

The Impact of Interactions between Retailers and Consumers in Social Media toward Consumers' Loyalty and Sales Performance

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— *Review of* —
**Integrative
Business &
Economics**
— *Research* —

ABSTRACT

This paper analyses interactions between retailers and consumer in social media. The results of this study indicate that the use of social media positively contributes to retailers' sales performance, and consumer–retailer loyalty; reputable retailers mediate the relationship between the retailer's and consumer in social media. Furthermore the effect of retailers' social media usage towards a customers' social media usage is moderated by customer interaction and service ambidexterity Potential further research need to add factors that could potentially become moderating variables that can be applied within this theoretical framework, and furthermore the further research are able to increase the variety of social media.

Keywords: contagion effects, social media, retailers, consumers, sales performance

1. INTRODUCTION

However, nowadays, due to existing various media, business owners tend to reveal their abilities in using social media applications. Social capital is a collection of norms existing in a social system, which can enhance cooperation for social members and reduce the cost of exchange and communication (Alvani and Shirvani, 2006). In addition, social capital as a phenomenon as a consequence of the impact of social organizations, human relationships, and cultural norms on the quantity and quality of social interaction (Alvani and Shirvani, 2006).

Furthermore Then, ads are created to increase awareness of products and services; More than 4,000 empirical studies suggested a permanent role in distributing social networks and expansion of products and services such as books, the stock market and so on (Ghafari, 2006). Meanwhile, Social Networking Sites (SNS) is a web-based service integration allowing individuals to create a public profile. Social networks provide an opportunity for individuals to share their interests and expand communication (DC, 2011). SNS serves a variety of features to manipulate the user's needs. Users are allowed to be present, to begin relationship with other users, and to maintain their connections, share and locate information (Magnier-Watanabe R, 2010). Marketers began to concentrate on the social site as potential customers as the opportunity to increase sales. SNS such as Facebook,

Blackberry Messenger and YouTube have become the top 10 social media to attract customers(Zhan, 2010). Thus, these sites can be profitable for businesses to advertise their products or services(Xu K et al., 2010).

It is generally known that social contagion and Word-of-mouth (WOM) concern about introduction of product and sales, and they also have relationship with achievement of corporate performance that is increasingly dependent on "network" and "viral" Marketing Strategy (Hill et al., 2006), (Puneet et al., 2008), (Nam et al., 2010). Personalization of the active message which is more effective in encouraging the adoption of vending relationship with customers, is correlated with more customer engagement and the use of sustainable products, massive message produces a total adoption of colleagues in the network(Aral and Walker, 2011).

Social Medias changes business landscape and redefines how to communicate in business, distribution channels and their customers. According to a survey conducted by Markplus Insight, 20 percent of internet users doing online shopping in Indonesia. Most of them are women. Figure 1 illustrates three most commonly purchased items: clothes (61,7 percent), shoes (20.2percent), and the bag (20 percent)(Marketeers, 2015).

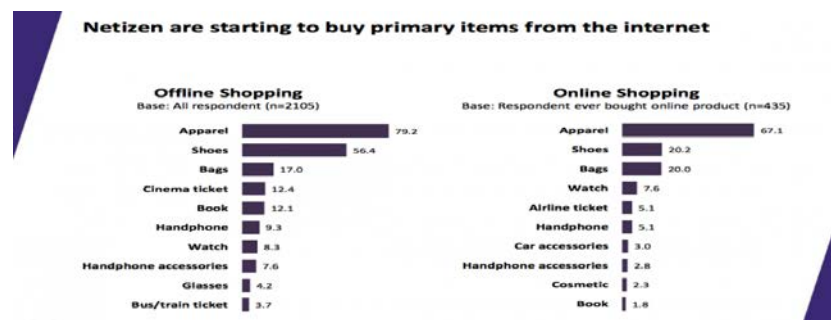


Figure 1. Data Purchase Via Online Shopping

Source: (Marketeers, 2015)

Indonesian people are increasingly savvy in the use, development and utilisation of social media. For instance, they do not only use social media to connect with friends, but also to shop online. Although it is not limited to internet users in Indonesia, the use of social media for online shopping is still a unique opportunity, let alone see the development of a remarkable social media (Marketeers, 2015).



