Brand Trust For Local Brands in Medan

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Abstract. Social Media Platform is being used more frequently among consumers and the interaction between consumers are spreading vastly through technological sophistication. Variety is an important component of marketing strategy, especially for local brands based in Medan. This study aims to analyze the effect of social media and electronic word of mouth (E-WOM) on brand trust of local brands in Medan. This study used 90 respondents who were determined based on the simple random sampling method. In terms of academic contributions, this research bridges the influence of social media on brand trust, in thich the area of this research is still limited. This study uses SmartPLS Path Analysis to test the data. Results show that social media and E-WOM influence brand trust. Social media is considered as a promotional tool, while E-WOM itself is helping consumers build trust toward local brands in Medan.

Keywords: Social Media, E-WOM, Brand Trust.

1 Introduction

The advancement of the period necessitates the internet not only as a tool for information retrieval, but also as a powerful platform with immense marketing possibilities. The practice of promoting products or services using online platforms is referred to as internet marketing or electronic marketing (e-marketing) [1]. Instagram is a rapidly expanding media platform for e-marketing activities. It is a social media application that enables users to capture images, apply digital filters or effects to them, and share them with others. Given the widespread accessibility of social media platforms, companies have the opportunity to engage with clients residing in several regions [2]. Social networks have been found to increase the price of a product. When people are involved in social networks, they can control the information that will be shared, they tend to present positive information about the products they produce and are able to introduce it through social media. Such positive information usually prompts positive feedback, which increases the price of the product and ultimately provides some positive social benefits and welfare i.e. social media (Instagram, facebook, tiktok) [3]. Social media also plays an important role in today's marketing activities. Market competition in e-commerce and digitalization activities requires producers to carry out a wider market and have diverse segments. The new interaction paradigm has shaped consumer attitudes and behavior [4]. Customers' past buying experiences, which encompass their evaluations of service providers and product excellence, are shared with other consumers through Electronic Word of Mouth (eWOM) [5]. In the realm of electronic commerce, electronic word-of-mouth (eWOM) is seen as a favorable reaction to adverse consumer evaluations for online merchandise [6]. According to Hsu et al. (2013), electronic reviews are considered more reliable than traditional forms of advertising. Approximately 75% of consumers give positive ratings to testimonies related to electronic

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word-of-mouth (eWOM), and 79% of individuals have faith in eWOM. This results in the proliferation of electronic word-of-mouth (eWOM) across various online platforms, which undeniably influences attitudes and customer behavior towards products or services. Several research have elucidated that the utilization of social media as a service impacts consumer confidence in purchasing advertised products, depending on the received experience and electronic word-of-mouth (eWOM) [7]. The study findings elucidate that e-WOM, functioning as an informal communication method, exerts a favorable influence on brand trust as a credible information source for purchasing a product, and also serves as a means of delivering dependable information [8]. The objective of this study was to examine the correlation and impact of social media and electronic word-of-mouth (eWOM) on brand trust in locally produced goods in Medan City.

2 Literature Review

2.1 Social Media on Brand Trust

Social media is an online communication tool that has a great impact on society to encourage companies to expand their marketing practices on social media. In previous studies, traditional marketing media such as television, magazines, and radio are currently unstable and ineffective due to market changes brought about by the internet [9]. Furthermore, products endorsed by social media influencers are accorded a greater degree of confidence in comparison to those recommended by family or friends. Consequently, 40% of customers opt to purchase products endorsed by social media influencers [10]. Social media marketing is the practice of promoting a product, service, brand, or issue by leveraging the engaged audiences on various social media platforms. Tsitsi defines social media as a platform that enables marketers to actively engage, communicate, interact, and harness the collective intelligence of its users for marketing objectives. Social media is an internet networking approach employed by individuals for marketing purposes. Consumers who desire product information typically view social media influencers as a dependable source, so influencing brand trust [11]. The notion of trust originates from the examination of personal relationships within the realm of social psychology. Social psychology examines the impact of individuals on one another in terms of modifying behavior, attitudes, communication patterns, and fostering trust. The concept has just recently gained popularity in the marketing literature [12]. Based on research [13] explained that brand trust can be interpreted as a customer's confident belief that he can rely on the seller to provide his service promise. Brand trust, as defined by Hong Youl Ha and Helen Perks, serves as a measure for customers to depend on a brand's competence in fulfilling its intended roles. Meanwhile, Elena Dalgado defines consumer trust as the belief that a brand is reliable and accountable in its interactions, leading to the attraction and satisfaction of customers. Scientific investigation [14] states that there are several factors that influence brand trust including, security, privacy, brand name, word of mouth, experience. Several research results explain that social media influences brand trust. The results of [15] research explain that social media is information that is able to give consumers confidence to buy so as to create brand trust in the product. The results of [3] research also argue that social media is a form of producer-to-consumer interaction that provides a sense of trust and comfort to buy products using brand trust. Thus, the hypothesis in this study:
H_1: The Influence Of Social Media On Brand Trust

