

# IMPACT OF SOCIAL MEDIA MARKETING ON CUSTOMERS' PURCHASING INTENTION: WITH SPECIAL REFERENCE TO HOTEL INDUSTRY IN NORTH CENTRAL PROVINCE, SRI LANKA

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## ABSTRACT

*The hotel industry as a whole is being stressed by many forces to use social media marketing rapidly. Hotels are becoming progress with this social media cause to stay up to date with the newest market trends and to cope with its rivals. The purpose of this study is to examine the impact of social media marketing on consumers' purchasing intention in hotel industry. This study is based on the quantitative approach. Convenient sampling technique was used to collect the primary data from the respondents. Customers from Hotels in North Central Province of Sri Lanka who are participating in social media marketing were selected for the data collection. Two hundred questionnaires were considered as valid responses. Simple regression analysis was done to identify the impact of dimension of social media marketing towards customers' purchase intention. To further prove the reliability of the data, Cronbach's alpha test, Kaiser-Meyer-olkin (KMO) and Bartlett Test of sphericity were applied in this research. This study reveals that there is a high significant impact of social media marketing on consumers' purchasing intention. This research makes a positive contribution for decision makers in the hospitality industry on the understanding of how the direction of social media marketing influences on customers' purchasing intention.*

**Key words:** Social media marketing, Hotel industry, Consumer purchasing intention.

## 1. BACKGROUND OF THE STUDY

Globally different types of medium has been utilized to inform to the customer about the products and services. By introducing properly a new product to the market, the customer would be encouraged to buy the product or service. Thus, producers promote their products and services by using different ways through a huge market space to put an awareness among targeted customers with the technological change like invention of television, radio and newspaper. Social media is the very user friendly and viral marketing promotional tool to disseminate information to customers. In order to do the promotional activities, make the customers aware about products and to take their buying decision easily, the emergence of the internet helps. Therefore the customer intention can be easily changed.

Today social media has applied in the hotel industry having considerable programs in the field. The social media which is being developed recently can affect to customers' purchasing intention

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considerably. On the other hand intention media has become a very popular and innovative method in modern world with lower cost. Research revealed that hotels have been putting strategies regarding social media on hold due to a lack of tangible effects on sales (McCarthy, Stock, & VermaPh, 2010).

With blue seas, green hills, sandy beaches, abundant wildlife, cascading waterfalls, a riot of flowers and fruits, Sri Lanka is an attractive tourist place. There are so many ancient things, museums, temples, lakes, paddy fields, forests are available in those cities. That is why most people, not only residents, but also tourists are more attracted those places and use hotels. So by considering all those issues researcher has prepared this research to have a closer attention on this relationship with various examples. The hotel industry and consumers are highly affected by this relationship. In order to do the research on the topic impact of social media on customers' purchasing intention in the hotel industry in Sri Lanka, the researcher was taken North Central Province as the special reference since hotels situated in this part of the country is used to adopt social media marketing for their promotional activities.

There are many researches combining with the present study. Wang et al. (2014) had focused on the preferences and attitudes of travelers' in China with the relationship between usages of social media with the option of hotel choice in the hospitality industry. The finding of that study was that participating hotels and online tickets firms prefer to use social media to attract guests and even potential consumers. This present research is depart from the above study because of the samples from Sri Lanka. Nyoryung and Kannan (2014) conducted the study to measure the social media and customer activities but were not done that study in the hotel industry. Thus, the present research aims the hotel industry with the topic of impact of social media marketing (SMM) on customers' purchasing intention. It can be clearly seen that there is no significant research to study impact of social media marketing on customers' purchasing intention with the special reference to hotel industry in North Central Province, Sri Lanka.

