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## **SOCIAL MEDIA USAGE, THIRD PARTY RECOGNITION AND PURCHASE DECISION INVOLVEMENT**

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**Ridho Ryswaldi**

Program Studi Magister Manajemen, Fakultas Ekonomi, Universitas Andalas

[ridhoryswaldi@gmail.com](mailto:ridhoryswaldi@gmail.com)

**Vera Pujani**

[vpujani@gmail.com](mailto:vpujani@gmail.com)

Program Studi Magister Manajemen, Fakultas Ekonomi, Universitas Andalas

### **ABSTRACT**

The purpose of this study was to determine the factors that influence interests of millennial generation towards purchase decision involvement mediated by trusts. The independent variable in this study is social media usage, eWOM, third party recognition, and legal framework. The data of this study consisted of primary data and secondary data. Primary data were obtained from 216 respondents. Secondary data obtained from books, journals, and publications related to this research. Data analysis technique used in this study is Maximum Likelihood. In this study obtained social media usage, eWOM, and legal framework have a significant positive effect on purchase decision involvement, while third party recognition has no effect. For mediation by trusts, social media usage, eWOM, third party recognition, and legal framework, affect purchase decision involvement

*Keywords : social media usage, eWOM, third party recognition, legal framework, trust, purchase decision involvement*

### **INTRODUCTION**

The development of internet technology and telecommunications tools has become a phenomenon that triggers changes in people's lifestyles both socially and culturally (Purnasari & Yuliando, 2015). The changes that occur can be felt with the convenience offered by the internet. Utilization of technology is used in the tourism industry to increase productivity. The presence of

an online travel agent is a form of technological development that is utilized by the tourism industry. (Jin et al, 2007) defines OTA is an online provider of travel information that helps customers buy their travel tickets and other related conveniences. One of the online travel agents in Indonesia is Traveloka. Traveloka offers a concept for viewing and comparing prices. In 2013 Traveloka turned into a reservation site that concentrates on airplane ticket reservations. Then in March 2014 traveloka entered the hotel room reservation business and in July 2014 a hotel booking site through traveloka was available

Based on a survey conducted by the Indonesian Internet Service Providers Association (APJII), internet users in Indonesia in 2016 reached 132.7 million. In 2017 internet users in Indonesia rose to 143.7 from the total population of Indonesia in 2017 of 262 million. Growing 10.9 million users from 2016 (APJII, 2017). From the results of a survey conducted by APJII in 2017 internet data obtained by 16.68% aged 13-18 years, 49.52% aged 19-34 years, 29.55% aged 35-54 years and 4.24% aged over 54 years old. It can be concluded that many internet users are aged 19-34 years.

According to (Gura'u, 2012) classifying baby boomers for people born between 1946 and 1960, generation X for those born between 1961 and 1979, and millennial for people born between 1980 and 1999. Researchers can categorize groups are different from one another, but in general, they agree that each group has the same attitude and behavior (Parment, 2013).

In 2020, the year the demographic bonus begins, the millennial generation is in the age range of 20 years to 40 years. This age is the productive age which will be the backbone of the Indonesian economy. The number of millennials is dominant compared to other generations. According to the 2017 Susenas, the number of millennials reaches around 88 million people or 33.75 percent of the total population of Indonesia. This proportion is greater than the proportion of the previous generation such as the X generation (25.74 percent) and the baby boom and veteran generation (11.27 percent). Likewise, the number of new generation Z reached around 29.23 percent.

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Before making a purchase at an online travel agent, consumers will be interested in Traveloka. This consumer interest is called a purchase decision involvement. According to Mittal, (1989) defines purchase decision involvement as the level of interest and concern that

consumers bring to the purchase decision task. During the purchasing decision stage, consumers have an interest and concern which is the concept of the consumer's mindset by talking about anticipation in the purchase decision. Because there are many alternatives and brand choices available in the market, consumers consider which one is the most appropriate choice for those who make the right choice during the decision making process, indirectly on intention (Jalilvand & Samiei, 2012). Behavior of purchasing decisions in millennials is very interesting to study because of its very large population.