2.2 eWOM on Brand Trust

Access to information through internet media is better known as electronic word of mouth (eWOM). According [7] in his research that discusses consumer motivation for eWOM communication, eWOM, or electronic word-of-mouth, refers to statements made by potential consumers, current consumers, or past consumers regarding a product or company that may be easily accessed by a large audience. These statements can be either positive or negative in nature. or organizations over the internet. The advancement of the internet gives consumers a new world where they can communicate and influence each other. Information that consumers get is usually in the form of opinions from other users, either through face-to-face (WOM) or through internet media (eWOM) [16]. Furthermore, consumers will also go through an alternative evaluation stage. Here consumers will choose a brand that they trust. This stage is closely related to brand trust. In Research [17] explained The intention to purchase refers to the consumer's planned acquisition of a specific product, along with the quantity of units required within a specific timeframe. The growing need for locally sourced products leads to intense competition among micro, small, and medium enterprises (MSMEs) [18]. The increasing number of MSMEs that offer products with various features and quality makes consumers have to be selective in choosing. Various alternative brands often make consumers look for references through opinions in the community about a product. According [19] opinions solicited from other users or those who possess expertise in specific domains are sometimes referred to as word of mouth (WOM). This emerging form of word-of-mouth (WOM) has become a significant determinant in influencing customer behavior. Consumer buying interest can be influenced by reviews from other consumers on review sharing services. Multiple research findings elucidate the correlation between electronic word-of-mouth (eWOM) and brand trust. The results of [20] research explain that eWOM as informal information provided between consumers provides a reference for consumers to buy a product so as to create brand trust. The results of [21] research also explain that eWOM has an effect on brand trust. Thus, the hypothesis in this study:

H_2: Effect of eWOM on Brand Trust

3 Methodology

This study employs a quantitative methodology with an explanatory approach. It was conducted in July 2022 on a sample of 110 consumers in Medan City who use local products. The sampling technique used was purposive sampling. Out of the 95 questionnaires received, 90 replies were considered legitimate and included in the analysis. The survey use a 5-point Likert scale and the data is analyzed using Smartpls 3.0. The sample comprises 90 respondents, of which 60 are girls and 30 are males. The most populous age group consists of individuals aged 17 to 23, with 60 replies, followed by those aged 30 to 35.

3.1 Data Analysis

Table 1. Value Factor Loading, Avarage Variance Extracted (AVE), Composite Reliability (CR), and Cronbach Alpha (CA) From Each Latent Variables

Question items	Factor Loading	Construct Reliability	Cronbanch Alpa	AVE
Social Media (SM)				
SM1	0.830			
SM2	0.898	0.935	0.908	0.783
SM3	0.885			
SM4	0.923			
eWOM				
eWOM1	0.846			
eWOM2	0.883	0.903	0.840	0.756
eWOM3	0.879			
Brand Trust (BT)				
BT1	0.779			
BT2	0.918	0.901	0.835	0.753
BT3	0.881			

3.2 Validity and Reliability

Construct reliability is utilized to measure reliability, as indicated by table 1 in the research findings. Typically, the build dependability is 0.8. The reliability scores for social media, eWOM, and brand trust are 0.935, 0.903, and 0.901, respectively. There are two metrics for assessing factor loading. In this research, the initial measurement is factor loading. The minimum requirement for convergent validity is chosen at 0.5, as stated by Ringle et al. (2014). Table 1 demonstrates the validity of all indicators in this investigation. The second measurement in the calculation of average variance extracted (AVE). The AVE values for each variable are as follows: social media 0.783, eWOM 0.756, and brand trust 0.753. The overall AVE values are computed to be higher than the required threshold. Thus, all variables have been verified as legitimate.

