

# EFFECTS OF SOCIAL MEDIA COMMUNICATION ON BRAND EQUITY AND BRAND PURCHASE INTENTION: A CASE STUDY ON DOMESTIC BRANDS IN BOSNIA AND HERZEGOVINA

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**Abstract:** Social media is forming an increasingly central part of how companies communicate their marketing strategies to their customers. Online communities carry a strong and influential voice, and there is much to be gained from engaging directly with people through these channels – whether it is reaching and keeping existing customers or acquiring new ones.

In light of such positive ground for social media this study aims to provide an empirical analysis of the impact social media communication has on brand equity and purchase intention. A systematic literature review has been conducted in order to understand how the dimensions of social media create word of mouth i.e. electronic word of mouth (E-WOM) on social media platforms and how this E-WOM further influences brand equity and customers' purchase intention of domestic brands in Bosnia and Herzegovina.

300 data sets were generated through a standardized online-survey and analyzed in SPSS.

The results of the empirical study showed that both firm-created and user-generated social media communication influence brand equity, consequently impacting brand purchase intention.

**Keywords:** *Social Media Communication, E-WOM, Brand Equity, Purchase Intention, Bosnia and Herzegovina*

**JEL Classification:** M31, M37

## 1. Introduction

The fast paced integration of Internet as a marketing tool in recent years has had a huge impact on how brands chose to communicate with their customers. The Internet has provided a huge platform for local and global brands to expand their market and acquire more customers than ever before. An increasing number of consumers are embracing the internet and spend more time searching for information, which largely affects their purchase decisions. Given such opportunities, firms and their brands have dived into Social Media Marketing, which emerged as the most popular and effective tool of marketing and communication nowadays.

As proposed by Bernoff & Li, 2011 social media platforms offer an opportunity for customers to interact with other consumers; thus, companies are no longer the sole source of brand communication. Moreover, consumers are increasingly using social media sites to search for information and turning away from traditional media, such as television, radio, and magazines (Mangold & Faulds, 2009). This phenomenon has reduced marketers' control of brand management (Berthon, Pitt, McCarthy, & Kates, 2007). Therefore, it is of crucial importance to understand that customers' perceptions of brands are not anymore influenced only by what the companies communicate, but what other customers have to say about the particular brand as well.

This is a relatively new advancement clinched alongside Bosnia and Herzegovina which is a transitional market full of marketing opportunities for foreign and domestic brands. However, most of domestic brands still do not have online presence and are not able to manage the challenges of the new digital era and its advantages.

In fact, only 35 per cent of consumers in Bosnia and Herzegovina opt for domestic products when doing their shopping, according to a research in 2015 by the agency Global Market Solutions (GMS).

As the values of a brand depend largely on their customers' perceptions, domestic companies need to face the challenges of the digital era and monitor and engage their target audiences on social media platforms.

This article is part of a larger study that aims to fill a gap in the literature with respect to understanding the effects of E-WOM, which is created of firm-created and user-generated communication on social media, towards brand equity and consumers' purchase intention, a topic of relevance as evidenced by many researchers, including Villanueva, Yoo, & Hanssens (2008), Taylor (2013) and many other papers such are Christodoulides, Jevons, & Bonhomme (2012), Smith, Fischer, & Yongjian (2012).

Results of this research will enable domestic brands to learn more about their clients and this work will be an important source of information for marketing managers in terms of planning and developing their strategies. Data was collected through a standardized online survey. The survey included questions assigned to each one of the examined variables and was distributed to active social media users in Bosnia and Herzegovina. A total of 300 usable responds were collected and analyzed. The main objective of this paper was to explore the utilization of Social Media marketing activity of domestic brands in Bosnia and Herzegovina and understand its effects on brand equity and customers' purchase decisions. Another objective of the study was to quantify constructs concerning the current state of customer's perceptions and attitudes towards social media activity of domestic brands and their purchase intention.

This article provides a platform for further research, highlighting business implications and providing recommendations for practical business applications.

## 2. Literature Review

As defined by the Merriam Webster Dictionary: "Communication is the act or process of using words, sounds, signs, or behaviors to express or exchange information or to express your ideas, thoughts, feelings, etc., to someone else." Therefore, social media communication can be interpreted as the transmission of a message to others, via an online platform.

Social media marketing enables marketers to distribute their messages and content to a broader audience while enabling them to interact directly with their existing and potential customers. In order to do this quickly and cost efficiently brands must understand where their target audience spends their time on social media.

However, besides the firm-created content on social media, Web 2.0 is a term that describes the Internet as a platform whereby content is continuously modified by all internet users in a participatory and collaborative approach (Bernoff & Li, 2011).

