The Effect of Social Media Marketing on Luxury Brand Customer Equity among Young Adults

FINADYA RIENETTA[a], SRI RAHAYU HIJRAH HATI[b*] AND GITA GAYATRI[b]

[a]International Undergraduate Program, Faculty of Economics and Business, Universitas Indonesia,Depok, 16424, Indonesia
[b]Management Department, Faculty of Economics and Business, Universitas Indonesia, Depok,16424, Indonesia

ABSTRACT

Previous studies have shown how young adults give high priority to brand consumption. The current study examines the influence of social media marketing by a luxury brand on young adults' customer equity and purchase intention. Based on an online survey of 225 young adult respondents, social media marketing was found to have a positive effect on value equity, brand equity, and relationship equity. Contrary to previous research, the study also found that young adult luxury brand customers place higher importance on value equity and relationship equity than brand equity as both significantly and directly influence customer equity while brand equity only indirectly influences customer equity.

Keywords: Luxury brand, customer equity, brand equity, value equity, relationship equity.

JEL Classification: M30, M31

_____
*Corresponding author: Email : sri.rahayu72@ui.ac.id

INTRODUCTION

Customer equity, which refers to the customer lifetime value or the customer capital, is a concept which has an underlying assumption that customers just like any other assets, should be maintained by the company to give guidance on the company decision making with regards to customer acquisition and retention (Di Benedetto and Kim, 2016; Hogan *et al*., 2002). In the era of information technology, many producers, including luxury brand manufacturers have utilized technology to increase its customer value (Kim and Ko, 2010, 2012; Lee, 2016; Ross, 2017).

Social media is, in its simple form, involves various types of widely available media for everyone and by everyone (Kaplan and Haenlein, 2010). Social media can also include websites that use collective virtual applications that allow the formation, exchange, and broadcasting of online user generated content and comprises social networking sites (e.g., Facebook), content sharing (e.g., Instagram), web chat/discussion (e.g., Skype), microblogging (e.g., Twitter), and livestreaming (e.g., Lifestream) (Campbell *et al*., 2016).

Engagement with social media is deemed necessary by the marketer as social media has become the platform that consumers regularly check while they are globally connected to the internet. One of the most significant advantages is that social media is a non-paid platform and having social media as a marketing channel will decrease marketing costs (DeMers, 2014; Lamberton and Stephen, 2016).. Social media also provides flexibility to the companies or brand to make adjustments according to the current trend (Lamberton and Stephen, 2016; Rana and Kumar, 2016). Furthermore, social media also enable the marketer to get engage with customers more to provide information. Therefore, the potential benefits from social media for companies are limitless (Rana and Kumar, 2016).

Companies engaging in social media marketing are from various industries, such as food, automotive or the electronic industry. Another industry that also takes part in social media marketing is the luxury fashion industry. Up until now, there have been many brands that actively engaged in social media marketing, such as Burberry, Louis Vuitton, Dior, Gucci, etc. (Godey *et al*., 2016). Even though engaging in social media is actually contradictory to their essence of exclusiveness, luxury brands which engage with social media can reap the advantages (Fraser, 2014). The marketing practices adopted through social media by particular luxury brands, can lead to positive influence towards customer equity. In addition, social media can also positively influence customer intention to purchase a luxury brand (Kim and Ko, 2012) or the preference towards a luxurious brand (Godey *et al*., 2016).

One of the potential market for luxury brands is young consumers (Kim and Ko, 2012). This consumer group oftern try various brands to discover the ones that reflect their image of themselves (Kim & Ko 2012). However, the perception on luxury brand is context dependent based on the culture and the country where the products are marketed (Godey *et al*., 2016; Shukla *et al*., 2015). Difference luxury product perception exists not only among countries in the west and the east or among the collectivist and the individualist country (Shukla and Purani, 2012) but also within Asian countries (Shukla *et al*., 2015). This study aims to examine the influence of social media on purchase intention and customer equity among young adult customers in Indonesia, a country with a growing number of middle income families; rapid

growth in the luxury industry (Euromonitor, 2015); high internet literacy and a high number of social media users among adults (Poushter, 2016). All the previous mention characteristics make Indonesia one of the most attractive new digital media markets (Euromonitor, 2015).

