

CHAPTER 2

LITERATURE REVIEW

2.1 Basic Theory

2.1.1 Social Media

Social networking is an internet based application built on the ideological and technological foundation of Web 2.0, which enables creation and exchange information content between users. Social networking media sites can also be defined as online technology and activity in it where the users can exchange opinions and knowledge (Kaplan & Haenlein, 2010). Social media provide interconnectedness among consumers which makes a high transparency in the marketing environments, hence, all consumers' and brands' activities are immediately visible to a large group of other consumers on social media (Hennig-thurau et al., 2013).

2.1.2 Instagram

Instagram is the social media form that has a speciality feature which is uploading photos, videos, snap photo/video, boardcast a live video that provide the user to give the filter and have interaction to the other users (Hochman, 2012). The Application that launched on 6th of October 2010 claimed that there are at least 800 million monthly active user, 500 million daily active user and 300 million daily stories actives (Instagram, 2018).

2.1.3 Brand Community

The Brand Community is a community form that has a bond that is not based on a geographical bond, but rather based on a set of social relations structures in a particular brand fan (O'Guinn & Muniz, 2001). The brand community comes in many forms. Some emerge from brand users, others appear from sponsors and corporate facilities (Kotler & Keller, 2012).

According to McAlexander & Schouten (2002), the brand community is divided into four entities in which the customer becomes the center of customer relationships with brands, customer relationships with marketers or companies, customer relationships with products, and customer relationships with other customers.

O'Guinn & Muniz (2001) stated that there are three main components of brand community, such as:

1. Consequence of kind

Consequence of kind refers to intrinsic relationships and collective feelings among members and at the same time feel the difference with those not belonging to the community.

2. Rituals and traditions

Rituals and traditions represent the main social process by which the meaning of a community is produced and shared within and outside the community.

3. Moral responsibility

It is defined as "a feeling of duty or duty to the community as a whole and to every member of the community" and is one of the main forces for a collective action and thereby contributes to a group.

A strong brand community creates a more loyal and committed customer base. Activities in it can replace other engagement activities. A brand community can also be an inspiration and enhancement for the development and innovation of a product.

2.1.4 Instagram-Based Brand Community

There are many ways to define Social Media Brand Community. Malinen (2015) in the previous research divided the social media-based brand community participants into active and passive users. The example of active participation is posting while passive participation consists of viewing these post instead of contributing to the activities or creating content. However, the participation should not only understood by the content of creating, commenting, or liking. Building a connection to the other community member can also be considered as participation. Besides Active and Passive, Malinen (2015) brings up interaction as its own way to consume content.

Mahrous & Abdelmaaboud (2017), who previously study about brand communities on Facebook, define that participation as browsing, contributing and communicating with others through brand's Facebook page. While, Khaur et al. (2018) are clear about who is brand community member on Facebook. They claimed that brand community members are the people who click the brand's page

on Facebook. Based on this argument and applying it to Instagram, consumers become a part of Instagram-based brand community members by hitting the blue “Follow” button to the brand’s account.

2.1.5 Brand

According to the American Marketing Association, a mark is defined as "a name, a term, a sign, a symbol or a design or combination thereof.) The marking mark is to identify the product or service produced and to distinguish the product or service from the product or service competitors ". Thus, a brand is a product or service whose dimensions distinguish the product or service from other products or services designed to satisfy the same needs. These differences may be functional, rational or tangible relationships with product performance of a brand. These differences may also be symbolic, emotional or intangible in relation to what the brand represents or in a more abstract sense (Kotler & Keller, 2012).

According to Rahman and Wibono (1996), a brand is not just a name, a term, a sign, a symbol. It is basically a promise of the seller to consistently and this promise that makes people recognize the brand more than other brands (Rahman & Wibowo, 1996).

2.1.6 Brand Loyalty

Brand loyalty is defined as a strong commitment to repurchase a desired product or re-subscribe to a service consistently in the future. Thereby, resulting in repeat purchase of the same brand or set of products with the same brand, or set of

products with the brand in despite the situational effect (Oliver 1999 in (Chaudhuri & Holbrook, 2001).

Researchers have suggested that engagement will result in customer commitment or loyalty. Howard and Sheth in Shang, Chen, & Liao (2006) stated that customers with high engagement will perceive greater product importance and commit to their choice.

Tybjee in Shang et al. (2006) argued that customers with low engagement are characterized by brand loyalty and low-search alternatives. The higher the level of engagement, the greater the level of commitment, and therefore, will lead to brand loyalty.

Brand loyalty is influenced by social drives, ie the social environment around the customer can affect customer attitudes toward a brand, including social group and peer recommendation. One example of social groups is the virtual group and the brand community. Social groups such as the brand community directly influence one's attitudes and behavior. A group will be the main reference of a person in buying a product. The influence of a strong reference group can easily change the behavior of its members or potential members (Gounaris & Stathakopolous, 2004).