Kaplan & Haenlein, 2010 define user-generated content (UGC) as the sum of all ways in which people make use of social media. The term user-generated content is usually applied to describe the various forms of media content that are publicly available and created by Internet users (Kaplan & Haenlein, 2010). Hence Bruhn, Schoenmueller, & Schäfer (2012) and Schivinski & Dabrowski (2013) have used the dimensions of social media communication as firm created content and user generated content.

Word of Mouth is the powerful tool to influence people and also can influence their buying behavior. This can be proved according to (Richins & Root-Shaffer, 1988) who stated that Word of Mouth has been shown to play major role for customers' buying decisions. Hennig-Thurau, Gwinner, Walsh, & Gremler (2004) define online Word of Mouth as being: "Any positive or negative statement made by potential, actual, or former customers about the product or company which is made available to a multitude of people and institutions via the internet". According to Cheung, Chan, & Rabjohn, 2008 more and more consumers use Web 2.0 tools such as online discussion forums, consumer review sites, weblogs, and social network sites to exchange product information. Online Word of Mouth can provide the opportunity to consumers to read other consumers' consumption opinions and experiences as well as write contributions by themselves.

Another key concept, studied by various researchers is the brand equity. It is a marketing asset (Styles & Ambler, 1995) that can produce a relationship that differentiates the bonds between a firm and its public and that nurtures long-term buying behavior. The understanding of brand equity and its growth raises competitive barriers and drives brand wealth (Yoo, Donthu, & Lee, 2000). This research employs (Aaker, 1999) construct of brand equity, defined as a "set of brand assets and liabilities linked to a brand, its name and symbol that add to or subtract from the value provided by a product or service to a firm and/or to that firm's customers". According to (Aaker, 1999) brand equity is a multidimensional concept with first four core dimensions as brand awareness, perceived quality, brand associations and brand loyalty.

There are many studies showing the relationship between social media and brand equity like Bruhn et al. (2012), Kim & Ko (2010), Schivinski & Dabrowski (2013) and Christodoulides et al. (2012) etc. Some studies have shown this relationship through electronic word of mouth which is the ultimate result of social media communications like Wolny & Mueller, 2013, Yasin & Zahari, 2011, Murtiasih, Sucherly, & Siringoringo, 2013 etc. Bruhn et al., 2012 have used the term social media communication for social media as it is mainly the communications which take place on social media platforms. Moreover, empirical evidence indicated that brand equity can affect purchase intention in various contexts (Ashill & Sinha, 2004); (Chang & Liu, 2009), but the number of studies which apply Aaker's brand equity model to measure the effect of its dimensions on purchase intention is limited, given that the purchase intention refers to the subjective judgment by the consumers that is reflected after general evaluation to buy products or services (Shao, Julie, & Wagner, 2004).

### 3. Hypotheses

By using the identified constructs from the literature following hypotheses for the research have been formulized:

*H1:* There is a significant relationship between E-WOM and Brand equity of domestic brands in Bosnia and Herzegovina

*H2:* There is a significant relationship between Brand Equity and customers' purchase intention of domestic brands in Bosnia and Herzegovina

Hypotheses that support the main hypotheses are outlined below:

*H1a:* User-generated social media communication has a significant effect on E-WOM

*H1b:* Firm-created social media communication has a significant effect on E-WOM

### 4. Data and Methodology

For conducting this research, with the aim to get a closer insight into customers' purchase intention against social media communication of domestic brands in Bosnia and Herzegovina, independent variables were identified as a result of literature review. Accordingly, the survey consisted of questions that were adapted from previous researches.

**Table 1:** Review of survey questions Construct and Measurement

		Alpha	Reference
Brand Awareness	I can easily recognize this brand among other competing brands.	0.93	Cathy, Haemoo, &) (Assaf, 2012
Brand Association	I trust the company who owns this particular brand.	0.87	Severi, Choon Ling, &) (Nasermoadeli, 2014
Brand Loyalty	This brand would be my first choice.	0.91	Uslu, Durmuş, & Kobak) (Kolivar, 2013
Perceived Quality	In comparison to alternative brands, the likely quality of this brand is extremely high.	0.89	(Uslu et al., 2013)
Firm-created social media communication	I am satisfied with the company's social [media communications for [brand	0.92	Schivinski and) (Dabrowski 2013
	The level of the company's social media communications for [brand] meets my expectations	0.92	
	The company's social media communications for [brand] are very attractive	0.93	
	This company's social media communications for [brand] perform well, when compared with the social media communications of other companies	0.87	

