and Harris, 2016). For example, studies relating to SM has been carried out but the findings were rather divergent: studies looking at interactive value in the SM has been criticized as the investigation was not based on systematic empirical research (Echeverri and Skalen, 2011) and the past research was investigated in a business to business context (Ots, 2010; Fyrberg, 2011). and some other studies were relating to public transportation sector (Echeverri and Skalen, 2011).

A similar argument took place in research concerning customer experience field, researchers such as Choi et al., 2011; Iglesias et al., 2011 argued that experience did not give a significant direct effect to loyalty. On the other hand, researchers (e.g. Su et al., 2015) claimed the experience mediates between perceived value and loyalty. Moreover, studies on customer experience claimed to be at its infancy (Johnstron and Kong, 2011; Sashi, 2012; Habibi et al., 2014) and empirical examination on consequence of customer experience being limited (Beomjoon Choi, 2013).

These inconsistent findings indicate that the relationship between value, experience and loyalty remains equivocal. Therefore, it would be very interesting to break down the relationship into chronological parts and to examine each part and its relationship as a whole from the SM perspective, as the rigorous empirical studies can provide a better insight to the practitioners and body of knowledge. Therefore, this research aims:

- To investigate the relationship between functional value and customer loyalty;
- To investigate the relationship between social value and customer loyalty;
- To investigate the relationship between customer experience and customer loyalty;
- To investigate the influence of customer experience as a mediator between functional value and customer loyalty; and
- To investigate the influence of customer experience as a mediator between social value and customer loyalty.

According to Homer & Kahle’s (1988) cognitive hierarchy model, values influence behaviour indirectly through attitudes. The value-attitude-behaviour model therefore implies a hierarchy of cognitions in which the influence theoretically flows from more abstract cognitions

(i.e., values) to mid-range cognitions (i.e., attitudes) to specific behaviours. Homer & Kahle's (1988) model assumes the value-attitude-behaviour cognitive hierarchy. The model also emphasizes on the mediating role of attitudes on the values and behavior relationship.

### **Research Methodology**

The aim of this study is to gain a better understanding on the relationship between value and customer loyalty in the SM platform. Therefore, the study was initiated with a preliminary study that allows the researcher to investigate and search the real world situation in the retail banking sector, which can help the researcher of this study to connect the overall research problem and later allow for easy transition in the implementation process. In this regard, the researcher interviewed some industry experts and banking consultants. Bank managers, banking consultants and academic experts was requested to review the questionnaire and to ensure the context validity. The preliminary studies provide insights into the situation that the researcher intends to investigate.

All the constructs in the questionnaire are measured by multiple items with Likert scale because a Likert scale is one of the scales most frequently used to measure attitudes and behaviour in business context (Cavana et al., 2001). Interval measurement is also being used to examine how strongly respondents agree or disagree with statements on a five-point scale to measure variables in hypotheses, anchoring between 1 (strongly disagree) and 5 (strongly agree). Therefore, to estimate minimum sample size, G-Power 3.1.9.2 was used. When the data is entered into the software, the latent construct or variable that has the highest number of predictors (receives the largest number of arrows), should be evaluated (Ringle et al., 2014). Thus, for the PLS the construct customer loyalty decides the minimum sample to be used. Based on the result (Appendix 1) the calculated minimum sample for the study should be 77 (Ringle et al., 2014). Thus sample size of 90 deem to be necessary and sufficient.

A total of 140 questionnaires were distributed among domestic bank customers in the Klang Valley area. 120 questionnaires were returned; after a screening process only 90 questionnaires were found to be usable for the study. Those rejected were found to have uncompleted pages, have double entries, failed to attempt to some of the questions listed in the questionnaire.

### **Finding and Analysis**

The responses of the 90 respondents were analyzed in the study. The collected information includes age, ethnicity, education level, employment status, marital status, frequency of visiting SM communities, and gender, Table 1.1 illustrates the categorical spread.

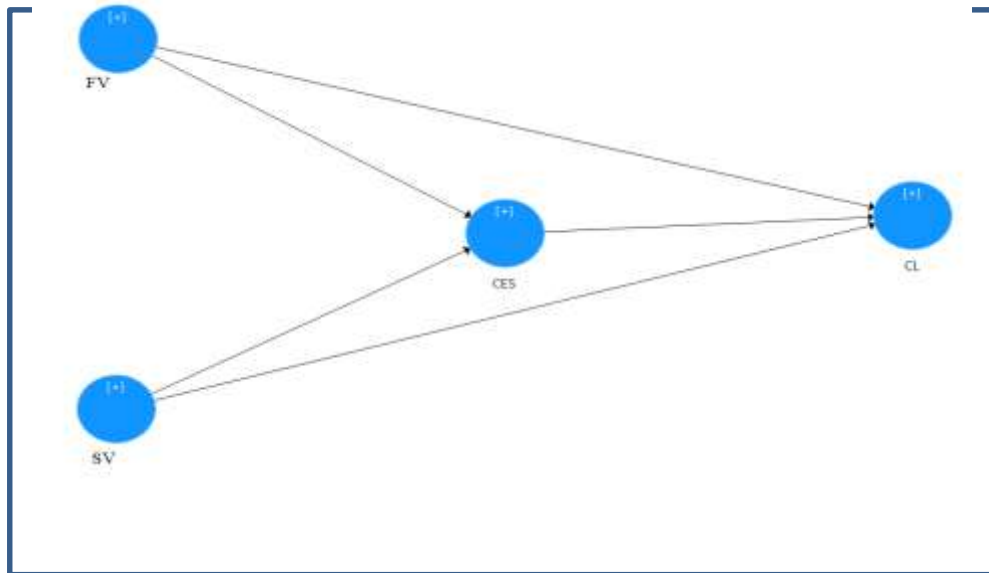
Table 1.1 Demographical Distribution of Data Collected