Figure 2. The Use of Media Online Purchase

Source: (Pekanbaru, 2015)(n = 92)

The research by MarkPlus Insight (Pekanbaru, 2015)in Figure 2 reveals that the popularity of social media like Instagram, Facebook, and Twitter is almost comparable to the

e-commerce shopping channel like Lazada and Zalora, as well as online forums like Kaskus and Tokopedia. Besides that, category instant messaging applications such as: Line, WhatsApp, BlackBerry Messenger, Path etc. are also commonly used to shop online. However, customers are less utilise official brand online shopping site.(Pekanbaru, 2015).

Social contagion is one of the theoretical frameworks that has been used to describe the diffusion of innovation, mimic the response, and transfer technology in various contexts, including sustainability of entire supply chain behavior (McFarland et al., 2008). Therefore, this study uses the concept of contagion as a theoretical point of view to examine the adoption of social media usage around the downstream channel relationships and the resulting impact on the performance of the brand and channel members. This perspective is very useful for suppliers to understand how role of brand message through social media throughout supply chain (Rapp et al., 2013)

This study also examines the impact of social media usage by retailer stores. Contagion theory explains that individuals or companies are engaged in behavior due to their interactions with other people or companies that engage in the same behaviour (Burt,1987; Contractor and Eisenberg 1990; Latane 2000).

2. LITERATURE REVIEW

Social media gives consumers a voice that marketers cannot ignore. In fact, 85% of marketers cited one of the benefits of social media marketing was the ability to engage in dialogue with consumers (Mershon, 2012). However, in order to make use of social media to fulfill its function as a tool to co-create value, companies must make efforts or investments to provide consumers with incentives to share information and engage relational behaviors. Consumers must also provide inputs to the relationship, not only passive access for companies to track customers' information, but also to provide content and conversation for many social media strategies. It is important for the companies to understand how consumers view social media marketing efforts made by them; and also it is quite important for the companies to understand how social media interactions influence the consumers-companies relationships. (Clark and Melancon, 2013).Theriou et al. (2009) extend model developed by Widener (2004) a step further by incorporating organizational performance. It supports the proposed model of Widener. They verify positive influence of four components of SHC to personnel controls and non-traditional results controls; and their negative influence on use of traditional results controls. However, online social media shopper's channel selection behavior have been neglected despite its significant effect on purchasing decision in both offline and online markets(Rezaei and Ismail, 2014).

2.1 Contagion Theory

Social contagion occurs when people change their behavior after an interaction with another person or group, do often to heighten awareness, social learning, and/or the desire to adhere to perceived norms through a process of relating (Latane,2000; Van den Bulte and Wuyts,2007). McFarland et al. (2008)propose that the company's behaviour and actions taken will be imitated in the supply chain. Provide initial support to affect the transmission of social media usage in the whole consumers and retailers.

Online social interaction through social media, is becoming increasingly important and has been studied extensively (Godes et al.,2005; Trusov M et al.,2009; Schmitt P et al.,2011; Berger 2014; Aral and Walker,2012;Bapna and Umyarov,2014). The interesting thing about the use of social media is that consumers can rapidly disseminate information

about the company and its products. Furthermore, the company is also increasingly easy to interact with customers. The company has shifted from simply being a passive observer and moderator of online social interaction becomes actively interact with customers (Godes et al., 2005)

2.2 Supply Chain Contagion

McFarland et al. (2008) emphasised that supply chain of transmission is triggered by three types of imitation (adapted from Grewal and Dharwadkar, 2002) which are: reflexive imitation, imitation and normative imitation compliant. Reflexive imitation occurs when organisations see similarities as common identities that are made by perceptions of environment and competition. Imitation is company's response to dependency between organisation and positive response arising from business-to-business dependency. Finally, normative imitation is encouraged by the level of socialisation and interaction among members of same institutional environment under a high competition. Normative imitation is characterised by development of a collective belief and acceptance of standards among members of the channel, which leads to the adoption and transfer behaviour from one level to next level, i.e., spawning the supply chain of transmission (Rapp et al., 2013).