In online transactions, trust plays a very important role, because trust will cause an impetus in consumers to carry out online transaction activities. This is because prospective buyers cannot see directly about the product being traded. Trust plays a very important role in building relationships, especially in purchases through social networking sites and in service businesses that are full of risks and lack of information between the seller and the buyer.

Search for information on millennials can attract millennial interest and concern for a brand. The first factor is through social media. Nowadays social media is becoming one of the new movements in the marketing world, various social media are emerging with their advantages.

The second factor that gives consumers a sense of security in making transactions in e-commerce is third party recognition. According to (Bojang, 2017) a guarantee policy combined with a trusted and independent third-party certificate will greatly help to develop and maintain consumer confidence. Examples of third parties involved in Traveloka are SSL Raid, Verisign, IATA and ASITA. This institution serves as a form of recognition of the presence of Traveloka. With guarantees given by third parties will make consumers feel the risk of transacting on Traveloka is less and less. Third parties will guarantee secure transactions that will form trust in consumers.

*Purchase decision involvement* is influenced by the interests and interests of consumers in choosing one of the products or services to be used. One of the factors that influence *purchase decision involvement* is *social media usage*, *third party recognition* and which is mediated by *trust*.

## **THEORY AN HYOPHOTHESIS**

### **Purchase Decision Involvement**

Involvement can be defined as a variable that is influenced by motivation that directs consumers to certain behaviors (Houston, 2016). Consumers will involve motivation towards buying decision behavior. Purchasing decision involvement is the involvement of consumers in the purchasing process.

According to (Mittal, 1989), purchase decision involvement is to show the difference between product involvement and the decision process associated with purchasing a product. In doing so, PDI is defined as an unresponsive state of mind that identifies the benefits of purchasing a particular product, repeating differences including:

- 1) Withstand
- 2) Situational involvement
- 3) Responsive behavior that manifests itself in the decision making process.

During the purchasing decision stage, consumers have an interest and concern which is the concept of the consumer's mindset by talking about anticipation in the purchase decision. Because there are many alternatives and brand choices available in the market, consumers consider which option is the most appropriate choice for those who produce the right choice during the decision making process (Mittal, 1989), indirectly on purchase intentions (Jalilvand & Samiei, 2012 ).

### **Social Media Usage**

Social Media is an online service where users can publish, edit, create, design and share different content. Social media consists of social networking sites, online communities, user-created services such as blogs, video sharing sites, online review or ranking sites, and the world of virtual games (Krishnamurthy & Dou, 2008). Relations with consumers can be broadly strengthened by facilitating social media as interactions with social media increase consumer involvement with products and services (Doorn et al, 2010).

The ease of filing complaints on social media platforms allows consumers to talk. Expecting corporate participation on the platform, the use of social media to consumers can be a place to accommodate complaints faster than contacting companies directly (Ma et al, 2015). Happy consumers will appreciate the company and are willing to give credit. Involving

consumers online through social media is a must for practitioners to get a quick response to a product or service. Social media can be used as a source of marketing intelligence.

### **Third Party Recognition**

Third Party Recognition can help to deduce some of the risks of online transactions and increase overall confidence. (Mcknight et al, 2002). Adaptation from sociology and marketing theory, it can be concluded that trust can be transferred Stewart (Stewart, 2001). This is a fundamental requirement in e-commerce. Specifically, trust can be transferred from trusted individuals or groups.

For example, most customers may not trust the salesperson at the initial meeting, and they may feel unsure about the claims made by the salesperson. The inclusion of trade reports allows the transfer of trust and overcomes the lack of trust of the sales force. Likewise, in the context of internet shopping, consumers do not have physical contact with internet merchants. With the third party recognition can help in promoting confidence in internet shopping.

