

## Conference Paper

# The Effect of Brand Awareness, Price Perception and Electronic Word of Mouth (E-WOM) Toward Purchase Intention on Instagram

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**Abstract.**

The most popular social media promotion tool is Instagram. The main factor is that social networking tools enable users to exchange photographs and videos. Additionally, Instagram, which is open to all users and is free, is utilized as a promotional tool, particularly by business people who are trying to establish their own companies. The study aims to determine the effect of the relationship variables that affect purchase intention on Instagram, a social media platform whose popularity is growing at the present time. Primary data were collected through the use of questionnaires sent to a total of 120 respondents located in a variety of cities throughout Indonesia. The data were analyzed using the application of structural positive and equation model (SEM) partial least square (smartPLS 3.0), to determine all of the relationships that exist between the variables of price perception, electronic word of mouth (E-WOM), and brand awareness on purchase intention in the model. The structural model indicates that the model on the buying interest variable can be said to be strong because it has a value that is greater than 0.67. The model of the influence of the independent latent variables (price perception, electronic word of mouth, and brand awareness) on purchase intention has an R-Square value of 0.743, which can be interpreted to mean that the variability of price perception, E-WOM, and brand awareness is 74.3%.

**Keywords:** price perception, Electronic Word of Mouth (E-WOM), brand awareness, purchase intention

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Published 18 July 2023

Publishing services provided by  
Knowledge E

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Selection and Peer-review under the responsibility of the TSBEC Conference Committee.

## 1. Introduction

Before the pandemic, a sizable social media following with a high level of engagement was regarded by many well-established businesses of all sizes as more of a bonus that would be enjoyable to have than as something that was necessary to have. Businesses that used to rely almost entirely on traditional marketing and face-to-face business have been forced to make significant strategic shifts in order to remain competitive in today's

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market. One of the most important platforms to concentrate on is Instagram if you are the owner of a business or a marketer working with a business that is just getting started with social media. It is one of the best social media platforms for growing your audience organically if it is utilized correctly. Using social media platforms to make sales is nothing novel in today's world. On the whole, businesspeople use social media for promotional activities, whether it be for purposes of branding or for sales [1].

Given the vast number of millionaires and billionaires who have succeeded financially by using social media to do business, this claim is not entirely false. There is a wide range of ages represented among those who are successful in operating a business on the internet. In point of fact, a significant number of young people have achieved commercial success through the use of social media platforms. When it comes to any social media platform, creativity will always be the deciding factor; however, Instagram is one of the few places where it really matters. The sellers are required to think creatively and have a limited amount of time to come up with something unique to do. What companies and brands do on Instagram should involve more than simply posting a one-line statement about how wonderful their company is, followed by an endless series of hashtags and hashtags that have nothing to do with one another [2]. On the other hand, maintaining consistency is of utmost significance. When posting content on business profiles, breaking the algorithm will result from posting content that is not well structured. These three organic strategies will provide the security of visibility that will last even after the pandemic has passed, provided that you are able to commit to applying creativity and consistency to the marketing on Instagram. These days, Instagram is one of the most popular social media platforms available; in fact, many users are willing to delete the Path and Snapchat apps from their devices because they believe that Instagram satisfies all of their requirements for a social media platform [3].

According to the report that was published by We Are Social in January 2022, the number of people in Indonesia who were actively using social media was 191 million. In comparison to the previous year, when there were 170 million people, this number has increased by 12.35% and now stands at 190 million. Observing the pattern, the number of people using social media platforms in Indonesia has been steadily climbing year after year. Nevertheless, between 2014 and 2022, its rate of growth was inconsistent. In 2017, the rate of growth in the number of people using social media platforms reached a peak of 34.2%. Nevertheless, the rate of growth slowed to 6.3% in the most recent year. The number has increased for the past two years in a row. WhatsApp has since overtaken Facebook as the social networking site in Indonesia with the most subscribers. The number that was recorded for the percentage was 88.7%. After that

comes Instagram, with a percentage of 84.8%, followed by Facebook, with a percentage of 81.3%. During this time period, the percentage of people who used TikTok and Telegram was, respectively, 63.1% and 62.8%.