		Frequency	Percentage (%)
Age	Below 21	19	21%
	21 – 30	21	24%
	31- 40	23	25%
	41 – 50	15	17%
	Above 50	12	13%
Ethnicity	Malay	38	42
	Chinese	27	30
	Indian	11	12
	Others	14	16
Education Level	High School Certificate	2	2
	College Diploma	23	26
	Bachelor Degree	35	39
	Postgraduate Degree	23	26
	Others	7	7
Employment	Student	26	29
	Retired	5	5
	Full-time employed	39	44
	Self-employed	16	18
	Others	4	4
Marital Status	Married	43	48
	Single	38	42
	Divorced	6	7
	Separated	3	3
Frequency visit the social media community	Daily	31	34
	Once in a week	23	25
	Few times in a week	19	21
	Few times in a month	13	15
	Others	4	5
Gender	Male	48	53
	Female	42	47

Table 1.1 illustrates that about 78% of the respondents are fall between the age of below 40 years old. Only 12% represents above 50 years old. The number of female respondents were 42 (47%) and 48 (53%) male. 29% of the respondents are student and 44% are full time employees. 34% of the respondents visit the SM sites on daily basis. 25% visit once in a week.

A total of 5 hypotheses were developed in this research study. Figure 1.1 shows the model diagram and paths to be tested for hypothesis validation. The model was drawn in the Smart PLS in order to run the analysis.

Figure 1.1 shows the model diagram and paths to be tested for hypothesis validation.



FV – Functional Value; SV – Service Value; CES – Customer Experience; and CL – Customer Loyalty

According to Urbach & Ahlemann (2010) indicator reliability is used to measure a construct’s variables coherent to a proposed measurement. In Smart PLS, indicator reliability is evaluated by observing the factor loadings. According to Ringle et al. (2012) indicator reliability has been widely used. “The rule of thumb is to accept items with a factor loading of 0.7 or higher” (p.779) (Hair et al., 2011). As suggested by Henseler et al. (2009) the value of AVE ought to be superior than 0.50 ( $AVE > 0.50$ ). The AVE value or score (Table 1.2) interprets as if the latent variable correlates positively with the respective constructs and confidentially it can be clinched as the model have reaches an acceptable outcome (Fornell & Larcker, 1981).

Table 1.2: AVE Values for the Tested Constructs

Construct	Scale	AVE
Functional Value	Reflective	0.644
Interactive Value	Reflective	0.788
Customer Experience	Reflective	0.631
Customer Loyalty	Reflective	0.754

According to Hair et al., (2011), PLS-SEM does not assume that data analysed are normally distributed. As a rule, based on Hair et al. (2011), bootstrap samples were used to derive the t-statistics for hypotheses testing. Therefore, the structural model was derived after a bootstrapping procedure was performed. The path co-efficient and standard errors of the paths for the structural models as a result of using the Smart PLS algorithm and bootstrapping process in Smart PLS for value (functional value, service value and customer experience) towards CL.

H1: Functional Value directly influences Customer Loyalty. However, finding from this empirical study suggest that functional value does not directly influence customer loyalty as the

path coefficient is 0.246. This could be due to the undeniable nature that the value is a subjective construct that varies between customers (Parasuraman, 1997).

H2: Social Value directly influences customer loyalty. The finding from this study suggested that service value influence customer loyalty ( $t = 2.10$ ). Thus, the study supports the previous studies (Pullman & Gross, 2004; Yang et al., 2012; Echeverri & Skalen, 2011; Kuzgun & Asugman, 2015), that interactive tools pleasurable, making customers more inclined to stay loyal.

H3: Customer experience directly influence customer loyalty. The result of the empirical study proofed that customer experience directly influences customer loyalty with  $p < 0.000$  (p value). Some scholars have contended that positive experience perceived by customers, the higher their loyalty would be (Brakus et al., 2009; Jeong & Jang, 2011).

H4 Customer experience mediates the relationship between functional value and customer loyalty. Researchers (e.g. Su et al., 2015) claimed the experience mediates between perceived value and loyalty. Researchers (Kum et al., 2013) claimed that value will have impact on attitude which is significantly affect customer loyalty. The empirical study has supported the previous studies and the t value is 3.459.

H5 Customer experience mediates the relationship between social value and customer loyalty. High customer experience will automatically generate high and lasting CL (Mascarenhas et al., 2006). A study by Hapsari et al. (2015) on chatting and voice speak game, shows that community interaction on SM contributes to shaping the gamers experience which can lead to CL. This further supported by study conducted by Roederer (2012) and also aligns with research result of this study with t value of 4.547.

## Conclusions

Social Media has slowly revolutionized the 21<sup>st</sup> century thus allow organizations to socialize, engage with customers and simply being responsive to customers' needs and request in order to provide a pleasant experience. The results of the hypothesis testing indicated that (a) social value (H2) and customer experience (H3) directly support CL, (b) customer experience (H4) mediates the relationship between functional value and CL (c) customer experience (H5) mediates the relationship between social value and CL. This study enriches the SM literature in the value in social context. Moreover, the results of the study useful as it provides insights and information on the importance of customer experience in SM setting. However, with the limited number of samples used for the study, further empirical studies in a similar context can be conducted in a wider scope and in a different industry.

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## Appendix 1