2.2 Formulation of Hypotesis

2.2.1 The Effect of Brand Communities on Brand Community Customer Centric Model

In the previous study, McAlexander (2002) stated that the community is made up of several entities and relationships. Laroche (2012) also concludes that the social media-based brand community has some entities such as brands, products, customers, companies, and social media itself as a container where this community is located. This research believes that social media can provide high-context interaction among elements of a brand community. When a community member joins social media to open a branded website page, commenting, sharing photos or experiences interacting with marketers, asking about brands or products or answering comments, indicating that members of the community have participated in community and community activities that were not visible to be visible (Laroche et al., 2012). During this interaction, community members and marketers share valuable experiences while consuming a product, useful information, and other valuable resources that can strengthen the relationship between all elements and models of customer-centric brand communities (McAlexander & Schouten, 2002). Thus, the researchers put forward the hypothesis:

H1a: The Instagram-based brand community has positive effect on the relationship between the customer and the product.

H1b: The Instagram-based brand community has positive effect between customer and brand.

H1c: The Instagram-based brand community has positive effect between customer and company.

H1d: The Instagram-based brand community has positive effect on the relationship between customers and other customers.

2.2.2 The Effect of Brand Community Customer Centric Model on Brand Trust

Relationship enhancement occurs due to the sharing and dissemination of information among brand elements, which reduces information. The relationship between customer and brand has a positive effect on brand trust asymmetry and uncertainty and improves predictions of the brand. With this, the researcher proposed a hypothesis:

H2a: The relationship between customer and products has a positive effect on brand trust.

H2b: The relationship between customer and brands has positive effect on brand trust.

H2c: The relationship between customer and companies has positive effect on brand trust.

H2d: The relationship between customer and other customers has positive effect on brand trust.

2.2.3 The Effect of Brand Trust on Brand Loyalty

Brand trust brings on a higher level of loyalty because trust creates a very valuable relationship (Dessart, Veloutsou, & Morgan-Thomas, 2015). Thus, the researcher puts forward the hypothesis:

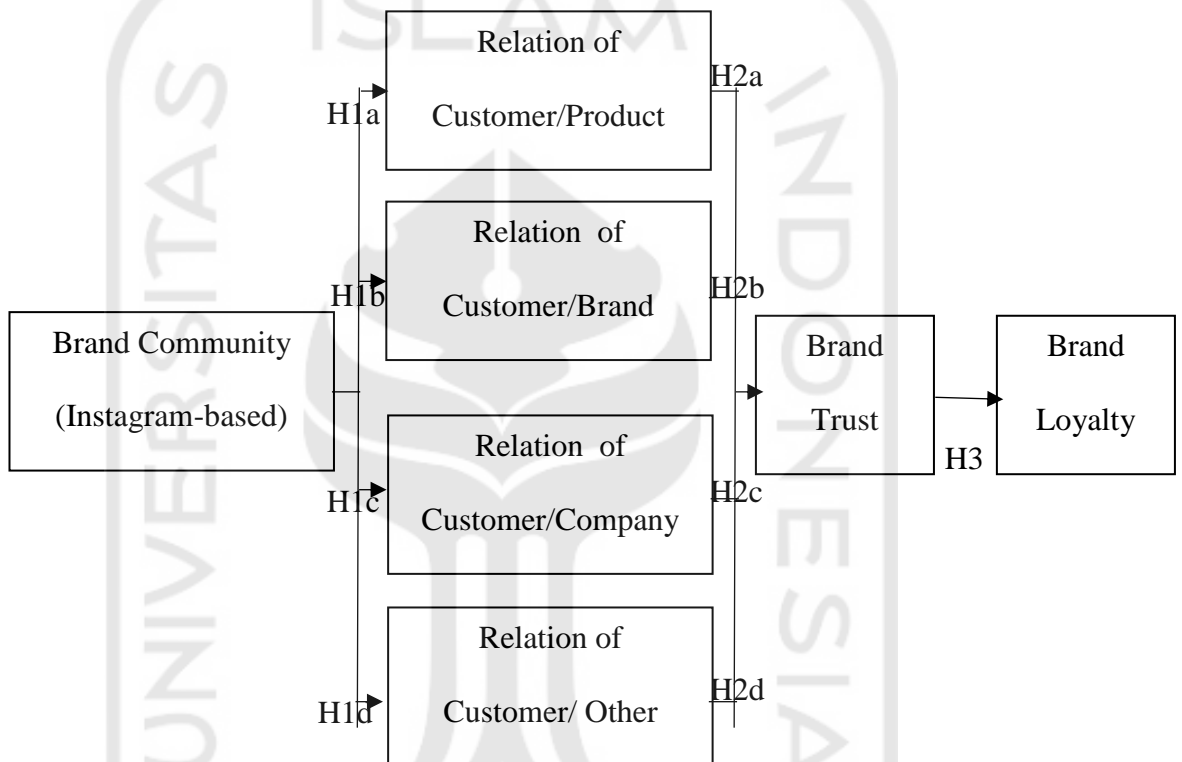
H3: Brand Trust has positive effect on brand loyalty.

2.3 Research Model

This research model refers to the research that has been conducted before by Habibi,

Laroche, & Richard (2016) and with some reductions. The hypothesis that has been made can be seen through the following model:

Figure 2.1 Research Framework



In this research model, the brand community variables in Instagram as independent variables affect the four variables namely relation from customer to the product, relation from customer to the brand, Relation from customer to the company, relation from customer to the other customers, as the one-level minor dependent variable, to which each path will be tested by simple regression.

The four dependent minor levels of one have an effect on the variable of Brand Trust as the second level minor dependent variable, which will be tested by multiple

regression. Then the variable Brand Trust as the second level minor dependent variable has an effect on the brand loyalty variable as the major dependent variable that will be tested by simple regression.