Therefore, this can reduce consumer uncertainty when dealing with new sites or people. Institutional based trust implies that if something goes wrong, the institution will try to maintain trust and thereby reduce risk to customers (Salam et al, 2003). Institutional involvement will give consumers a sense of security and accountability. According to (Pavlou & Gefen, 2004) third party recognition can function in four ways:

1. feedback mechanism (part of other people's trust in the buyer / seller)
2. Escrow service (holding payment until the party is satisfied with the transaction)
3. Credit card guarantee
4. Trust in market intermediaries provided through trust in third party institutions).

Another structure occurs when a third party receives the items exchanged and then forward them in an appropriate manner (Ray et al, 2005). Thus consumers can feel confident about every transaction made through an intermediary.

### **Trust**

Before consumers have an interest in buying or making a purchase decision, consumers need to trust in the product to be purchased. Trust is highly relevant to online consumer purchases that positively influences purchase intentions (Jarvenpaa & Vitale, 2000). To maintain

relationships with consumers, creating online trust is one important factor because it is one of the reasons for a successful website (Koufaris & Hampton-sosa, 2004).

According to (Meskaran et al, 2013), trust is known as an important factor in buyer-seller relationships and online purchasing interest in e-commerce. In the context of e-commerce, it is said that trust includes online consumer confidence and the expectations of online seller characteristics (Mcknight et al., 2002). Trust can be defined as the willingness of consumers to interpret the possibility of losses in the shopping process (Gefen et al, 2003). Trust can be considered as a behavior. With the trust will increasingly increase interest and consumer interest in a product or service.

Based on the explanation above, the conceptual framework of this study can be illustrated in

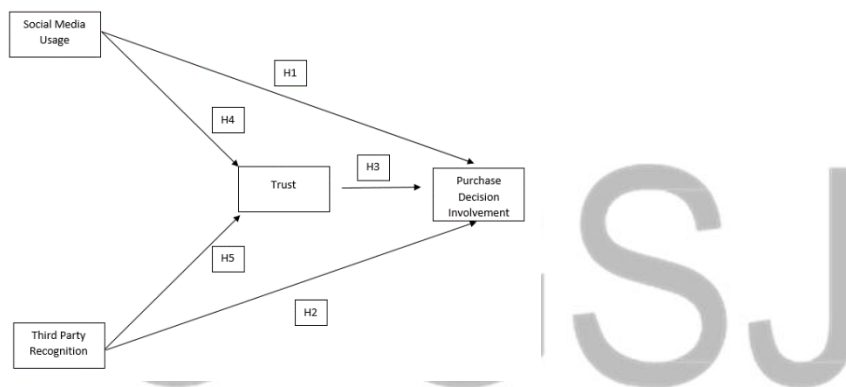


Figure 1.

**Figure 1. Conceptual Framework**

Hypothesis is a logically estimated relationship between two or more variables expressed in the form of statements that can be tested.

Based on the above statement, it can be concluded that the research hypothesis can be interpreted as a temporary answer to the research problem, until proven through the data collected and must be tested empirically.

H1 : Social media usage has a significant influence on purchase decision involvement in traveloka consumers.

H2 : Third party recognition has a significant influence on purchase decision involvement in traveloka consumers.

H3 : Trust has a significant influence on purchase decision involvement in traveloka consumers.

H4 : Social media usage has a significant influence on purchase decision involvement mediated by trust in traveloka consumers.

H5 : Third party recognition has a significant influence on purchase decision involvement mediated by trust in traveloka consumers.

## RESEARCH METHOD

In this study, researchers used a survey method, namely data collected based on respondents' answers or a list of questions raised by researchers through the questionnaire provided. The use of this method is based on the consideration that this method is quite economical, fast, and guarantees the respondent's flexibility to answer the questions and statements provided. The object of this research is millennial generation (ages 18-34 years).

The sample collection technique is done by non probability sampling with purposive sampling. Samples will be selected with unequal opportunities and target respondents to be studied are S1 and S2 students in the city of Padang. By using a Likert scale. The questionnaire is a list of pre-formulated written questions that the respondent will answer, usually in clearly defined alternatives (Sekaran & Bougie, 2013).