## **2.LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT**

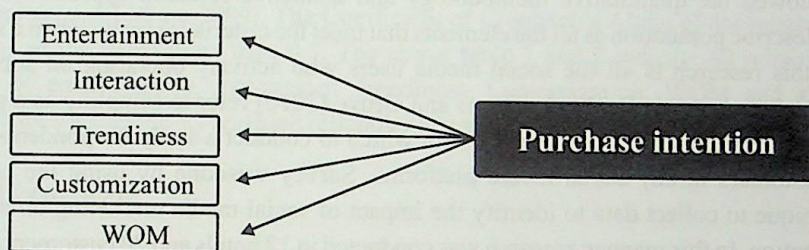
Marketing is a goal orientated process and consists of interrelated activities that involve both the planning and executing of activities which bring about mutually satisfying exchanges between buyers and sellers (Loudon, Stevens & Wrenn, 2005). The marketing mix has been the traditional toolbox and foundation for marketing management (Constantinides, 2006). The main aim of the marketing mix is to inform, remind and persuade consumers to purchase products and /or services (Williams & Curtis, 2006).

Kaplan and Haenlein (2010) gave a general definition of social media in consideration of Web 2.0 and User-Generated Content. Social media is a group of internet-based applications that build on the ideological and technological foundations of Web 2.0. One area where social media marketing has significant potential is the hotel industry. This may be especially true in regard to international markets where traditional media may be impeded by geographic or cultural barriers. It is easy for key information to get lost in translation between travel marketers and their consumers, especially for



international jetsetters unfamiliar with the countries to which they are going. The most effective way to solve this cross-cultural gap has been direct response marketing employed through the use of social media and online platforms (Jones, 2010). Social media provides marketers with remarkable opportunities to reach consumers in their social communities and build more personal relationships with them (Kelly, Kerr, & Drennan, 2010). Social media have changed the way brand content is created, distributed, and consumed, transferring the power to shape brand images from marketers to consumers' online connections and content (Tsai & Men, 2013). Kim and Ko (2012) described luxury brands' social media marketing as comprising five dimensions: entertainment, interaction, trendiness, customization, and word of mouth (WOM).

Entertainment is the result of the fun and play emerging from the social media experience (Agichtein et al., 2008). A hedonic perspective views social media users as pleasure seekers who are being entertained and amused, and who experience enjoyment (Manthiou, Chiang, & Tang, 2013). Social media interaction is fundamentally changing communication between brands and customers (Gallaughier & Ransbotham, 2010; Kaplan & Haenlein, 2010). According to Muntinga et al. (2011) discussed trendy information on social media covers four sub-motivations: surveillance, knowledge, pre purchase information, and inspiration. The level of customization describes the degree to which a service is customized to satisfy an individual's preferences (Schmenner, 1986). By personalizing their site, brands can customize and express individuality, social media are ideal tools for eWOM, because consumers generate and spread brand related information to their friends, peers, and other acquaintances without constraints (Kim & Ko, 2012; Vollmer & Precourt, 2008).



**Figure 1: Conceptualization Model**

**Source: Kim & Ko (2012)**

Hypotheses were developed based on past researches and literature review. Researcher tried to identify the impact of social media marketing on consumer purchasing intention using above concepts and following. Ramsunder (2012) investigated on the Impact of Social Media Marketing on purchase Decisions in South Africa. James Richard (2014) Facebook: Investigating the influence on consumer purchase intention in Wellington. Thus social media becomes a hub for market intelligence as marketers begin to understand consumer's purchasing intention and gain insight as to why consumers feel the way that they do about certain brands (Rockendorf, 2011). Kim and Ko (2010) investigated the effect of social media marketing activities such as entertainment, customization, interaction, trend on purchase intention. Hutter, Hautz, Dennhardt and Fuller (2013) found that there is no positive impact of WOM on customers purchase intention.



Customers share their experiences about quality of product or service and customers have positive attitude towards product or services and then through social media they are induced to be ready to afford by considering the comparative information about product of many competitive firms (Kim&Ko, 2010). By considering those studies, researcher developed hypotheses as follows:

- H1: There is a significant impact of social media marketing on the consumers' purchasing intention in hotel industry.
- H1a: Social media marketing entertainment has significant impact on the consumers' purchasing intention in hotel industry.
- H1b: Interaction in social media marketing significantly impact on the consumers' purchasing intention.
- H1c: There is a significant impact of trendiness in social media marketing on consumers' purchasing intention.
- H1d: There is a significant impact of social media customization on consumers' purchasing intention.
- H1e: WOM activity in social media marketing has significant impact on the consumers' purchasing intention.

