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Impact of Social Media on Consumers' Brand Loyalty and Consumers' Willingness to Pay

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Abstract. As time elapses with the growth of the worldwide economy has increased every brand’s competitiveness, and this circumstance is playing an obvious role in the marketing area, as well as the social media, with various functions immersing into individuals’ lives, powerful enough now affecting everyone’s life. Marketers now are following the societal trend that everyone is taking full advantage of social media and changing their ways of life. Which means that the traditional marketing method is out of date. As a result, marketers have discovered several ways of social media marketing to make their advertising more novel and effective. This essay summarizes some of those researchers’ empirical studies, experiments, and conclusions of social media marketing strategies from different perspectives, including the perspective of the four stages of the consumer decision-making journey, brand loyalty, and consumers’ willingness to pay, suggesting some musts and limitations to combine the advantages to provide marketers with practical marketing advice.

Keywords: Social media marketing, decision-making journey, brand loyalty, consumers’ willingness to pay

1. Introduction

With the fast developing economy, miscellaneous brands emerged results in more and more competitive markets, and enterprises are looking for new ways in order to make their products distinct and outstanding among all the competitors as the orthodox marketing methods were not useful anymore. Consumers were tired of the old advertising style, therefore they do not respond to those advertisements, and those advertisements are not as effective as it should initially be. The traditional marketing were mostly obsolete since the trend of using mobile technologies in the 20th century, social media has become an integral part of people’s lives including communication, building up relationships and especially sharing and comment, new opportunities have emerged with more and more people have got in contact with the social media. The essence of the social media gives enterprises a brand new way, a new medium of conveying their content to the consumers and it is becoming more and more indispensable. In Li, F., Larimo, J. & Leonidou, L.C.’s paper, they mentioned that utilizing the social media in these years has emphasized the importance of guiding enterprises to build social media marketing strategies in order to increase marketing performance [1].

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Apart from the traditional marketing methods, enterprises nowadays have already developed more influential ways through the social media. From Hou, Deng and Wang's essay, a 2017 study, the data shows that the cost of social media advertising was up to 85.69 billion US dollars, occupied 41% of all the cost of world-wide advertising [2].

With this new trend, countless chances have appeared during the consumers' decision making journey, influencing their behavior, expanding the market, adding more selling opportunities. The various marketing and advertising strategies, some are beneficial while some cause a negative effect such as causing resistance. This essay aims to summarize the past empirical experiences and principles of the social media marketing, especially about how the social media utilizes consumer psychology to lead them to the purchasing moment, so that enterprises can make a good use of the strategies and consumers' behavior, maximizing the effect of marketing.

2. Concept introduction

2.1. Definition of social media

Social media nowadays becomes an essential part of people's life, which was first used in 1994 on a Tokyo online media environment called Matisse. Gradually, because of its diverse functionalities such as information exchange, entertainment, and social networking, social media platforms has increased alongside the increase of social media users, also business markets, making it one of the most widely adopted platforms on the internet due to its accessibility and participatory nature.

According to the existing researches, social media is a general term for a variety of online platforms, such as blogs, business networks, forums, photo sharing, products review, gaming, virtual worlds and so on, and their functions include socializing with acquaintance, romance, interaction between companies and shops, job seeking, doing business, research questions. The social media's definition varies as time goes on: it was commonly recognized as a median of communication for people with same interests; it then changed for creation and sharing after 2010. The applications of social media include socializing with acquaintance, romance, interaction between companies and shops, job seeking, doing business, research questions [3]. In Looy's paper, the function of social media is classified in community management, blogging, vlogging, social bookmarking and gamification [4].

2.2. The consumer decision making process and forming brand loyalty

When consumers develop a purchasing need, they enter a structured decision-making process consisting of several interconnected stages, which is separated into four stages: consideration stage, evaluation stage, purchase stage and post-purchase stage.

Firstly entering the consideration stage, consumers will consider a broad range of brand options derived from personal preferences, online information, and social recommendations of their target products. Then, the evaluation stage will help them subtract their choices through evaluate different aspects including prices, quality, comments. After a fully evaluation of everything, a certain brand choice will lead them to the purchase stage and make a purchase. The post-purchase stage is their experience of enjoying the product or service. In this stage, there is a chance that consumers will make a recommendation to others, even forming brand loyalty, which means consumers will build up a long tern trust, emotional dependence or preference on this brand, demonstrating a stable commitment to repeat purchases driven by emotional attachment and consistent satisfaction instead of attracting by other competitive brands.