Normative imitation is encouraged by the high level of socialisation and collective confidence. Based on consumers' perspectives, products are important source of pride, self-esteem, satisfaction and belonging. Communities that are members of the consumer community of product users often engage in collective behavior praising their favorite products (McAlexander et al., 2002). Also, consumers demonstrate to retailers that they wear the retailers' brands as extensions of their personal identities.

3. HYPOTHESES DEVELOPMENT

Based on the literature review, it can be emphasised that the desire of consumers to identify the behavior of retailers will perpetuate a normative imitation. This will enhance the effect of communicable actions on the use of social media from the retailer to the consumer. It is important to realise that social media encourages two-way communication. Although this was initiated by members of upstream channel, social media is useful in communicating upstream and downstream. Thus, there is an important reason behind the transmission of the effects of social media in the use of social media by members of the upstream channel to change or add to the mechanism of interaction of the state with the participants so that spawning occurs normative and reflexive imitation (Rapp et al., 2013).

Based on the previous description, first hypothesis can be developed which is:

H₁: If the use of social media by retailer's increases then the use of social media by consumers also increases.

This study adopts three moderating variables, namely interaction with customers, retailers and service reputation, which are mentioned by Rapp et al. (2013). The moderating variables above can be explained by several indicators, which are: 1. Customer contact frequency (i.e, amount of each channel members to spend time with customers) that shows a high degree of socialisation and interaction, ease of communication, and mutual understanding between channel partners; 2. Brand reputation refers to the degree to which members are considered as leading upstream channel, and also indicates confidence level. 3. The service is exceptionally agile that involves the company's ability to explore and exploit opportunities related services in competitive environment. In an environment with increasingly emphasised marketing services, social media has this capability that enables the

company to increase its influence to each member of the channel. According to Rapp et al. (2013) each dimension contagion effect of moderating the use of social media will strengthen the interaction between suppliers and consumers.

Furthermore, research one power network area proposed that social networks consist of relationships with different strengths, as Granovetter (1973) holds the "combination of the amount of time, emotional intensity, intimacy and mutual dependence that characterise services". As suggested by previous studies (Mittal et al. (2008), Nelson (1989)), the strengths of the dependences are measured using a variety of variables, including frequency of social contact. It is quite plausible that the relationship is characterised by high level of contacts that has tendencies to strengthen interdependent relationships (Rapp et al., 2013). Burt (1987) noted that his physical approach allows social contagion in increasing relationship between two parties. It means that the greater likelihood of behaviour committed by one of the parties will trigger other parties to imitate the behaviour. One might argue that the frequency of contacts can actually reduce the use of social media because of abundant communication through traditional mechanisms. However, based on facilitation role and influence of a strong bond discussed above and mimicking behaviours, the researchers believe that the frequency of contact will strengthen the relationship between the use of social media at various levels of the channel (Rapp et al., 2013). To support this statement, Obstfeld (2005) noted that despite a strong relationship in dense network of innovation, they also effectively support collective action. The use of social media channels at the level of collective action can make various parties face some risks that based on demand information sharing level on social media. A strong bond will help mitigate this risk when channel enables participants to share in the framework of the collective benefits of interactive communication. Therefore, based on the previous description, it can be hypothesized as follows:

H₂: The customer interactions frequency moderating the relationship between the use of social media for retailers and consumer as social media users.

