

## **The Role of Word of Mouth in Increasing Purchase Intention of Low Cost Green Car**

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### **Abstract**

The participation of Indonesia to play a role in Green Environment for automotive industry occurred by issuing Low Cost Green Car regulations. This segment is well known as reflected by the high car sales in the first year. The aims of this study is to determine the impact of word of mouth on brand image and purchase intention on Low Cost Green Car. Data obtained from 320 prospective buyers Low Cost Green Car in Jakarta, Indonesia. The data are analyzed by Structural Equation Modeling (SEM) with Lisrel. The results show that word of mouth can improve brand image, but not contribute to purchase intention. This indicates that consumers do not believe in promotion through word of mouth because low involvement of dealers to promote green car and impact on not significant influence of purchase intention.

**Keywords:** Purchase Intention; Brand Image; Word of Mouth

### **INTRODUCTION**

Low Cost Green Car segment are relatively new in Indonesia, end of 2013 the government issued a regulation on that segment. In the first year, the number of sales was high enough with 164,930 units sold. It was involving five car manufacturing: Nissan (Go-7.2%), Suzuki (Wagon R-11.2%), Honda (Brio-14.7%), Daihatsu (Ayla-26.3%) and Toyota (Agya-40.7%).

One of the most effective ways to get customers is word of mouth (Day, 1971), but communication word of mouth (WOM) for "Low Cost" and "Green Car" is low supported by dealers. They worried it became a "boomerang" for their brand. Low cost gives a cheap impression on the brand while the green car gives meaning that a fuel-saving depends on how to drive. This condition raises several questions: Does word of mouth contribute to increased brand image? Does the word of mouth affect to purchase intention? Does brand image affect to purchase intention?

## **LITERATURE REVIEW**

### **Word of Mouth**

The concept of word of mouth (WOM) continues to grow in line with the development of communication technology. The way of exchanging idea on services and goods offered in the market is WOM. According to Westbrook (1987) WOM was an informal communication directed at other consumers. This research was conducted on automobile and TV cable in terms of communicator perspectives. Other similar studies in the automobile sector were carried out by Brown, Barry, Dacin, and Gunst (2005).

Another study conducted by East, Hammond, and Lomax (2008) describes WOM is informal suggestion conveyed among consumers. They study was measured in terms of receiver perspectives. From the above definition it appears that WOM occurs due to communication between the receiver and communicator informally. This research was conducted from receiver perspectives referring to Bambauer-Sachse and Mangold (2011).

### **Brand Image**

Maintaining positive relationships with consumers is one way to build a brand image. According to Río, Vázquez, and Iglesias (2001) stated that brand image is the customer's perception of the brand, as reflected in the association group associated with the brand name in his memory. Brand image is perceptual and subjective. This is in line with the opinion of previous researchers, Dobni and Zinkhan (1990) stated that brand image was mostly a perceptual phenomenon and subjective that is formed through consumer perception, whether it is emotional or reasoned. Cho and Fiore (2015) explained that there is two of literature's brand image that is both academic and industry-based. The present researchers incorporated with industry-based literature proposed by (Roberts & Lafley, 2005). They proposed that a brand need to find a way to create relationships and associations with consumers. Cho and Fiore (2015) stated that brand image is

consumer perception and feeling towards a brand that is formed by direct/ indirect brand experience, which captures cognitive, emotional, and sensory aspects.

### **Purchase Intention**

Purchase intention is the purchase process that occurs before the actual purchase; therefore important process of purchasing occurs in the initial meeting between sellers and buyers. The purchase of a car is a complex process, involving multiple stages including information retrieval, comparison the alternatives and the interaction with the seller in dealer. The definition and measurement of purchase intention have been developed and used in previous research. According to Kotler and Armstrong (2013) there are six buyer readiness stages that must go through in normal condition at the time when make a purchase: awareness, knowledge, liking, preference, conviction, and purchase. This is in line with the "Hierarchy of Effect" by Lavidge and Steiner (1961), which connects the aspects of human psychological (cognition, affection and conation) against the hierarchy of effects. Purchase intention is not only influenced by consumer attitudes but also combined with the stimulus of external factors (Lin & Lu, 2010). Purchase intention is a judgment about how an individual intends to buy a specific brand (Shih, 2010; Teng & Laroche, 2007).

### **Impact of Word of Mouth towards Brand Image**

Research on automobile industry in Iran by Jalilvand and Samiei (2012) found that word of mouth has a strong direct influence towards purchase intentions. This condition is in line with Bambauer-Sachse and Mangold (2011) studies which suggest the existence of adverse effects on the negative reviews of an online product to consumer-based brand equity. This shows that word of mouth contributes to brand image. According to previous researchs, we wish there is a positive influence of word of mouth to brand image. Therefore, we propose the hypothesis:

H<sub>1</sub>: Word of mouth has a positive influence to brand image

### **Impact of Word of Mouth towards Purchase Intention**

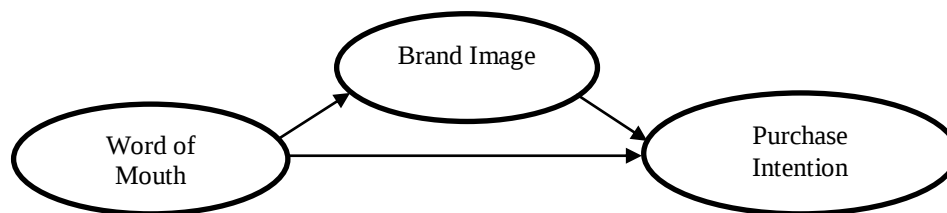
According to research Chevalier and Mayzlin (2006) and Jalilvand and Samiei (2012) found that word of mouth has a strong direct effect on purchase intentions. Another research by Meiners, Schwarting, and Seeberger (2010) states that traditional and online word of mouth communications can influence attitudes and predictions of consumer purchasing behavior. Chatterjee (2001) word of mouth can effectively reduce uncertainty and the risk when consumers buy products or services. Based on previous research, it showed that word of mouth communication has a role in influencing behavior intention and consumer attitude. We expect there is positive influence of word of mouth toward purchase intention. Therefore, we propose the hypothesis:

H<sub>2</sub>: Word of mouth has a positive influence to purchase intention

### **Impact of Brand Image towards Purchase Intention**

Based on the research of Yu, Lin, and Chen (2013), brand image is a very important aspect in purchase intentions. According to Wu, Yeh, and Hsiao (2011) brand image has a positive effect on purchase intentions. It implies that brand image has an important role to make consumer decide to buy. The other researchers who studied the influences of brand images to purchase intentions are Batra and Homer (2004), Esch, Langner, Schmitt, and Geus (2006) and Jalilvand and Samiei (2012) found there is a positive influence of brand image to purchase intention. Therefore, we propose the hypothesis:

H<sub>3</sub>: Brand image has a positive influence to purchase intention



**Figure 2** *Conceptual Framework*

## MATERIALS AND METHODS

The sample of 320 consumers is drawn by cluster and systematic random sampling from each Dealer Toyota in Jakarta. This study uses a questionnaire as a data collection tool and is needed to test the validity and reliability of questionnaires, then analyze and interpret data obtained using inferential statistics (Structural Equation Modeling). In the questionnaire filled out by customers, items to measure the construct dimension were adapted from previous studies. Word of Mouth adapted from Bambauer-Sachse and Mangold (2011) for persuasiveness, credibility and susceptibility. Brand image adapted from Cho and Fiore (2015) for mystery, intimacy, and sensuality. Purchase intention adapted from Teng and Laroche (2007) for intend to buy, consider buying, expect to buy, and plan to buy. Eventually, the total number of items is 25; the measurement items for the survey were using likert scale ranging from 1 = strongly disagree to 5 =strongly agree.

## RESULTS AND DISCUSSIONS

The selected respondents are those who have paid the booking money to ensure that the consumer has intention to buy. Demographic data show that 53 percent male and 47 percent female. The majority of the respondents were in 31-40 (53%) age groups with the highest education level of respondents was 51 % undergraduate.

The internal consistency testing of research instruments is done by reliability and validity analysis. The construct reliability and validity result are shown in Table 1.

**Table 1 Construct Reliability and Validity Result**

| Variable      | Dimension      | VE   | CR   |
|---------------|----------------|------|------|
| Word of Mouth | Persuasiveness | 0.77 | 0.87 |
|               | Credibility    | 0.86 | 0.94 |
|               | Susceptibility | 0.89 | 0.87 |
| Brand Image   | Mystery        | 0.74 | 0.94 |

| Variable           | Dimension  | VE   | CR   |
|--------------------|------------|------|------|
|                    | Intimacy   | 0.85 | 0.96 |
|                    | Sensuality | 0.79 | 0.90 |
| Purchase Intention |            | 0.68 | 0.89 |

In this study all scales were statically valid and reliable. The Structural Equation Modeling (SEM) results (Direct) shows that word of mouth significantly affects brand image but is not significant for purchase intention (see table 2). Brand image significantly influences purchase intention at a 5 percent significance level (t-value > 1, 96).

**Table 2 SEM Result (Direct)**

| Path                                                | T-Value | Coefficients | Result                       |
|-----------------------------------------------------|---------|--------------|------------------------------|
| H <sub>1</sub> : Word of Mouth → Brand Image        | 6.95    | 0.28         | H <sub>1</sub> : Accept      |
| H <sub>2</sub> : Word of Mouth → Purchase Intention | 0.37    | -0.04        | <b>H<sub>2</sub>: Reject</b> |
| H <sub>3</sub> : Brand Image → Purchase Intention   | 1.97    | 0.37         | H <sub>3</sub> : Accept      |

The insignificant condition of the influence of WOM on Brand Image is due to the low involvement of dealers in communicating the green car, so it does not raise consumer purchase intentions. Although word of mouth directly has no influence on purchase intention, but indirectly word of mouth influential effect on purchase intention through brand image. (See table 3).

**Table 3 SEM Result (Indirect)**

| Path                                             | T-Value | Coefficients | Result |
|--------------------------------------------------|---------|--------------|--------|
| Word of Mouth → Brand Image → Purchase Intention | 1.98    | 0.10         | Accept |

The Significant conditions of the indirect influence of WOM on purchase intentions through brand image is due to the strong influence of brand image on purchase intention. The salesman at the dealer communicates that Low Cost Green Car is part of the brand they sell.

## CONCLUSION

This research analyzed the impact of word of mouth towards brand image and purchase intention for green car in Indonesia. This study provides empirical evidence of the influence of word of mouth toward brand image also brand image has a positive effect on purchase intention. But the impact of word of mouth is not significant to the purchase intention. This condition is caused by low involvement of dealers to promote green car, so people are not easy to believe in what is communicated through word of mouth that impact on not significant influence of purchase intention. The indirect influence of WOM on purchase intentions through brand image is significant due to the strong impact of brand image toward purchase intention.

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