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2.3. Consumers' Willingness to Pay (WTP)

When browsing the products, most consumers always pay attention to their prices as they need to evaluate whether the perceived benefits justify the monetary cost for the product, reach cost effective. If the products' prices are above their expectation, they would give up on it. This scenario, the highest price of a certain product or service consumers are willing to pay for, it is call consumer willingness to pay. This is a core criteria of brands' pricing strategies but nowadays it has been changed due to consumers' perception to products' value, substitution prices, psychological expectations, their wage level and the urgency of the situation.

3. Social media and consumer decision making process

With the development of social media currently, many opportunities emerge in every stages of the consumer decision making process for marketers, influencing consumer behavior.

In Laz˘ aroiu, Neguri¸ta˘, Grecu, Grecu and Mitran's essay, they mainly discussed about online retailing platforms' effects on consumer decision making process, and investigated the relation between online trust, perceive risk and willingness to consume. Given that in the consideration stage, when seeking appropriate brands, consumers will form an initial trust on the platform and retailers through the clues such as the contents, retailers' integrity, ability, attitude, and the security level of the platforms. Consumers also assess perceived risks—including financial, functional, and privacy-related risks—that are tied to platform reliability which are directly related to the platforms' reputation, completeness of the platform. Trust, being an essential median of connecting perceived value, platform interaction and willingness to consume, have a positive association with turning purchasing intention into actual action in the evaluation stage. On the contrary, perceived risks exert a negative influence on decision-making by lowering trust and reducing the likelihood of completing a purchase. For example, perceived risks on finance will lower consumers' trust on retailers; risks on products will strongly weaken consuming intention; but enhancing trust can mitigate those negative effects on making decisions. After deciding, consumers' satisfaction is shaped by whether their expectations of trustworthiness align with the actual experience, the occurrence of actual risks. If there is not any problem about perceived risks and the actual experience and expectation are consistent, consumers would form a will to repurchase; if not, it would break the trust from consumers, even leading to a negative comment about the product [5].

Throughout the whole process, factors like utilization value, enjoyment value and social interaction will indirectly affect consumers' judgement in each stage of decision making by means of adjusting the strength of building trust while factors such as utilitarian value, hedonic enjoyment, and social interaction indirectly shape judgment by influencing users' trust formation. Just like the cases discussed in Jin's essay, the author focused on how social media sharing clues immerse in consumers' decisions in two main aspects: the route of impression management and the route of lacking the sense of autonomy. In conclusion, the research shows that social media is a double-edged sword as it can improve consumers' interest on certain products; ceasing the decision because of lacking of the sense of autonomy. To be specific, impression management involves sharing clues will activate consumers' public self-awareness, resulting in paying attention to others' comments, then adjusting the interest toward the product according to the appropriateness of it consequently. As for lacking sense of autonomy, or self-awareness, one one hand, there is possibility that sharing links will be perceived as a form of external monitoring that may undermine consumers' sense of autonomy and intrinsic motivation, especially for the evaluation stage, lower self-awareness causes consumers to end the process. On the other hand, several chances could help build brand loyalty.

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Firstly, building up brand loyalty via interest on products, which is, recommending appropriate links about products can increase consumers' curiosity, making them willing to choose the brand more and keeping purchasing in the long term. Secondly, strengthen brand cognition by encouraging consumers to repeatedly present and endorse preferred brands in social spaces. Motivation of impression management that triggered by sharing clues, urge consumers much more wanting to share their preferred brands on the social media, therefore not only enhance their recognition of the brand, but also forming brand community via social spreading, boosting the brand loyalty from the group level [6].