Operationalization of research variables can be seen in the following table:

Variable	Definit ion	Indicator	Sca le	Source
Social Media Usage	Use of online media facilitie s in purchas es	1. The functi on of social media 2. Observi ng comp etitors , produ cts 3. Sales and Prom otion 4. Event 5. Social relatio	Lik ert  1-5	Rapp et al., 2013

		ns 6. Social media and brand 7. Trends on social media 8. Social media for consumers		
Third Party Recognition	A third party that reviews the company	1. The quality of the certification body 2. Job of third party recognition 3. Protection of third party recognition	Likert 1-5	(Cheung & Lee, 2006)
Trust	Consumer confidence in something	1. Experience 2. Information 3. Security of media social 4. Online Trust 5. Internet satisfaction	Likert 1-5	Connolly and Bannister, 2007; Harris and Goode, 2004
Purchase Decision Involvement	influence on the purchasing decision process	1. Choices in buying 2. The accuracy of choosing a product 3. Product selection results	Likert 1-5	Mittal, 1989



Based on the data in this study analyzed quantitatively through multivariate methods Structural Equation Model (SEM) techniques using the IBM SPSS AMOS 24 program. Structural Equation Model is a second generation multivariate analysis technique (Second Generation) which combines factor analysis (Second Generation) Factor Analysis) and path analysis to enable researchers to test and estimate the simultaneous relationship between multiple latent independent variables and multiple latent dependent variables with many indicators and to test models with mediator or moderator effects, models in non-linear form and errors measurement (Latan, 2013).

## DISCUSSION

Measurement model test is testing the relationship between indicators and latent variables. Combined testing of structural models and measurements allows researchers to test measurement error as an inseparable part of SEM and conduct factor analysis together with hypothesis testing (Bollen, 1989). In the measurement model test, the result of Chi-square is 241.201, Degrees of freedom is 146 and Probability level is 0,000.

The structural model is the relationship between latent variables (variables that cannot be measured directly and require several indicators to measure it) independent and dependent (Bollen, 1989).

The structural model shows a chi-square of 241.201 and a degree of freedom of 146. In Table 2 shows that the values of Chi Square, CMIN / DF, CFI TLI, IFI, RMSEA, and RME are in accordance with the criteria. The research model is good because overall the goodness of fit value is in the good fit category and the RMSEA value is less than 0.08 so there is no need to modify the model

**Table 2. Goodness of Fit Index**

Criteria	Result	Information
Chi Square	241.201	Good Fit
P value	0.000	Not Fit
CMIN/DF	1.652	Good Fit
GFI	0.889	Marginal Fit
AGFI	0.856	Not Fit
CFI	0.970	Good Fit
TLI	0.965	Good Fit
NFI	0.929	Marginal Fit
IFI	0.971	Good Fit

RMSEA	0.059	Good Fit
RMR	0.037	Good Fit

### Data Normality Test

Evaluation of data normality is done by using a critical ratio skewness value of  $\pm 2.58$  at a significance level of 0.01 (1%). Data is said to be normally distributed if the value of the critical ratio skewness value is below  $\pm 2.58$  (Ghozali, 2005).

Based on the calculation results, all indicators of the critical ratio skewness value are below  $\pm 2.58$ . Data from indicators are normally distributed and are suitable for use.

### Discriminant Validity Test

The individual reflexive measure is said to be valid if it has a loading value with a latent variable that wants to be measured  $\geq 0.5$ , if one indicator has a loading value  $<0.5$  then the indicator must be dropped (dropped) because it will indicate that the indicator is not good enough to measure the variable latently precisely. Following are the results of the structural diagram output on AMOS using IBM SPSS AMOS 24 software in Table 3 for validity testing.

