The Antecedents of Purchase Intention on Small and Medium Enterprises Product During Pandemic Covid-19 in Denpasar City

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ABSTRACT

The Covid-19 pandemic has plunged the world into a global economic crisis. The recession has hit businesses, including small and medium enterprises (SMEs). Some SMEs are successfully capitalizing on economic crises by turning crises into opportunities.. This study aims to determine the role of eWOM in mediating the influence of social media and brand image on purchase intention of SMEs products. A survey was conducted from customers who experienced to purchase a product online. The data were analyzed using the SEM-PLS approach. This study revealed that brand image and social media had positive and significant direct effect on purchase intention, and indirect effect on purchase intention mediated by EWOM. This study approved that brand image, social media and EWOM are key factors to increase product purchase intention during the covid-19 Pandemic.

Keywords: EWOM; Brand Image; Purchase Intention; Social media.

INTRODUCTION

World Economic Forum, if the pandemic still exists, the global economy will not recover until the third quarter of 2022 (Seo, 2022). The Ministry of SMEs and Startups identified the problems and found that SMEs faced various problems such as decreased sales, difficulties in securing raw materials, stagnation in distribution due to quarantine, difficulties in securing capital, and low interest rates due to the COVID-19 pandemic (Rahmatullah et al., 2020). Reduced productivity due to irregular working days (Arda, 2021; Papilaya et al., 2015). Some SMEs successfully utilizes the economic crisis by using a crisis as a chance (Sunarsi et al., 2019). These SMEs are successfully maintaining financial stability despite the serious impact of crisis. By taking lessons from previous economic crisis, SMEs suppose to take strategic actions to maintain the business (Sunarsi, 2020; Sunarsi & Baharuddin, 2019; Susanti et al., 2020).

Previous study approved that brand image is one of the key factors to keep the existance of a business. Consumers are more likely to purchase well-known brand products with a positive brand image, because a brand with this image has the effect of lowering consumers perceived risks. Brand image is an important cue during the process of consumers' purchase decision making. Favorable brand information positively influences perceived quality, perceived value, and consumers' willingness to buy. In order to increase their competitive advantage, SMEs have

been using a lot of technology in their business. One form of technology that is widely adopted is social networking. Customers have begun to widely use social nework to perform daily activities, such as finding information about an item or service and making transactions. There are several considerations from customers in using social media to fulfill their needs. It is easier for consumers to get the products they wanted without spending a lot of time or commuting especially during covid-19 pandemic. Social media provides easy access to interactive communication, customer reviews, and product information. It also helps clients using different social networks to evaluate and compare alternatives. Recently, customers are paying more attention to the credibility and relevance of advertising content, and customer recommendations are prioritized over products offered by companies. Purchase intention is an important factor in understanding consumer buying behavior.

The development of the internet has affected communication skills and has strengthened the scale and scope of word-of-mouth communication and has presented the basic meaning of *electronic* word of mouth(eWOM) into a new concept of eWOM that provides transparency and easy access to information over the internet, which is what makes marketers more interested in getting involved in using eWOM as a means of marketing (Bataineh, 2015). eWOM refers to positive or negative statements made by potential, actual, or former customers about a product or company, which are available to many people and institutions through the Internet (Jalilvand, 2012). Many studies have been conducted regarding the relationship between the variables of brand image, social media, eWOM and purchasing decisions, but there are still gaps that need to be investigated. Studies conducted by previous researchers focused on certain aspects of the purchasing decision process, and the variables used in the research were segmented. The model proposed in this study is an integrative model derived from separate models, and this study was conducted during the covid-19 pandemic. The aim of this study is to determine the effect of brand image and social media on purchasing decisions, and the role of EWOM to mediate the effect of brand image and social media on culinary purchasing decisions of small and medium enterprises, especially in the era of the covid-19 pandemic.