Above all, there are some advice for the online retailing platform and social media. First of all, building up trust with consumers and avoid perceived risks as these two elements are keys to the development of retailing online, on the social media. So retailers should pay attention to integrity, actual ability and kindness, avoid leaking consumers' privacy to strengthen trust in order to mitigate perceived risks. Furthermore, enhancing brand reputation, platform accessibility, perceived value, and creativity can significantly increase consumers' willingness to purchase. What's more, social media becoming the strongest tool of marketing, in Jamil's research project, four research topics for social media to affect consumers' participation are given: consumer participation-based strategies based on Customer Engaging Theory (CET) and Social Exchange Theory (SET), Customer activities-based strategies based on Stimuli-organisms-response (SOR), role of Customer relationship-based strategies in customer engagement based on relationship marketing theory (RMT) and Customer motivations-based strategies based on Uses and Gratification Theory (UGT) and Theory of Reasoned Action (TRA). The conclusion of these four questions includes the following: firstly, the result of consumer participation-based strategies indicates that a brand which tries to engage its customers can develop customer loyalty with it. This provides essential contributions for the present contents of online marketing, and help them adjust their policies on customers' engagement of the brand; secondly, the customer activities-based strategies not only contributes in the literature but also gives some implications for professional marketers as it provides them a strategy about how can they improve the touch points between customers by offering interactions on the social media in order to motivate them to purchase; thirdly, purchase intention is led by the positive effect of customer relationship-based strategies on customer engagement as the final goal of brands is to make a sale. The study also suggests some practical applications that the outcomes are helpful for business managers to implement the strategy in real life to fulfill larger sales; lastly, the results of Consumer motivations-based strategies shows the positive association between consumer loyalty and their motivation, engagement on the social media. The research findings provide advancement for the current literature and instructions for marketers on how to make development, engagement and motivation on customers' willingness to purchase. All these outcomes construct the influential system of the connection between social media marketing and consumer engagement [7]. Last but not least, from Feng's research paper, it tells that personalized marketing strategies are crucial because data-driven content delivery allows brands to align recommendations with users' preferences and emotional responses, can directly help marketers improve their contents in order to form brand loyalty, resonance and emotional connection with consumers [8].

4. Social media and consumers' willingness to pay

Social media has improved consumers' willingness to pay effectively via precise positioning, abundant recommendation contents, interaction and selling strategies as in the fiercely competitive market environment nowadays, an in-depth understanding of consumers' awareness of the brand has become a critical approach for enterprises to seek differentiated competitive advantages.

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In Gu's research, the author initially identifies a nonlinear relationship between social media advertising and consumers' willingness to buy, using empirical data from online surveys. To be specific, moderate advertising can stimulate consumers' buying motivation, whereas excessive exposure often leads to advertising fatigue and information overload by overwhelming consumers' cognitive capacity, which means consumers will get bored and annoyed with repeating advertising contents. This pattern can be applied to the law of consumers' willingness to pay that proper amount of social media advertising can make consumers pay for a higher price for brands or products by improving product exposure and attractiveness. However, when excessive advertising triggers resistance, consumers will not only decline their willingness to buy, but also reduce their willingness to pay, or probably pay in a lower price, even giving up on buying. Then, she analyses how brand recognition, being a medium, relates to the willingness to pay. Since advertisements on the social media can significantly improve consumers' recognition on brands, and indirectly improve willingness to buy through this medium, brand recognition is a consequential factor of influencing consumers' willingness to pay: the higher brand recognition consumers have on a certain brand, the deeper the positive impression consumers form of a brand, the stronger their perceived value, as emotional resonance reinforces trust and willingness to pay, resulting in a higher possibility that consumers will accept a more expensive, even an unreasonable price which the product does not deserve; On the contrary, if there is not enough brand recognition, it would be hard for consumers to pay for a higher price as their willingness to pay is usually limited in products' actual practicability, function and value. In addition, Gu's adjustment effect analysis result shows that there are some differences on consumers' willingness to pay due to age adjustment and product type adjustment. Research shows that younger consumers are more likely to have an active respond toward the social media advertisements than the other age groups because the youngsters have a higher dependence on social media and easier to be influenced by those advertisements, forming brand recognition. Their increasing purchasing intention is accompanied by a positive change in their willingness to pay so they are more willing to pay for a higher price for personalized and trendy brands and products in the advertisements. As for the product type adjustment, consumers' willingness to pay is more sensitive to the effect of advertisements for durable goods as durable goods have higher prices and longer decision-making process. Social media is capable of reducing consumers' concerns during the process of decision-making through providing information like product details, buyer reviews and comments, making consumers more willing to pay the expected price, even higher price for the products that meet their needs. Last but not least, Gu also gives some enlightenment on marketing strategy toward consumers' willingness to pay for companies. The essay mentioned that firms and companies should control the frequency of the advertisements, enhance brand value delivering, and adopt differentiated advertising strategy. From the perspective of consumers' willingness to pay, it means that enterprises can avoid consumer fatigue through moderate advertising, convey the core value of the brand, deepen consumers' positive impression on the brand, thereby increase their willingness to pay at the same time. Differentiated advertising strategies targeting young people ad durable goods can also reach high-potential audiences precisely, further amplifying the effect of increasing willingness to pay [9].