**Table 3. Validity Test**

Variabel	AVE	Akar AVE
Social Media Usage	0.689	0.830
Third Party Recognition	0.821	0.906
Trust	0.738	0.859
Purchase Decision Involvement	0.785	0.886

Testing discriminate validity by using the AVE value is done by comparing the root value of the AVE of each construct with the correlation between constructs with other constructs. Recommended AVE values should be greater than 0.50 (Hair Jr., Black, Babin, & Anderson,

2014). Based on Table 3 shows that the root value of each construct is greater with the correlation between constructs with other constructs. So it can be concluded that it has good discriminant validity.

The estimated goodness of fit structural model can be fulfilled, then the next step is the analysis of the structural model relationship (hypothesis testing) as shown in Figure 4.2 previously. The relationship between constructs in the hypothesis is shown by the value of regression weights (Hair Jr et al., 2014). To analyze more clearly the influence of social media usage, third party recognition, on purchase decision involvement mediated by trust in millennial generation towards millennial generation can be seen in Table 4.

**Table 4. Regression Weight**

	Estimate	S.E.	C.R.	P	Label
SMU <--> TPR	.396	.066	6.018	***	
SMU <--> TRUST	.448	.067	6.715	***	
SMU <--> PDI	.551	.078	7.024	***	
TPR <--> TRUST	.448	.066	6.739	***	
TPR <--> PDI	.484	.074	6.515	***	
TRUST <--> PDI	.570	.076	7.532	***	

The influence of social media usage on purchase decision involvement can be concluded based on the testing of hypotheses conducted, it is proven that there is a direct effect between social media usage and purchase decision involvement. This supports the research of Xiang & Gretzel, 2010, Chinomona & Poee, 2013, where social media is a place to find information, when information obtained through the internet with social media platforms will

make individuals pay attention to a brand or product. The variable social media usage shows a positive effect on the purchase decision involvement indicated by an estimated value of 0.216.

There is no influence between variable third party recognition with purchase decision involvement. Previous research on Mosawi et al, 2016 says that the presence of a third party will make individuals feel attracted to a product, but the results of research conducted by researchers show that there is no direct relationship between third party recognition of purchase decision involvement.

There is a positive influence between trust variables on purchase decision involvement. This is supported by research by Mcknight et al., 2002 and Jarvenpaa & Vitale, 2000 beliefs positively influence consumer purchase intentions online. Trust will make online consumers more confident with the transaction system offered by the seller. Trust has a positive effect on purchase decision involvement, the estimated value obtained is 0.438.

The influence of social media usage variables on purchase decision involvement mediated by trust can be proven in research. Heinonen Research, 2011 shows that individual trust will be influenced by how often individuals use social media, so that from social media there will be an interest in a brand.

The influence of third party recognition variables on purchase decision involvement is mediated by the trust variable. Past research by Cook, 2003 and Jones et al., 2014 stated that objective third parties are needed to promote consumer confidence in making purchases. Third-party recognition gives consumers a sense of security in internet shopping. Trust in the platform provided by third parties will make consumers feel they have involvement in purchasing decisions. The more consumers trust the presence of third parties, the greater the consumer's interest in making purchases.

## **CONCLUSION**

Profile of respondents in this study were undergraduate and graduate students in cities between 18-34 years old. Age between 18-34 years is said to be the millennial generation (Gura'u, 2012). Indonesia's demographic bonus can now be a great opportunity for global development. Therefore, this study concludes the factors (social media usage, third party recognition), which influence millennial generation trust in purchase decision involvement.

From the results of hypothesis testing using AMOS 24, it is found that social media usage affects the purchase decision involvement, while third party recognition does not affect the purchase decision involvement.

Traveloka can observe the advantages and disadvantages of competitors, then create a new strategy that becomes Traveloka's strengths compared to competitors who offer the same services as Traveloka.

The presence of a third party in the future on Traveloka to be more prominent third as a reference for consumers in making purchasing decisions.

The limitation that the researchers found in this study was that many respondents did not focus on filling out the offline questionnaire so that there were answers left blank. In the distribution of online questionnaires, many respondents did not fill out the questionnaire, so in the future it would require a special attraction to fill the online questionnaire.



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