This study attempted to determine the direct impact of brand image, social media, and word of mouth on purchase intentions, and the role of word of mouth as mediating variable on the influence of brand image and social media on purchase intentions. The model proposed below is tested with consumer goods who purchased on line in Denpasar city.
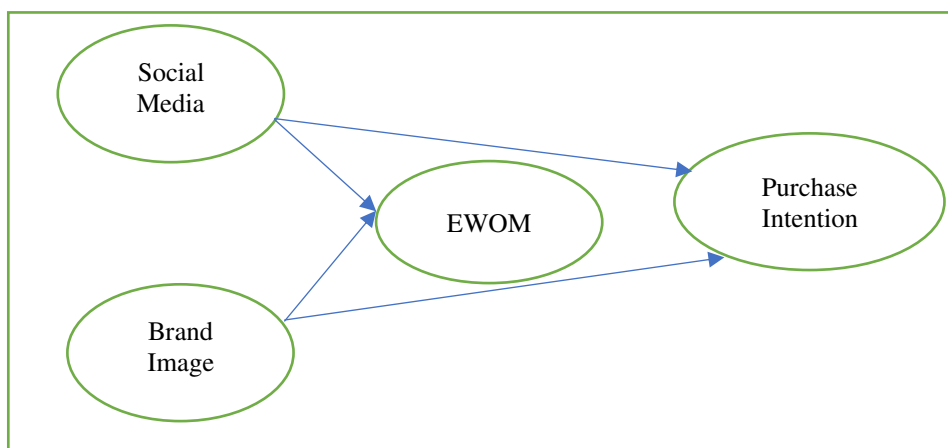
Figure 1. Conceptual Framework

Based on the study research framework above, there are seven hypotheses as the following:
H1: Social media has a positive and significant impact on eWOM.
H2: Social media has a positive and significant impact on purchase intention.
H3: Brand image has a positive and significant effect on eWOM.
H4: Brand image has a positive and significant impact on purchase intention.
H5: EWOM has a positive and significant impact on purchase intention.
H6: EWOM significantly mediates the effect of brand image on purchase intention.
H7: EWOM significantly mediates the effect of social media on purchase intention

METHOD

Quantitative method is used to analyze the antecedents of customer purchase intentions on culinary of small and medium enterprises (Creswell & Clark, 2017). The population of this study was the customers who purchased food from small and medium enterprises online during covid-19 pandemic. The sample size for the study is 100 respondents. The survey data were obtained through purposive sampling, with two screenings, i.e.: 1) customers aged over 18 years old, 2) customers have purchased online during covid-19 pandemic so being able to provide an assessment of the brand image, social media, EWOM and purchase intention. All of the constructs and reflective items were measured using a five-point scale ranging from 1 strongly disagree to 5 strongly agree. This research used partial least square (PLS) modeling as implemented in Smart PLS software 3.2.8. The questionnaire was prepared and it began with an introductory paragraph explaining the reason for conducting the research and what their contributions meant for the data gathering.

RESULT AND DISCUSSION

Validity, Reliability, Structural Model Analysis

Before analyzing the hypotheses, the reliability of each scale was confirmed using three tests: Cronbach's alpha, composite reliability of the construct, both with a limit of 0.7 (Joreskog, 1971)

Table 1
Reliability of scales

Variable	*Composite Reliability*	*Cronbach Alpha*
Social media	0.899	0.861
Brand image	0.893	0.850
EWOM	0.885	0.802
Purchase intention	0.902	0.784

Source, search data, 2021

The loading factor value of each indicator is presented on Table 2. All of indicators are declared valid because they have loading factor values greater than 0.5 (> 0.5) and significant values less than 0.5 (<0.05).