The rise of modern times, along with advances in knowledge and technology, has made it common practice in Indonesia to conduct business using various forms of social media. The act of selling goods or services, or the business of doing so, is referred to as sales. When a product is sold, ownership of the item is transferred from the seller or provider of goods and services to the buyer in exchange for payment of the agreed-upon price. There are a few different ways to go about making sales, the most common of which are direct selling and using sales agents. Through the usage of social media, users may easily engage in, interact with, share, and produce content for blogs, social networks, wikis, forums, and virtual worlds, which is an online medium that is used by each other. Social media users are not limited by space or time in their interactions with one another. Digital marketing takes the form of social media marketing, Often referred to as social media marketing (SMM), this type of marketing uses social media websites and platforms to advertise a company's products or services through both paid and unpaid channels. However, it has come to our attention that there are still a significant number of people who use Instagram for the sole purpose of finding personal fulfillment. When they eventually decide that they would like to use Instagram for business purposes, however, they are unprepared and end up making a large number of errors on their sales account. That the account that you are selling does not gain any new followers, that there are no sales, and that your income does not rise as a result of these factors [2].

The impact of interest on repurchasing decisions at IG on company accounts in Indonesia has not been extensively studied, despite all the previously mentioned phenomena. This research study was designed on "Price Perception, E-WOM, and Brand Awareness on Purchase Interest on Instagram".

## 2. Literature Review

### 2.1. Consumer behavior

Identifying "the why and what" of consumer behavior is a crucial aspect of understanding consumer behavior. Schiffman and Kanuk [4] assert that research into customer behavior is an investigation into the processes by which an individual determines how to best utilize the resources at their disposal (time, money, effort, and energy). Consumers

are comprised of people of all different ages, cultural backgrounds, educational levels, and other socio-economic conditions, making them an interesting group to study due to the diversity that they represent. As a result, conducting research on the behaviors of consumers and the factors that shape those behaviors is of the utmost significance. According to Kotler et al. [5], the study of consumer behavior examines how people, groups, and organizations select, acquire, utilize, and arrange goods, services, concepts, or experiences to meet their requirements and satisfy their desires. Consumer behavior, then, is the study of people's choices over how to satiate their wants and requirements.

## 2.2. Purchase intention

Understanding customer interest in purchasing is something that develops after being stimulated by a product that is seen. From there, interest in trying the product develops, and eventually, a desire to purchase it in order to own it. This is how consumer buying interest is understood according to Kotler et al. [5]. Interest is one of the psychological elements that significantly affects behavioral attitudes. They state that interest is one of the factors that has this influence. Because their assessment of the product depends on their knowledge of information about the real function of the goods, consumers who are interested in buying it are therefore impacted by the information that they receive. One definition of "buying interest" describes it as "a happy attitude toward an object that makes individuals try to get the object by paying for it with money or sacrificing for it." Buying interest can be interpreted as meaning that an individual is happy about an object.

When it comes to making purchases, a customer's level of interest in a product is directly proportional to the reasons they have for using or purchasing that product. In order to develop purchase interest, a learning process and a mental process that shapes a perspective are required. This interest in buying sparks a motive that persists in his mind, grows into a powerful desire, and ultimately, when a consumer must meet his requirements, actualizes what is in his mind [6].

## 2.3. Electronic Word of Mouth (eWOM)

According to Kotler and Keller [7], Some marketers prioritize word-of-mouth advertising or word-of-mouth (buzz and viral). Buzz marketing, commonly referred to as chatter or gossip, is a type of advertising that develops attention and expresses new, pertinent information about the business in an unusual or even startling way. Marketing by

word of mouth over the internet, also known as viral marketing (eWOM). Kotler and Keller [7] claim that marketing uses the internet to leverage the effects of word-of-mouth to further its objectives. Consumers are encouraged to share the products and services developed by the company with others online in the form of audio, video, and written content through viral marketing, which is similar to the spread of a virus. Viral marketing is another form of word of mouth or news that spreads from one mouse click to the next. The study by Schivinski and Dabrowski [8] has drawn attention to how eWOM affects people differently depending on the situation. This is in reference to the important role that eWOM plays in the evaluation of products. For instance, Gupta and Harris [9] demonstrate that the amount of time spent thinking about a product that has been recommended by word-of-mouth online increases. Word-of-mouth (WOM) differs from electronic word-of-mouth (eWOM) in three key respects. In the beginning, eWOM communication's reach is greatly increased. In contrast to traditional word-of-mouth, which can only spread among people who already know each other, communication through eWOM can reach a considerably wider variety of people, regardless of whether these people already know one another. The second reason why online reviews on websites aggregate numerous examples of eWOM every day and make them quickly available to everybody is why eWOM is more effective than conventional word of mouth.