Service ambidexterity in organisational context refers to the ability of the company to perform tasks that could potentially give increases conflict. (Yu et al., 2010). This phenomenon often requires managers to simultaneously sense some changes and take potential opportunities in a competitive environment (O'Reilly and Tushman, 2011). Furthermore, retailers seek to identify and satisfy customers' needs through exploration and exploitation of increasing relationships complexities that affect adoption of social media (Rapp et al., 2013). Based on the previous description, the researchers develop the third hypothesis which are:

H₃: Extraordinary dexterity retailer services moderate relationship between the use of social media for retailers and consumers social media usage.

Brand reputation refers to perception of downstream channel partners and end consumers about a brand, which is reflected by the brand associations held in the consumers' memory (Keller, 1993). Brand reputation can be driven by productivity attributes or non-related products (Rossiter and Percy, 1987). When local retailer appear as an option, store should carry a variety of brands. In many ways, the retailer's own brand suppliers are offered to customers. Retailers "borrowed capital" brand suppliers aim to establish their own identity (Rapp et al., 2013). Therefore, the brand's reputation is quite important not only for consumers in shaping and supporting its concept, but also to retailers in establishing his identity as the desired source for related products.

Therefore, we assume that reflexive and normative influences increase when the supplier and the retailer has a good reputation. (Rapp et al., 2013).based on previous description the fourth hypothesis can be developed as follows: H₄: Retailer brand reputation (perceived by consumers) mediates the relationship between the use of social media retailers and consumers using social media.

Consumer-retailer loyalty occurs when retailers can consistently deliver best value products or services for the customers. . Zeithaml et al. (1996) define consumer's loyalty as an intention to stay with organisation, and loyalty may include as an element of attitude. Loyal customers are those who strongly feel about a company that virtually exclude competitors in their consideration. Such "true devotion" is a psychological tendency that leads to repeating purchases positive WOM (Shankar et al., 2003). Retailers can increase loyalty by improving satisfaction through higher levels affect of feelings toward corporate customers by adding more interpersonal excitement or experience for the services delivered (Yim et al., 2008). Usage of social media is again primarily driven by human interaction, with technology as the channel. Social perceptions of the consumer attributed in a website should expand the use of social media because of interaction between private and available communicative actions. It shows that more and more consumers interact with retailers using social media, the more likely retailers can create excitement and generate a feeling of affection. Consumers should also have a positive social cue attributes to retailers which leads to the increased loyalty to retailers (Rapp et al., 2013). Based on the previous description, the fifth hypothesis can be developed as follows: H₅: If consumers' social media usage increases, then consumer-retailer loyalty increases.

In market, retailers sell national branded goods in addition to their private label goods. They are considered to be successful in social media because their ability to drive traffic to their stores, respond to customer requests and concerns quickly, and provides a variety of products.. Often, a social media campaign is used to focus on a few specific brands and statewide events, Increased use of social media may encourage profitable sales of all brands sold in stores as a national brand respectively. Therefore, the use of social media retailers should positively affect the performance of the brand in retail outlets, due to increased exposure (Rapp et al., 2013). Therefore, the researchers develop sixth hypothesis as follows: H₆: when the use of social media retailer increases, the performance brand within retail supplier increases.

In creating consumer-retailer loyalty and better performance, retailer must often buy products and have a good attitude towards it. Reichheld (1996) summarises the benefits of customer loyalty: an increase in revenue and a decrease in customer acquisition costs. As we noted previously, customer loyalty is often measured by the purchasing behavior of customers; greater loyalty means a higher tendency of customers to continue to buy, which means that it will give a positive impact on company performance. It is found that customers who are loyal to retailers to buy more, are more open to learn about new products or additives. Furthermore, they are likely to recommend the retailer to others. When customers loyal to certain retailers, they are more likely to visit a retailer and prefer retailers over its competitors (Evanschitzky et al., 2012).

Therefore, based on the previous description, the next hypothesis is :H₇: Consumer-retailer loyalty improve the sales performance of retailers.