Ma's paper focuses on social media marketing, analyzing its concept, the value it brings to enterprises, the characteristics and factors that influence consumers' willingness to pay. By combining consumers' willingness to pay, a connection can be made between the at the level of the logical effect of marketing on payment intentions and the implementation of strategies. The following are some of his conclusion. Ma suggests the correlation between the value of social media marketing and consumers' willingness to pay. He states that social media marketing can enhance

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brand construction, increase brand publicity which will directly influence consumers' willingness to pay. With consumers' higher preference and familiarity for the brand, they are more willing to pay premium for its products. Meanwhile, social media marketing can make an improvement on consumers' trust which will turn into stronger willingness to pay, and pay higher prices for trustworthy brands via optimizing customer service, building up brand communities. Also, here are some influence of consumers' purchase intention characteristics on willingness to pay, including the pursuing of freshness, seeking high cost-effectiveness and preference for convenience and fun [10].

5. Discussion and suggestion

Based on the research findings discussed above, several practical social media marketing strategies can be summarized to guide future applications.

First of all, establishing trust and regulating risks. Online retailing platforms should beware of integrity, improve customer service, strictly avoid leaking consumers' privacy to strengthen consumer trust, lowering perceived risks such as finance, function and privacy, propelling purchase intention into an actual purchase action. Secondly, the enhancement of brand and platform value. Enhance brand reputation, optimize platform usability, increase consumer perceived value simultaneously and create creative marketing content, thereby significantly enhancing consumers' purchase intention and payment intention. Thirdly, detailing strategies for social media marketing according to the four theories including customer participation-based strategies, customer activities-based strategies, customer relationship-based strategies and Customer motivations-based strategies can not only stimulating consumers' interest in the products by leveraging the impression management while avoiding the problem of lacking autonomy, but also enhancing consumers' curiosity by recommending product links ad cultivate their long-term purchasing tendencies. Moreover, encouraging consumers to repeatedly express their brand preference on social platforms can strengthen social diffusion and foster collective brand identity, also strengthen brand loyalty at the group level. In addition, realizing personalized and differentiated marketing can achieve personalized content delivery, making recommendation align with users' personal conditions, preferences and emotional needs by utilizing data-driven methods can amplify the effect of increasing payment willingness. Lastly, regulating advertising placement and brand value transmission. For example, control the essence of advertisements on social media to avoid 'advertisement fatigue', while strengthening the core value communication of the brand, deepening consumers' positive perception of the brand, therefore increasing their willingness to make a purchase.

However, the existing research still has some limitations. Like the limitations of research perspective. The classification of consumers is broad and diverse, but the researchers have only consider the general factors like age groups and types of products, ignoring the factors like region, cultural background and purchasing ability. All these factors could affects the result of social media advertising. Also, there are not enough discussion about negative effect. Although the studies have already mentioned the excessive advertisements could trigger fatigue, they have not analyze how fake advertising, excessive personalized recommendation cause an inverse effect on consumers' willingness to buy. And lack of discussion about marketing risks such as the solution of spreading negative brand reputation in brand communities.

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6. Conclusion

From the previous researches and experiences, social media is undoubtedly helping with the overall marketing current situation but the enterprises should prevent some potential risks that the social media could possibly bring to their consumers. Consumers tend to perceive some risks which have a negative effect on their decision-making journey and the online retailing platforms should improve their service to avoid them, otherwise it will break the trust between consumers. In addition, the impression management triggers consumers involving in sharing related comments, therefore building up their recognition of the brand and the brand communities, attracting more targeting consumers. Some strategies suggest that brands should develop more touch points so that consumers can engage in a certain brand more commonly, motivate them to consume, forming loyalty.

From the perspective of consumers' willingness to pay, brand recognition is a factor leading consumers to purchase which can be improved by personalized advertising and recommendation. Further familiarity and trust with brands lead consumers to pay for a higher price.

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