Table 2
Validity of Scales

Variable	Indicator	Outer Loading Coefficient	P values
Social Media	Photos upload on social media	0.841	0,000
	Update information about product or service	0.777	0,000
	Quick response from administrator	0.822	0,000
	Polite response from administrator	0.714	0,000
Brand Image	Easy ordering system	0.846	0,000
	Memorable product	0.764	0,000
	Product uniqueness	0.728	0,000
	Products meet the expectation	0.804	0,000
	Trust on the quality of product	0.792	0,000
	Product reputation	0.861	0,000
EWOM	Reading review online on a product or service	0.721	0,000
	Getting recommendation online	0.909	0,000
	Feel confidence to purchase after getting recommendation	0.903	0,000
Purchase intention	Curiosity about the product	0.890	0,000
	Desire to buy product	0.922	0,000

Source: Search data

Structural Model/ Inner Model

1. Evaluation of structural models through R-Square (R2)

Table 3
R-Square

Variable	R-Square	AVE

EWOM	0.581	0.821
Purchase Intentions	0.643	0.642

Source: Processed data

Based on Table 3, it can be interpreted that the eWOM variable has an R-squared (R2) value of 0.581 or a moderate model, which means that the social media and brand image can explain 58, 10% of eWOM and the rest 41.90% can be explained by factors other than the model. The purchase intention value of R Square (R2) is 0.643 or the model is moderate, which means that social media variables, brand image and eWOM can explain purchase intention variable of 64.30% and 35.70 The remaining % is explained by other factors outside the model.

2. Evaluation of the structural model through Q-square predictive relevance (Q^2)

Latan and Ghozali (2015) proposed the calculation formulas for Q-Square Predictive Relevance (Q2) are:

$$Q^2 = 1 - (1 - R_1^2)(1 - R_2^2)$$
$$= 1 - (1 - 0.643)(1 - 0.581)$$
$$= 1 - (0.357)(0.419)$$
$$= 1 - (0.149)$$
$$= 0,851$$

The results of the evaluation of the structural model show Q^2 of 0.851, a value close to 1. The results of this test prove that the structural model is classified as very good. Based on the value of Q^2, it can be interpreted that 85.10% of endogenous constructs can be explained by variations of exogenous constructs, while the remaining 14.90% is explained by other variables not included in the model.

3. Statistical test results Direct effect, indirect effect, mediation effect and total effect among variables

Table 4.
Hypothesis Testing Result (Direct effect)

Relationships Between Variables	Coefficient	T Statistics	P values	
Social Media → EWOM	5.264	5.798	0.000	Supported
Social Media → Purchase intention	2.108	2.100	0.036	Supported
Brand Image → EWOM	2.672	2.964	0.003	Supported
Brand Image → Purchase intention	2.511	2.605	0.009	Supported
EWOM → Purchase intention	3.372	3.462	0.001	Supported

Source: search data

Based on Table 4, it can be described that hypothesis 1(H1) stated that social media has a positive and significant effect on the eWOM is acceptable, with significance value of 0.000 < 0.05. Hypothesis 2(H2) stated that social media has a positive and significant effect on purchase intention is acceptable with a significance value of 0.036 < 0.05. Hypothesis 3 (H3) stated that brand image has a positive and significant effect on eWOM is approved with significance value of 0.003 < 0.05. Hypothesis 4 (H4) stated that brand image has a positive and significant effect on purchase intention is supported. This is approved with a significance value of 0.009 < 0.05.

Hypothesis 5 (H5) stated that eWOM has a positive and significant effect on purchase intention is supported, with a significance value of 0.001 < 0.05.

Table 5. Hypothesis Testing Result (indirect effect)

Variable	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics	P Values
Social Media → EWOM → Purchase intention	0.194	0.197	0.068	2.862	0.004
Brand Image → EWOM →Purchase intention	0.107	0.107	0.046	2.325	0.020

Source: search data

Based on Table 5, it can be described the role of eWOM to mediate the effect of brand image on purchase decision is statistically supported with significance value 0.004<0.05. The role of eWOM to mediate the effect of social media on purchase decision is statistically supported with significance value 0.020<0.05.

Discussion

1. The effect of social media on eWOM

Social media has a positive and significant impact on purchase intention means social media can increase the customer purchase intention, the more social media is used, the more interested consumers to make a purchase. A social media presence can also search for various necessary products as many sellers use social media in association to provide different products. The results of this study are in agreement with the study by Vithayathil et al., (2020) which indicated that social media had a positive and significant impact on purchase preference.