Figure 3 illustrates the research model based on the concept from Rapp et al. (2013)and Wahyono et al. (2015), and modified.

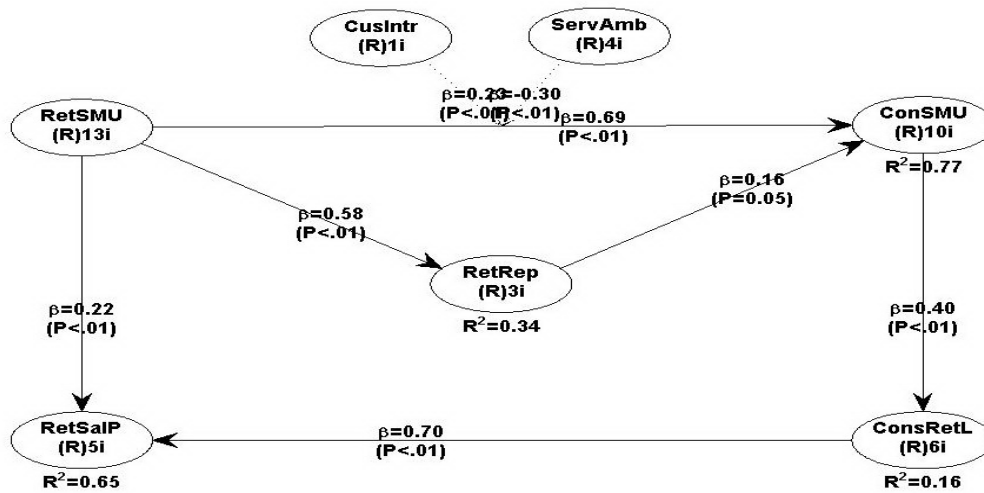


Figure 3 Research Framework

4. METHODOLOGY

A random field survey was conducted to test the hypotheses. The respondents of this study were individuals who are exposed to personal selling and social media activities. The questionnaire was divided into seven parts, which are: 1).retailer social media usage, 2).customer interaction, 3).retailer reputation, 4).service ambidexterity, 5).consumer social media usage, 6). consumer-retailer loyalty and 7).retailer sales performance. Part 1 relates to respondents’ perception about retailer social media usage, consists of 13 items. Part 2 focuses on the frequency of customer interactions moderates the relationship between retailer social media usage and consumer social media usage which includes 1 item. Part 3 describes the retailer brand reputation (perceived by the consumer)that moderates the relationship between retailer social media usage and consumer social media usage , consists of 3 items. Part 4 relates to retailer service ambidexterity that moderates the relationship between retailer social media usage and consumer social media usage, consists of 4 items. Indicators were measured using 7-point scale for ‘very often (score 7)’ to ‘never (score 1)’ responses. 100 questionnaires were used in this study. The valid response rate is 100%. In addition, among the 100 participants, 17 (17%) were male and 83 (83%) were female. The researcher used statistical software WarpPLS 5.0 edition for data analysis.

5. ANALYSIS OF HYPOTHESES AND RESULTS

Results of the calculation SEM fit model using WarpPLS 5.0 shown in figure 4.

<p>Model fit and quality indices</p> <p>Average path coefficient (APC)=0.411, P<0.001</p> <p>Average R-squared (ARS)=0.479, P<0.001</p> <p>Average adjusted R-squared (AARS)=0.471, P<0.001</p> <p>Average block VIF (AVIF)=1.348, acceptable if ≤ 5, ideally ≤ 3.3</p> <p>Average full collinearity VIF (AFVIF)=2.192, acceptable if ≤ 5, ideally ≤ 3.3</p> <p>TenenhausGoF (GoF)=0.501, small ≥ 0.1, medium ≥ 0.25, large ≥ 0.36</p> <p>Sympson's paradox ratio (SPR)=1.000, acceptable if ≥ 0.7, ideally = 1</p> <p>R-squared contribution ratio (RSCR)=1.000, acceptable if ≥ 0.9, ideally = 1</p> <p>Statistical suppression ratio (SSR)=1.000, acceptable if ≥ 0.7</p> <p>Nonlinear bivariate causality direction ratio (NLBCDR)=0.938, acceptable if ≥ 0.7</p> <p>Path coefficients and P values</p> <p>Path coefficients</p>

