The Effect of Celebrity Endorsement and Trust on Purchasing Decisions

Suharto¹, Durotun Nasikah²

¹Faculty of Economics, Universitas Muhammadiyah Metro, Indonesia

Abstract - This study discusses purchasing decisions for e-commerce users of electronic products. The data collection method used a questionnaire distributed to 100 consumers and analyzed using the Lisrel SEM program. Research findings show that companies that involve celebrities in advertising can provide information about products and can attract consumers, and provide positive perceptions about the product, and ultimately can increase trust in the product. Involving a celebrity in advertising can attract consumers to make a purchase. Consumer confidence in the company can meet the needs and desires of consumers so that it can lead to a decision to buy the products offered. This research was conducted in the context of Indonesia. However, the findings of this study have the opportunity to be generalized to private organizations in other countries.

Keywords - Celebrity endorsement, trust, and purchasing decisions.

I. INTRODUCTION

E-commerce or commerce uses the electronic internet created to facilitate transactions in the business and commerce world (Khan, 2016). E-commerce transactions can shorten the time of transactions carried out by sellers and buyers and are web-based. The process undertaken to find information about products and services provided by suppliers does not require a long time. So the distance and time that should be needed in a relatively long time, through this e-commerce, the transactions can be shortened (Shahjee, 2016; Shahriari et al., 2015).

Basically, a purchasing decision is an act or behavior of a customer to decide to make a purchase or transaction. Customers often meet with many choices for using products or services. Purchasing decisions begin with needs that must be met (Nugroho, 2015; Rachmawati et al., 2019). Meanwhile, according to Brata et al., (2017); Aji, (2019), the consumer's decision to buy a product or service is a psychological statement that describes a person's behavior towards a planned purchase of a product with a particular brand.

Consumers in conducting e-commerce consider many aspects like celebrity endorsement is one of the things that are considered and affect consumers in purchasing an item. According to Aziz et al., (2019), celebrity endorsement can increase product visitability and develop attitudes towards mining behavior. The use of celebrity endorsements has increased in the last few decades, and at the same time, the corresponding cash flow will grow (Arshad et al., 2017).

Jaffari & Hunjra (2017) said that celebrity practice is a strategy that aims to get attention, to remember, and to establish long relationships. The use of celebrity endorsement makes consumers believe that the products or services offered by the company are of good quality so that they will not disappoint consumers Jaffari & Hunjra (2017). Therefore the use of celebrities in advertising can provide a special attraction in the minds of consumers.

The concept of trust explains people putting trust and believers in a relationship (Osman et al., 2016; Suharto et al., 2019). Research conducted by Arumsari & Ariyanti (2017) stated that trust is a psychological condition of a person which consists of the intention to accept vulnerability based on positive behavior for other intentions or actions.

II. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Purchasing decisions are the ultimate goal of the company's marketing activities. When customers make a purchase decision, they will face several problems. In determining the factors that influence purchasing decisions, some authors use different perspectives (Arief & Kurrivati, 2017; Sipayung & Sinaga, 2017). Buyer's decision is defined as an experience involving the acquisition of goods and services exchanging payments. Sometimes purchasing is also an investment (Yazid et al., 2017).

Celebrity endorsers are defined as individuals who enjoy public recognition and who have recognition on behalf of consumer goods to promote products (Vidyana et al., 2018; Nelson & Agbuleke, 2017). Companies that can involve a celebrity in an advertising campaign can be of great consumer interest. Celebrity endorsement ads can be executed in various ways. Celebrities can appear in commercials or commercials using a manufacturer's product or brand, in other cases, celebrities can give testimony about the features and benefits of the brand and recommend that consumers use it (Ndlela & Chuchu, 2016).

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Customer trust in the company is an important attribute in developing the company. A company will be credible if it provides benefits to customers, good behavior from its employees, and is competent in making or selling its products (Pramudya et al., 2017). Trust allows consumers to feel control over the possibility of unclear operations; this perception makes them to be involved in online transactions (Alqatan et al., 2016).