### 3. METHODOLOGY

Researcher followed the quantitative methodology and deductive research approach. Burns and Grove (2010) describe population as all the elements that meet the criteria for inclusion in a study. The population in this research is all the social media users who actively operating on social media platforms in hotels industry in Sri Lanka. Burns and Grove (2010) refer to sampling as a process of selecting group of people, events or behavior with which to conduct a study. Respondents were the active hotel customers in any social media platforms. Survey was done by using the convenient sampling technique to collect data to identify the impact of social media marketing on customers' purchasing intention. In this manner, research was conducted in 12 hotels and 20 customers from each hotel were conveniently selected. There were 240 questionnaires issued to the customers who had visited to those hotels and 200 responses were taken for the research purpose since others were not fulfilled properly. The response rate was 83%. Thus, it was enough to conduct the study towards the next step. The Statistical Packages for Social Science SPSS (version 16) were used for data analysis.

### 4. RESULTS

#### 4.1 Reliability of Scale

The hypotheses will be tested to find out the impact of entertainment, Interaction, trendiness, customization and WOM towards purchasing intention in hotel industry. The collected data were analyzed by using Statistical Package for Social Sciences (SPSS 16.0). Regression analysis was applied to measure the impact of independent variables on the dependent variable.



**Table 1: Reliability Test on Social Media Marketing**

Variable	Reliability Statistics	
	Cronbach's alpha	No of Items
Entertainment	.794	02
Interaction	.852	03
Trendiness	.809	03
Customization	.737	02
WOM	.711	02

**Table 2: Reliability Test on Purchasing Intention**

Reliability Statistics	
Cronbach's alpha	No of Items
.948	09

Source: Survey data 2017

In general, Cronbach alpha value over 0.7 indicating the good reliability of questionnaire (Hair, Black, Babin, Anderson & Tatham, 2009). The Coefficient of Cronbach's Alpha of the reliability test in this study showed the value more than 0.7. The above table 1 and 2 indicate all reliability statistic of construct of entertainment, Interaction, Trendiness, Customization, WOM and also purchasing intention which are above 0.7 and high reliability of items.

## 4.2 Validity of Scale

The questionnaire consists of 21 items, yielding a score for each of the components of their variables of social media marketing and purchase intention. A scale from 1 to 5 was used for these items, where 5 indicated that the statement "strongly agree" with the particular statement, 1 "strongly disagree". According to Hair et al. (2009), construct validity reflects the degree to which the measurement items of a construct do actually reflect the theoretical latent construct that those items are designed for. Once the construct validity has been proved, it guarantees that each time samples drawn from the population are measured; the test scores are representative of the true scores of the population. Kaiser – Meyer – Olkin (KMO) test assist to measure sample adequacy. The KMO statistic varies between 0 and 1. A value close to 1 indicates that patterns of correlation are relatively compact and so factor analysis should yield distinct and reliable factors. Kaiser (1974) recommends the accepting values of greater than 0.5.



**Table 3: KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.826
Bartlett's Test of Sphericity	Approx. Chi-Square	1.5323
	Df	15
	Sig.	.000

Source: Survey data 2017

In this study, KMO measure of sampling adequacy for all variables came out to be 0.826 which is greater than 0.5 indicating the factor analysis test can be proceeded correctly. And also results of the Bartlett's test of Sphericity indicate that all the factors are significant at 0.000, which is less than 0.05.

### 4.3 Inferential Statistical Analysis of the Data

**Table 4: Regression Coefficient**

Independent Variable (Social Media Marketing)	Dependent Variable (Purchase Intention)	
	Adjusted R <sup>2</sup>	Significance of F
Social Media Marketing	.711	0.000
Entertainment	.638	0.000
Interaction	.687	0.000
Trendiness	.641	0.000
Customization	.589	0.000
WOM	.513	0.000

Source: Survey Data 2017

The above table 4 illustrates that the adjusted R<sup>2</sup> between social media marketing and customers' purchase intention is 0.711, it reveals the 71.1% of the variance in purchase intention is accounted by the social media marketing. Social media marketing has an impact on consumers' purchase intention. Considering the above fact, the hypotheses 1 is proved

The adjusted R<sup>2</sup> value between entertainment and purchase intention is 0.638, it reveals that the 63.8% of the variance in purchase intention is accounted by the social media marketing activity named as entertainment. So, a hypothesis 1a is proved and there is evidence of greater entertainment in social media encounter for the purchase intention of customers.