2. The influence of social media on purchase intention

Social media has a positive and significant impact on eWOM meaning that the more social media is used, the more consumers are interested to share their perception and opinion toward a company. In addition to the ability to establish social interactions with others, a social media presence can also encourage customers to tell family, friends and others about their experience after consuming a product. The results of this study are consistent with the study of (Hutter et al., 2013) stating that one of the major requirements for strong customer purchase intention is social media.

3. The effect of brand image on electronic word of mouth

Brands have a positive and significant influence on electronic word of mouth. This means that a good brand image constitutes a positive form of electronic word of mouth. In this communication, consumers will recount their experience using a product or service from a

particular company, or even to the point of recommending the product or service to others. The results of this study are supported by research by Helm and Subramaniam (2014) indicating eWOM is important for consumers who tend to be cautious and consider alternatives and consequences of consumer behavior.

3.   The effect of brand image on purchase intention

Brand image has a positive and important influence on purchasing decisions. This means a good brand image, high profits for manufacturers and distributors, and positive consumer reaction to the product. A brand image is a set of beliefs about a brand that has a positive image that enhances consumer loyalty and trust and raises consumer interest in purchasing. This finding supports the research by Hutter et al., (2013) which states that the brand image has a positive and significant impact on the willingness to purchase.

4. The Effect of Electronic Word of Mouth on purchase intention

The E-Word of Mouth has a positive and significant impact on the purchase intention, it means that eWOM influences buying motivation. Consumers likes to purchase when they receive reliable, high-quality information (Kietzmann et al., 2011; Liu & Bakici, 2019). The result of this study supported a study by Faza (2018), which states that electronic reviews have a positive and significant impact on purchase motivation and in line with the research done by (Engeln et al., 2020; Todisco et al., 2020). Consumers rely more on other consumer reviews than claims made by product manufacturers or sellers. This trust can have a significant impact on consumers purchasing intent and purchase intention through online reviews (Donthu et al., 2021; Ngarmwongnoi et al., 2020). When customers are involved with the product, it affects purchase intention. High involvement cause customers have high loyalty so that purchase intention becomes effective.

5. The role of EWOM to mediate the effect on social media on purchase intention

EWOM partially mediated the effect of social media on purchase intention. It was called partial mediation. it means that brand image had a direct significant impact on purchase decision, and it also had an indirect significant impact on purchase decision through eWOM. Electronic word-of-mouth communicates the impact of social media on buying motivation. This means that development of this technology will make social media not only a way to interact with other users, but also a business opportunity for business people. With eWOM, businesses benefit from the presence of consumer advocacy, which results from consumer interaction in electronic media.

6. The role of EWOM to mediate the effect on brand image on purchase intention

EWOM partially mediated the effect of brand image on purchase intention. It was called partial mediation as brand image had a direct significant impact on purchase decision, and it also

had an indirect significant impact on purchase decision through eWOM. A strong brand image encourage customer to keep consuming the product because they feel their personality bonded to the brand, and positive eWOM can strengthen customer willingness to purchase a product or service.

CONCLUSION

The purpose of this study was to contribute to the marketing literature regarding increasing sales of small and medium enterprises product during covid-19 pandemic, by assessing the direct impact of social media and brand image toward online purchase intentions and indirect impact mediated by variable electronic word of mouth. The results validated all seven hypotheses. It is concluded that social media and brand image have a significant impact on electronic word of mouth and purchase intention and word of mouth partially mediated the impact of social media and brand image toward purchase intentions. These findings highlight the importance of social media, brand image and eWOM in order increasing the intention of customers to purchase, especially during the covid-19 pandemic.

Limitations and recommendations for future studies. The respondents included in this study only located in one city. The sample can be expanded to cover more areas, so the sample can better represent the entire population. To make the results more generalizable, the sample can be further extended to include people from other cities.

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