### 3. Research Methodology

#### 3.1. The population and the sampling methods

Explanatory research is the type of research that was conducted by the researcher. Explanatory research is research that aims to explain the position of the variables that were studied as well as the relationship that exists between one variable and another, as well as test the hypothesis that was developed. Because there is such a large population, the number of respondents in each sample must be at least 100 [10]. The technique of incidental sampling was used to collect the samples.

#### 3.2. Instrument

A questionnaire served as the instrument for collecting responses in this research study. The scale of measurement is a Likert scale, and it assigns points ranging from 1 to 5 to the responses of respondents.

### 3.3. Data analysis

The Smart PLS-3 software application program is utilized by Partial Last Square for the purpose of data processing. The compatibility of the software with the requirements for data processing is the driving force behind the selection of this analysis tool. For the purpose of determining whether or not the model being applied is appropriate, submissions are made to instruments associated to Structural Equation Modeling (SEM). The submission of hypotheses was completed using the aforementioned PLS-3 software.

## 4. Results and Discussion

Two-step analytic approach and data were analyzed using Smart-PLS software. The significance level for the load, weight, and path coefficients was also determined using the bootstrap approach (500 resamples), as suggested by earlier studies [11]. Fig. 1 shows how the research was conducted.

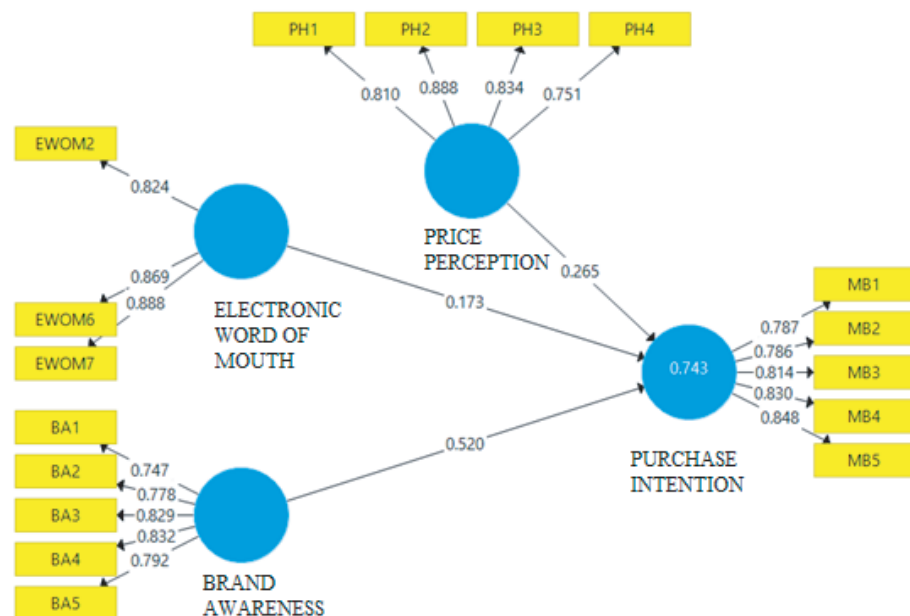


Figure 1: Research model.

Convergent validity tests are performed to determine how consistently different items meant to measure the same concept are worded. Factor loading, composite reliability, and extracted mean variance are examples of convergent validity indicators, according to Hair [10].

Every item exceeds the advised loading value of 0.6. [11]. The composite dependability (CR) values (see Table 1), which express how much the construct indicators reveal latent

constructs, were higher than the suggested value of 0.7, ranging from 0.842 to 0.965 [10]. The range of the mean extracted variance (AVE), which symbolizes the whole sum of variances in the indicators obtained from the latent construct, was greater than the recommended value of 0.5. [10]. Table 1 presents the convergent validity results.

TABLE 1: Discriminant validity (cross loadings).

	Brand Awareness	Electronic Word of Mouth	Purchase Intention	Price Perception
BA1	<b>0.747</b>	0.6	0.675	0.59
BA2	<b>0.778</b>	0.727	0.625	0.6
BA3	<b>0.829</b>	0.56	0.701	0.485
BA4	<b>0.832</b>	0.541	0.652	0.466
BA5	<b>0.792</b>	0.512	0.615	0.496
EWOM2	0.699	<b>0.824</b>	0.672	0.565
EWOM6	0.555	<b>0.869</b>	0.557	0.488
EWOM7	0.633	<b>0.888</b>	0.619	0.54
MB1	0.627	0.593	<b>0.787</b>	0.515
MB2	0.718	0.591	<b>0.786</b>	0.594
MB3	0.653	0.588	<b>0.814</b>	0.626
MB4	0.64	0.547	<b>0.83</b>	0.56
MB5	0.702	0.612	<b>0.848</b>	0.612
PH1	0.407	0.47	0.509	<b>0.81</b>
PH2	0.616	0.604	0.679	<b>0.888</b>
PH3	0.654	0.541	0.627	<b>0.834</b>
PH4	0.464	0.404	0.518	<b>0.751</b>