User-generated social media communication	I am satisfied with the content generated on [social media sites by other users about [brand	0.90	Schivinski and) (Dabrowski 2013
	The level of the content generated on social media sites by other users about [brand] meets my expectations	0.92	
	The content generated by other users about [brand] is very attractive]	0.82	
	The content generated on social media sites by other users about [brand] performs well, when compared with other brands	0.86	
E-WOM	When I buy a product, the online reviews on the product are helpful in my decision making	0.84	(Mirza & Almana, 2013)
	The number of positive product reviews online affects my purchase decision	0.90	
	The number of negative product reviews online affect my purchase decision	0.93	
Brand purchase intention	I would buy this product/brand rather than any other brands available	0.89	Yoo, Donthu, and) (Lee 2000
	I am willing to recommend that others buy this product/brand	0.94	
	I intend to purchase this product/brand in the Future	0.89	

The target group of respondents included active social media users in Bosnia and Herzegovina. Social networking statistics show (as of mid-2013) that around 1.5 million social media users exist in the country ("TOP 100 Facebook Brands Social Media Stats from Bosnia and Herzegovina," 2013). The largest age group among social media users is 18-24, followed by 25-34. Even though these statistics apply to Facebook users, it is worthwhile to mention that this social media site is the most used social media network in Bosnia and Herzegovina. Male users slightly dominate female users according to the statistics. A sample of this target group was reached through an online data collection method. Respondents were identified with the snowball sampling method, (Malhotra, 2009) where researchers requested students, teachers, professionals and other people from different walks of life to help.

## 5. Results and Analysis

Even though 332 responses were submitted, only 300 out of these were used in the analysis. Incomplete questionnaires, as well as the ones where respondents have not become a fan of any domestic brand have been rejected. The sample was a male-dominant one (54.7% were male). The majority of respondents were in the 21-25 age group, (52.7%) followed by 25-30 (36%), below 20 (6.3%), 30-35 (4.3%) and above 35 (0.7%).

Age distribution represents statistics that show that the largest social media user group in Bosnia and Herzegovina is in the 18-30 age group ("TOP 100 Facebook Brands Social Media Stats from Bosnia and Herzegovina," 2013). All respondents were from Bosnia and Herzegovina.

As for the educational background of respondents, 50.3% had a bachelor's degree, 27% had a master's degree, 22.7% had a high school diploma. In these groups, 46% were employed in the private sector, 45.3% were students 3.7% were employeres in the public sector, 2.7% were unemployed and the same percent (2.7%) were self-employed.

The time the sample group spends on social media sites is as follows: 54.3% uses them more than two hours a day, 38.7% one to two hours a day, 6% less than one hour a day and 0.3%, 0.7% one to two hours a week and 0.3% other.

For testing hypotheses of the study linear regression was used.

The table below shows the relationship between Social media communication, calculated as the mean of firm-created and user-generated content and E-WOM, which is highly significant and therefore confirms the supporting hypotheses, H1a and H1b.

**Table 2:** Relationship between Social media communication and E-WOM

Coefficients <sup>a</sup>						
Model	B	Unstandardized		Standardized	t	.Sig
		Coefficients				
		Std. Error	Beta			
1	(Constant)	2.508	210.		11.940	.000
	SMC_mean	.409	.055	.397	7.467	.000

a. Dependent Variable: EWOM\_mean

A significant positive relationship among E-WOM and Brand Equity was found as presented in the table below, proving H1.

**Table 3:** Relationship between E-WOM and Brand Equity

Coefficients <sup>a</sup>						
Model	B	Unstandardized		Standardized	t	.Sig
		Coefficients				
		Std. Error	Beta			
1	(Constant)	2.542	.178		14.277	.000
	EWOM_mean	.367	.043	.441	8.483	.000

a. Dependent Variable: BE\_mean

Testing the variables further, it was found that there is a strong and significant positive relationship between Brand equity and Purchase intention as well.

**Table 3:** Relationship between Brand Equity and Purchase Intention

Model		Coefficients <sup>a</sup>			t	.Sig
		Unstandardized Coefficients		Standardized Coefficients		
B		Std. Error	Beta			
1	(Constant)	1.728	.178		9.711	.000
	BE_mean	.607	.044	.627	13.909	.000

a. Dependent Variable: PI\_mean

Therefore, we can clearly observe that the social media communication affects Brand equity, through E-WOM, further influencing customers' purchase intentions of domestic brands in Bosnia and Herzegovina.

## 6. Conclusion

Given the findings above, this research provides important insights about effects of social media communication on brand equity and customers' purchase intentions of domestic brands in Bosnia and Herzegovina.

The limitation of the study is that the sample is relatively small and that it is carried out in the context of Bosnia and Herzegovina only. Accordingly, suggestions for future researches would be based on going more deeply into other dimension affecting consumers' purchase decisions and analyzing larger samples. This article represents a very unique set of information for the domestic brands operating in Bosnia and Herzegovina, who can use this knowledge to build up their online marketing communication in order to reach more consumers who are willing to buy their products. This research empirically proved that social media communication of domestic brands, which creates E-WOM affects brand equity, highly influencing the purchase decisions of their customers.

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