Based on the literature description above, the following hypotheses are explained one by one:

A. Celebrity Endorsement on Purchasing Decisions

Celebrity endorsement is a technique adopted in an advertising campaign that is used to enhance and provide additional product advantages for a brand because when celebrity supporters appear in an advertising campaign, consumers tend to feel a sense of ownership of the brand (Nelson & Agbaleke, 2017; Hassana & Raja 2014). Celebrity endorsements greatly affect customers, and the product features themselves take an interest and consideration in deciding on consumer purchases (Akram et al., 2017).

Decision-making is an individual activity that is directly involved in obtaining and consuming the products or services offered (Widyastuti & Said, 2017).

H1: There is a positive direct relationship between celebrity endorsement and purchasing decisions

B. Trust in Purchasing Decisions

Trust is the willingness of consumers to rely on companies based on consumer trust (Setiawan & Sayuti, 2017). This can be interpreted that when a consumer already believes it will not hesitate to decide to buy a product or service. According to Tang & Chan (2017), consumer decision-making refers to the results of the purchase and use of goods and services. The buying process involves stages to reach the final stage of purchase.

H2: There is a positive direct relationship of trust in purchasing decisions

C. Celebrity Endorsement on Trust

Modern celebrity advertisements originated in the United States. However, this practice has increased dramatically in other parts of the world due to the development of commodity culture and mass media technology (Muda et al., 2017).

According to Ago et al., (2015), Koththagodaal & Dissanayake, (2017), consumer trust is consumer knowledge about an object, its attributes, and its benefits. Knowledge is useful for communicating products and their attributes to consumers.

H3: There is a positive direct relationship between celebrity endorsement and trust

III. RESEARCH METHODOLOGY

This research uses a quantitative descriptive approach using survey methods. The study was conducted in a shopping center in Lampung province and used a sample of 100 respondents. The scale of the response rate is done using a closed design and instrument and sent using email. It is hoped that this design can increase the response rate. In addition, the authors took several steps, namely preparation, compilation, and finalization, as well as calculating whether respondents were interested in engaging in research and could fill in the answers to the questionnaires sent. After sending via e-mail, from 165 questionnaires sent, the researcher obtained a response of 115 (69.69%) respondents, then processed to be 100 respondents (60.61%) of the total respondents.

IV. RESEARCH RESULTS

A. Analysis of Testing Requirements

a) Normality Test

Data normality test aims to determine the normal distribution of the distribution of variable scores.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Score of α</th>
<th>Score of Sig.</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>ξ1</td>
<td>0.05</td>
<td>0.063</td>
<td>Normal</td>
</tr>
<tr>
<td>η1</td>
<td>0.05</td>
<td>0.052</td>
<td>Normal</td>
</tr>
<tr>
<td>η2</td>
<td>0.05</td>
<td>0.059</td>
<td>Normal</td>
</tr>
</tbody>
</table>

b) Homogeneity Test

Homogeneity test is done to find out the variance between groups that are tested differently or not. The variance is homogeneous or heterogeneous.

<table>
<thead>
<tr>
<th>Variable</th>
<th>α = 0.05</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>ξ1</td>
<td>3.486</td>
<td>Homogeneous</td>
</tr>
<tr>
<td>η1 of ξ1</td>
<td>3.520</td>
<td>Homogeneous</td>
</tr>
<tr>
<td>η2 of η1</td>
<td>2.622</td>
<td>Homogeneous</td>
</tr>
</tbody>
</table>

c) Linearity and Regression Test

The results of linear and regression tests are used to determine the relationship between variables, with the requirement that each variable has a significant linear and regression relationship.

<table>
<thead>
<tr>
<th>Var.</th>
<th>Sig. of Regression</th>
<th>Sig. of reg.</th>
<th>Lin. of Regression</th>
<th>Reg. linear</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Vvalue</td>
<td>Ftable</td>
<td>Sig.</td>
<td>value</td>
</tr>
<tr>
<td>ξ1</td>
<td>2.09</td>
<td>3.09</td>
<td>Sig.</td>
<td>5.87</td>
</tr>
<tr>
<td>η1 of ξ1</td>
<td>1.31</td>
<td>3.09</td>
<td>Sig.</td>
<td>8.20</td>
</tr>
<tr>
<td>η2 of η1</td>
<td>1.20</td>
<td>3.09</td>
<td>Sig.</td>
<td>6.69</td>
</tr>
</tbody>
</table>

d) Construct Reliability and Variance Extracted Test (ξ3)