The little association between interest measures and other concept measures serves as proof of this. Discriminant The degree to which the measures do not reflect other factors is known as validity [12]. Examining the discriminant validity is made possible by comparing the squared correlation between the constructs and the variance retrieved from the constructs [13]. As shown in Table 2, each construct’s squared correlation is lower than the mean variance’s square root as determined by the construct-measuring indicators, indicating sufficient discriminant validity. The measuring model therefore has enough convergent and discriminant validity.

The study model’s structural model illustrates the relationship between the latent variables that have been theorized. To ascertain the statistical significance of the trajectory coefficients, bootstrap analysis was performed after calculating the trajectory in the structural model. According to its description, the bootstrap method is a non-parametric method for making statistical judgments without assuming any distributional assumptions.

TABLE 2: Results of hypothesis testing.

	Hypothesis	T Statistics	Result
Price Perception -> Purchase Intention	H1	4.076	Support
Electronic Word of Mouth -> Purchase Intention	H2	1.871	Support
Brand Awareness -> Purchase Intention	H3	5.692	Support

This method uses 500 resamples, as advised by Chin [11] when using bootstrapping to estimate parameters, to determine the significance of the regression coefficients. 72.9% of the variance is explained by the strong positive relationships between price perception, electronic word of mouth, and brand awareness and buy intent. Electronic word-of-mouth has a substantial correlation with brand awareness, pricing perception, and purchase intention. The study model's structural model illustrates the relationship between the latent variables that have been theorized [14]. To ascertain the statistical significance of the trajectory coefficients, bootstrap analysis was performed after calculating the trajectory in the structural model. According to its description, the bootstrap method is a non-parametric method for making statistical judgments without assuming any distributional assumptions.

This method uses 500 resamples when using bootstrapping to estimate parameters, to determine the significance of the regression coefficients. There is a strong correlation between online word-of-mouth, brand awareness, pricing perception, and purchase intentions..

## 5. Conclusions Limitation a Future Research

The results of study and discussion on the subject of examining the influence of pricing perception, electronic word of mouth, and brand awareness on purchasing interest in consumer surveys carried out on the social media platform Instagram allow for the drawing of conclusions. Conclusions are possible if these elements are taken into account.

According to the results of consumer study done on the social media site Instagram, a product's pricing perception has a significant and positive influence on the consumer's willingness to make a purchase. This demonstrates that the reason respondents are interested in making purchase transactions is because of positive price perceptions that are formed whenever advertisements appear on the social media platform Instagram. If effective advertising techniques are used, it will form price perceptions that have



the potential to affect interest in a way that is both positively and significantly impactful. Consumer research on Instagram's social media platform indicates that electronic word-of-influence mouth's on purchase intention is both favorable and minor. This shows that the development of a respondent's attitude is an interest in purchasing because there is currently electronic word of mouth., but electronic word of mouth is considered insignificant in growing consumer interest in making transactions. As there is currently electronic word of mouth, this shows that the development of a respondent's attitude is an interest in purchase. Consumer research conducted on the social media platform Instagram reveals that a favorable and considerable influence on purchase intention is exerted by brand awareness. This reveals that an interest in purchasing on the social media platform Instagram is what shapes a respondent's perspective because it has good brand awareness, which in turn ensures that it has positive and significant results on buying interest. The buying interest variable has a value greater than 0.67, the structural model implies that the model is strong. Price perception constructs, electronic word of mouth, and brand awareness have a combined variability of 74.3%, according to the model of the influence of the independent latent variables (price perception, electronic word of mouth, and purchase intention) on purchase intention, which has an R-Square value of 0.743. The remaining variability can be explained by other variables that were not studied.

Suggestions for further research, this research can be used to supplement existing knowledge and information, and it can also serve as a reference for future research that may be carried out. In addition, this research did not take into account a large number of other factors that can influence a person's desire to make a purchase. Some of these factors include price, product quality, trust, and sales promotion.

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