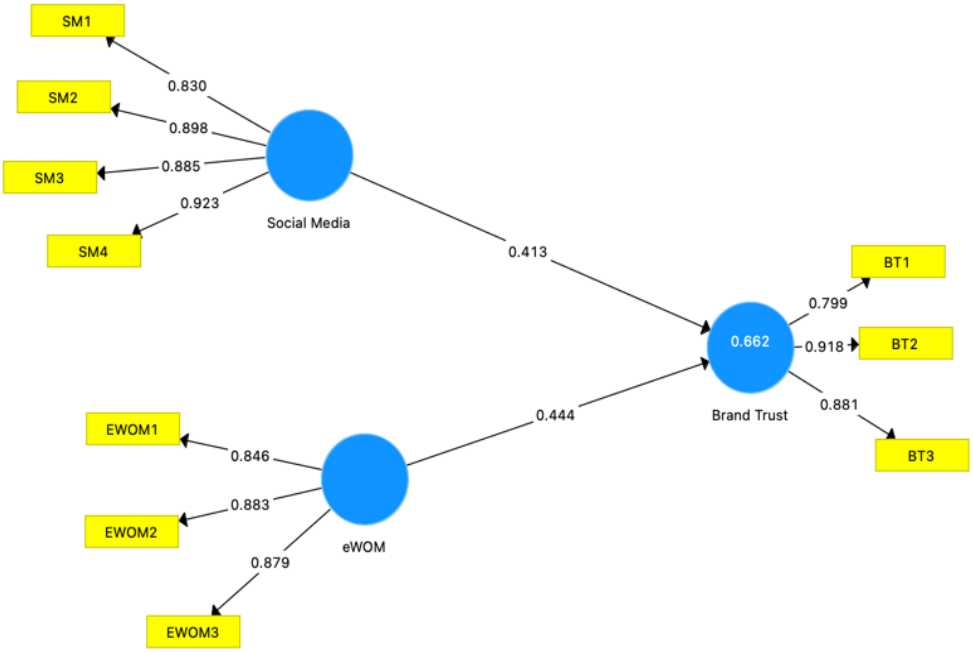

Fig 1. The results of Structural Equation Models (SEM)

Table 2. Research Model Estimation (N:100)

Direct Effect Independent	Dependent	Positive Effect Estimate	Significant P Values
Social Media	Brand Trust	0.413	0.000
eWOM	Brand Trust	0.444	0.000

3.3 Direct Effect

Figure 1 provides evidence through hypothesis testing that supports the favorable effect of both hypotheses H1 and H2. It is important to note that the P-value for the relationship between social media and brand trust is less than 0.000 (Table 2), indicating that it is smaller than the level of significance. 0.005. This implies that social media exerts a substantial influence on the level of trust consumers have in a brand. The coefficient route value linking social media and brand trust is 0.413. The coefficient value indicates a favorable correlation between social media and brand trust. Consequently, It is important to note that the P-value for the relationship between electronic word-of-mouth (eWOM) and brand trust is less than 0.000 (as shown in Table 3), indicating that it is smaller than the level of significance. 0.005. It signifies that electronic word-of-mouth (eWOM) has a substantial impact on the level of confidence consumers have in a brand. The coefficient route value linking electronic word-of-mouth (eWOM) and brand trust is 0.444. The coefficient value indicates a favorable impact of electronic word-of-mouth (eWOM) on brand trust.

4 Discussion

According to the data in Table 1, the results of the hypothesis testing confirm the validity of hypothesis H1. The results indicate a strong and positive correlation between social media usage and brand trust. Social media is a platform that enables marketers to actively involve, cooperate, communicate, and leverage the insights of those who engage with it for marketing objectives. Social media is an internet networking tool that individuals employ as a marketing tactic. Brand trust, as defined by Hong Youl Ha and Helen Perks, serves as a measure for customers to depend on a brand's competence in fulfilling its intended roles. [22]. Meanwhile, according to Elena Dalgado is a sense of trust held by customers in their interactions with brands, based on the perception that the brand can be trusted and is responsible for attracting and satisfying customers [11]. Reserach [3] states that there are several factors that influence brand trust including, security, privacy, brand name, word of mouth, experience. Some of the research results that are in line with the results of research conducted are as follows. The results of [23] research explain that social media is information that is able to give consumers confidence to buy so as to create brand trust in the product. The results of [24] research also argue that social media is a form of producer-to-consumer interaction that provides a sense of trust and comfort to buy products using brand trust.

According to the data in Table 1, the results of the hypothesis testing confirm the validity of H2. The results demonstrate a clear and substantial impact of electronic word-of-mouth (eWOM) on brand trust. According to [7], [19] in his research that discusses consumer motivation for eWOM communication, explains that eWOM is An evaluation, either favorable or unfavorable, expressed by prospective customers, actual customers, or past customers of a product or company, which is widely accessible to the public. or organizations over the internet. The proliferation of the internet offers customers a novel realm in which they can engage in communication and exert mutual influence [8]. The information that consumers get is usually in the form of opinions from other users, either through face-to-face (WOM) or through internet media (eWOM). Furthermore, consumers will also go through an alternative evaluation stage. Here consumers will choose a brand that they trust. This stage is closely related to brand trust [25]. Some of the research results that are in line with the results of research conducted are as follows. The results of [26] research explain that eWOM as informal information provided between consumers provides a reference for consumers to buy a product so as to create brand trust. The results of [15] research also explain that eWOM has an effect on brand trust.

5 Conclussion

The research examined the impact of social media and electronic word-of-mouth (eWOM) on brand trust for local brands in Medan. The research findings confirmed that social media has a favorable and substantial impact on brand trust, hence accepting hypothesis 1. Furthermore, the findings from the conducted research confirmed that electronic word-of-mouth (eWOM) has a favorable and noteworthy impact on brand trust. This acceptance of hypothesis 2 indicates the presence of a positive and substantial relationship.

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