Manifest variable testing is carried out to determine the ability of constructs to measure exogenous latent variables (ξ3).
Based on the calculation results in the table above, it appears that the constructed value of celebrity endorsement reliability is 0.569 smaller than 0.70 (CR < 0.70), and the average extracted variance value is 0.785 greater than 0.50 (VE > 0.50) which means that the three manifest variables of celebrity endorsement have consistency in measuring latent variables of η₁.

e) Construct Reliability and Variance Extracted Test (η₁)

Manifest variable testing is carried out to determine the construct’s ability to measure endogenous latent variables (η₁).

Based on the test results in the table above, it can be seen that the constructed value of confidence is 0.682, smaller than 0.70 (CR < 0.70), and the mean value of extracted variance is 0.863 greater than 0.50 (VE > 0.50). This means that the three manifest, manifest variables have consistency in measuring the latent variable of η₁.

f) Construct Reliability and Variance Extracted Test (η₂)

Manifest variable testing is carried out to determine the construct’s ability to measure endogenous latent variables (η₂).

Based on the test results in the above table, it can be seen that the constructed value of the purchase decision is 0.736 greater than 0.70 (CR > 0.70) and the average extracted variance value is 0.893 greater than 0.50 (VE > 0.50) which means that the three manifest variables have consistency in measuring the latent variable of η₂.

g) T-value coefficient calculation results

After testing the requirements analysis, the next step is the calculation and testing of each path coefficient as presented in the following table.

Based on the results of sub-structure 1 test, path coefficient obtained (γη₁η₂1) of 0.50 and score of t_value = 4.40 > t_table (0.05: 100) = 1.98, then H₀ is rejected and the path coefficient is γη₁η₂1 significant.

i) Sub-Structure 2 Path coefficient

The path coefficient analysis model found sub-structure 2 test, path coefficient obtained (γη₂η₂1) of 0.50 and score of t_value = 3.48 > t_table (0.05: 10) = 1.98, then H₀ is rejected and the path coefficient is γη₂η₂1 significant.

Based on the results of calculation of the path coefficient and t-value scores for the purposes of hypothesis testing, it shows that the standardized loading factor values of all path coefficients are greater than 0.05 and t-value score is greater than 1.98, so H₀ is rejected and three path coefficients are significant. Overall the standardized
solution diagram for each variable through a linear program structural relationship is described as follows:

Fig. 3 Standardized Solution Path Diagram

Based on Figure 3, the standardized solution path diagram, in addition to direct effects, there are total and indirect effects (indirect effects) between exogenous variables (ξ) and endogenous variables (η). Based on the output of the linear structural relationship about the totalized standardized effect shows that: (1) the effect value ξ1 to η1, and η1 to η2 is the same as the value of the direct effect of each variable, and not mediated by other variables, (2) the indirect effect (indirect effect) η3 to η2 through η1 is 0.50 x 0.35 = 0.175, while the total effect is 0.50 + 0.175 = 0.675.

Fig. 4 T-value Path Diagram

j) Overall Model Match Test

Based on the results of SEM testing with LISREL, the results of the goodness of fit test in Structural equation modeling (SEM) can be seen in the following table:

<table>
<thead>
<tr>
<th>No.</th>
<th>Index</th>
<th>Results</th>
<th>Value recommend.</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Prob.χ²</td>
<td>0.0003</td>
<td>&lt;0.05</td>
<td>Marg. fit</td>
</tr>
<tr>
<td>2.</td>
<td>χ²/df</td>
<td>2.48</td>
<td>&lt;5</td>
<td>Good fit</td>
</tr>
<tr>
<td>3.</td>
<td>RMSEA</td>
<td>0.114</td>
<td>≥0.08</td>
<td>Marg. fit</td>
</tr>
<tr>
<td>4.</td>
<td>AGFI</td>
<td>0.79</td>
<td>&lt;0.90</td>
<td>Marg. fit</td>
</tr>
<tr>
<td>5.</td>
<td>GFI</td>
<td>0.89</td>
<td>&lt;0.90</td>
<td>Marg. fit</td>
</tr>
<tr>
<td>6.</td>
<td>CFI</td>
<td>0.96</td>
<td>&gt;0.90</td>
<td>Good fit</td>
</tr>
<tr>
<td>7.</td>
<td>NFI</td>
<td>0.93</td>
<td>&gt;0.90</td>
<td>Good fit</td>
</tr>
<tr>
<td>8.</td>
<td>NNFI</td>
<td>0.94</td>
<td>&gt;0.90</td>
<td>Good fit</td>
</tr>
<tr>
<td>9.</td>
<td>IFI</td>
<td>0.96</td>
<td>&gt;0.90</td>
<td>Good fit</td>
</tr>
<tr>
<td>10.</td>
<td>RFI</td>
<td>0.90</td>
<td>≥0.90</td>
<td>Good fit</td>
</tr>
<tr>
<td>11.</td>
<td>ECVI</td>
<td>0.98</td>
<td>&lt;5</td>
<td>Good fit</td>
</tr>
</tbody>
</table>

Based on the results of the Lisrel output, the overall model fit test uses the χ² test (chi-square) obtained from the Weighted Least Squares chi-square value of 54.89 with a p-value of 0.00032 < 0.05 so that it can be concluded that the overall pengujian2 test results not suitable. In addition, the comparison value of χ² with degree of freedom (χ² / df) is 59.71 / 24 = 2.48 < 0.05 so that it can be concluded that by controlling the complexity of the model (which is proxied by the amount of freedom pressure), the model actually has a match which is quite good.

The next test is RMSEA, AGFI, GFI, which shows test results less than 0.90, so it can be concluded that the model has a poor match, while NFI, NNFI, IFI, RFI, and ECVI show test results of more than 0.90, so that they can be concluded that the model has a good match.

k) Positive direct effect of variable ξ1 (celebrity endorsement) on the η1 (trust) variable.

Hypothesis 1: there is a positive direct effect ξ1 (celebrity endorsement) on η1 (trust). The results of this study indicate that there is a positive direct effect on the variable ξ1 (celebrity endorsement) on the η1 (trust) variable with a value > ttable. Scores of 4.40 > 1.98, it can be concluded that hypothesis 1 is accepted. The findings of this study are relevant to the conclusions put forward by (Schouten et al., 2019; Ndlela & Chuchu, 2016).

l) Positive direct effect of variable ξ1 on variable η2

Hypothesis 2: there is a positive direct effect ξ1 (celebrity endorsement) on η2 (purchase decision). The results of this study indicate that there is a positive direct effect of variable ξ1 (celebrity endorsement) on the η2 variable (purchasing decision) with a tvalue > ttable value of 4.85 > 1.98, it can be concluded that hypothesis 2 is accepted. The findings of this study are relevant to the conclusions put forward by (Gauns et al., 2017; Aurangzeb et al., 2019)

m) Positive direct effect of the η1 variable on the η2 variable

Hypothesis 3: there is a positive direct effect of η1 (trust) on η2 (purchase decision). The results of this study indicate that there is a positive direct effect of the η1 (trust) variable on the η2 (purchase decision) variable with a tvalue > ttable value of 3.48 > 1.98, it can be concluded that hypothesis 1 is accepted. The findings of this study are relevant to the conclusions put forward by (Lita Limpo, 2017).

V. CONCLUSION AND SUGGESTIONS

Based on the results of the study, it can be stated that celebrity endorsement has a direct positive effect on trust. Celebrity endorsement has a direct positive effect on purchasing decisions. Trust has a direct positive effect on purchasing decisions. That is, companies that involve a celebrity in an advertising campaign can provide information about the products offered and can attract consumers and provide a positive perception about the product, and ultimately consumers believe in the company's products. Involving a celebrity in advertising can attract consumers to make a purchase of the product. Then consumer confidence in companies that can meet the needs and desires of consumers can cause consumers to make purchasing decisions on the products offered.