Figure 4 output model fit and quality indices

Output in Figure 4 shows that the indicators fit, namely the APC and ARS is significant with a p-value less than 0.001. as well as indicators of 1.348 AVIF qualifies under cut-off value 5. In testing models AVIF moderation should become focus of this research, because in WarpPLS analysis multicollinearity is likely to occur.

In support the first hypotheses, based on WarpPLS output in Figure5 shows a direct effect of social media usage from retail store to the customer ($H_1 \gamma=.686$, $p=.001$). For retailers, social media usage in and of itself may influence the consumers' use of social media. Many consumers appear to follow retailer stores for promotional and advertising information. Similarly, results suggest that retail stores are tracking social media usage of the supplier salesperson. Although we realise that other approaches or theories could be used to support these initial relationships, our preliminary results are consistent with the contagion influence outlined above (Rapp et al., 2013).

Figure 5 illustrates the results along the path coefficient estimate p-values. 5.0 moderation testing output WarpPls. The focus is on the coefficient CustIntr*RetSMU, ServAmb*RetSMU towards ConSMU. Regarding to the moderating influences of the three individual constructs, results showed that both customer interaction ($H_2 \gamma=.230$, $p=.008$) and service ambidexterity ($H_3 \gamma=-.303$, $p=.001$) positively moderated the use of social media at the lower level in the supply chain. The influence of retailer social media usage toward consumer social media usage moderated by customer interaction and service ambidexterity. Then, retailer reputation significance as a mediator variable in either relationship ($H_4 \gamma=.163$, $p=.045$). Consumer's use of social media directly influences his or her loyalty to the retail store ($H_5 \beta=.401$, $p=.001$). Second, social media influences store performance ($H_6 \beta=.225$, $p=.009$). Ambarriani and Purwanugraha (2012) suggest that, in order to survive and grow, individual family firm, need to improve its performances and have more concern on their management processes to support their activities in term of financing, administration, and operational activities. we expected, more loyal consumers tended to buy more across the total retail store offering ($H_7 \beta=.697$, $p=.001$).

	RetSMU	ConSMU	CusIntr	RetRep	ServAmb	ConsRet	RetSalP	CusIntr
ServAmb								
RetSMU								
ConSMU	0.686			0.163			0.230	-0.303
CusIntr								
RetRep	0.583							
ServAmb								
ConsRet	0.401							
RetSalP	0.225			0.697				
CusIntr								
ServAmb								

P values	RetSMU	ConSMU	CusIntr	RetRep	ServAmb	ConsRet	RetSalP	CusIntr
ServAmb								
RetSMU								
ConSMU	<0.001			0.045			0.008	<0.001
CusIntr								
RetRep	<0.001							
ServAmb								
ConsRet	<0.001							
RetSalP	0.009			<0.001				
CusIntr								
ServAmb								

Figure 5 Path coefficients and P value

7. CONCLUSION

Social media offers retailer-consumer partners an opportunity to connect and communicate rapidly and effectively. It also supports interactions with the brand and industries. This multilevel promotion of the supplier, brand, and competitive environment provide a more engaging relationship for suppliers and consumers. For retailers, social media provides simultaneous communication with suppliers and customers. Therefore, the retailers can provide consumers with more up to date information as it is transmitted from the supplier. If consumers interact more with the retailers, it indicates that the consumers become more loyal to the retailers and their brands. Furthermore, it generates a positive performance affecting both retailers and their brands. The effects of social influences based on moderation also produces interesting insights for both suppliers and retailers.

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