It is illustrated that the adjusted R<sup>2</sup> value between interactions in social media marketing and customers' purchase intention is 0.687, it reveals that the 68.7% of the variance in purchase intention is accounted by the social media marketing activity named as interaction. Interaction in social media has significant impact on consumers' purchase intention and the hypotheses 1b is proved

The adjusted R<sup>2</sup> value between trendiness in social media marketing and customers' purchase intention is 0.641, it reveals that the 64.1 % of the variance in purchase intention is accounted by the social media marketing activity named as Trendiness. The hypotheses 1c is proved and there is evidence of greater trendiness in social media encounter for the purchase intention of customers.

It is illustrated that the adjusted R<sup>2</sup> between customization in social media marketing activity and customers' purchase intention is 0.589, it reveals that the 58.9 % of the variance in purchase intention is accounted by the social media marketing activity named as Customization. Customization in social media has significant impact on consumers' purchase intention and hypotheses 1d is proved.

The adjusted R<sup>2</sup> between WOM and customers' purchase intention is 0.513, it reveals the 51.3 % of the variance in purchase intention is accounted by the social media marketing activity named as WOM. WOM regarding social media has impact on consumers' purchase intention. The hypotheses 1e is proved.

## 5. DISCUSSION OF FINDINGS

Main aim of this research is to identify the impact of social media marketing on consumers' purchasing intention with special reference to hotel industry in North Central Province of Sri Lanka. Simple regression analysis was conducted to identify the impact independent variable on dependent variable.

Huynh (2012) has hypothesized that the social networking and interaction orientation have positive effects on purchase intention. The present study finding is also consistent with this study. Ramsunder (2012) investigated on the impact of social media marketing on purchase decisions. This study differently applied the impact on purchase intention rather considering purchase decision. James Richard (2014) Facebook: Investigating the influence on consumer purchase intention. Considering face book and other all the social media platforms have been unique in this study. This study sheds light on the impact of social media marketing on purchase intention, which has so far received little research attention in hospitality industry.

Based on literature and earlier researches, researcher has developed one main and five sub hypotheses. The results of the regression analysis shows that the independent variable of social media marketing and dimensions named as entertainment, interaction, trendiness, customization and WOM have significant impact on customers' purchase intention. All the hypotheses were accepted. Thus, the researcher have come to the conclusion, the social media marketing has significant impact on purchase intention.



## 6. IMPLICATION OF THE STUDY

The study finding revealed unique dimension of SMM, which are indicated by entertainment, interaction, trendiness, customization and WOM it is great contribution for literature. Hotels may evaluate those factors of a particular platform on multiple criteria. If there is no strong impression of SMM on a platform but that platform is well developed with large number of active users, hotels may create groups themselves and invite target users to join. And hotels should satisfy consumer's needs by communicate with and listen to them on social media Providing support, care and service such as answering queries, solving problems. Furthermore, when hotels are creating groups and communities on social media, it helps hotels to attract loyal consumers and build trust among members by engaging and encouraging discussion.

Seeing the popularity of Social Media, many hotel service provider were actively setting up pages and accounts on Social Media platforms which are related to social media marketing. By taking advantage of the daily and direct communication offered by social media, managers keep users and potential customers close to the brand name of their hotels and have the great opportunity of turning a simple user into a fan and a loyal customer. Hotel service providers should carefully select which Social Media channel to be used to promote their brands and services. Popularity of Social Media channels might provide insights to entrepreneurs who were about to set up a page or an account. Managers of social media brand channels should focus on spreading positive word of mouth among social media users.

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