LITERATURE REVIEW

Social Media Marketing

Social Media Marketing is a term used by brands which use social media as a marketing tools to communicate with customers and let them communicate with the others (Lamberton and Stephen, 2016; Mangold and Faulds, 2009). Social media marketing represents one of the Ps in the 4Ps, which is Participation (Clark *et al*., 2017; Tuten and Solomon, 2014). Participation means two-way communication can be achieved through social media marketing, instead of the traditional one- way communication (Phan *et al*., 2011; Lamberton and Stephen, 2016). Social media is considered one of the latest channels to conduct marketing strategies, which need continuos change and adaption in order to catch up with the most recent trend (Garnyte and Pérez, 2009). Social media marketing can persuade customers to search for luxury brands that carry an image of themselves and exclusivity of the products they use (V *et al*., 2016).

Luxury Brands

Luxury brands are included in luxury goods, which is an aggregation of products in form of goods, which have a high unit price and/or distributed through selective channels, and/or carry a designer brand name and/or are produced from high quality/priced or rare ingredients along with premium packaging, located at the top price range and sold through high-end department stores or boutiques (Chakraborty and Sheppard, 2016; Euromonitor, 2015). In addition, the perception of luxury brands is subjective (Srinivasan, 2014) since it is associated with individual and social value components such as symbolism (Heine, 2012). Moreover, durability is key for luxury goods as they are meant to last a long time and to be passed to next generation (Auguste and Gutsatz, 2013). One of many distinctive factors of luxury brands compared to the other brands from a different industry is heritage and time (Auguste and Gutsatz, 2013). Both aspects show a brand's power and ability to survive, and also takes account of the family. Based on the previous study, willingness to buy a luxury brand is affected by social influence (Cheah *et al*., 2015).

Customer Equity

According to Holehonnur, *et al* (2009), customer equity places customers at the core of firm's activities and treats them as assets. Customer equity is the overall discounted lifetime value made by a firm's customers (Rust *et al*., 2000). It means that it does not only rely on the customers' current profitability, but also on the total value of the customer over the whole time the customer purchases the product. The main goal of maximizing customer equity is by balancing acquisition and retention of customers (Blattberg and Deighton, 1996). According

to the framework constructed by Rust, Lemon & Zeithaml (2000), to earn the utmost return on investment, customer equity has three actionable drivers: value equity, brand equity, and relationship equity. The three drivers allow the firm to quickly adjust to changing customers' needs.

Value Equity

Value equity is a rational and objective assessment made by customers over a brand's offerings (Aravindakshan *et al*., 2004). The assessment is based on what customers give and receive (Vogel *et al*., 2008). The objective evaluation made by customers is in respect to quality, price, and convenience (Rust *et al*., 2000). The effect of value equity on customers' perception will decrease over time if it is not balanced by proper brand equity and relationship equity (Johnson *et al*., 2006).

Brand Equity

Brand equity is defined as a brand's value over the basic value of products they offered (Solomon *et al*., 2011). Contrary to value equity, brand equity is customers' subjective assessment upon the intangible aspects of a product (Rust *et al*., 2000). Moreover, it states that customers should see a brand's image and the meaning of a brand in order to evaluate it. According to Keller (2008), a brand is believed to have positive brand equity when customers react by leaning more about a product and the way it is marketed is more identifiable compared to others. He also added that positive brand equity may lead to customer behavior that is more open to any brand extension and less sensitive to the price increase.

Relationship Equity

According to Rust *et al*. (2000) relationship equity is the customers' likelihood to be attached to the brand in addition to their objective and subjective judgment. Relationship equity represents the customers' view of the quality of company's relationship with the customers themselves (Yamamoto Sublaban and Aranha, 2009). Relationship equity is needed to counter value equity and brand equity (Rust *et al*., 2000). Continuous improvement of relationship equity may increase customers' satisfaction and encourage them to feel attached to the brand thereby increasing the customer's intention to purchase a certain product (Vogel *et al*., 2008).

Purchase Intention

Purchase intention is an individual's willingness or the likelihood to purchase a certain product (Solomon *et al*., 2011). Purchase intention is customers' preferences to buy products because they find that they need it or encouraged by their perception towards the products (Madahi and Sukati, 2012). In addition to that, purchase intention may lead to customers' tendency to purchase product(s) from a favorable brand continuously in the future and become attached to it (Koh *et al*., 2013). There are several factors which influence the customer luxury brand

purchase intention such as social influence, social desirability, status consumption, need for uniqueness and self-congruity (Cheah *et al*., 2015; Roy and Rabbanee, 2015).

RESEARCH FRAMEWORK

This research identified the impact of social media marketing of luxury brands on customer equity and purchase intention. There are three mediating variables of customer equity drivers: value equity, brand equity, and relationship equity. The figure below shows the conceptual framework used for this research.
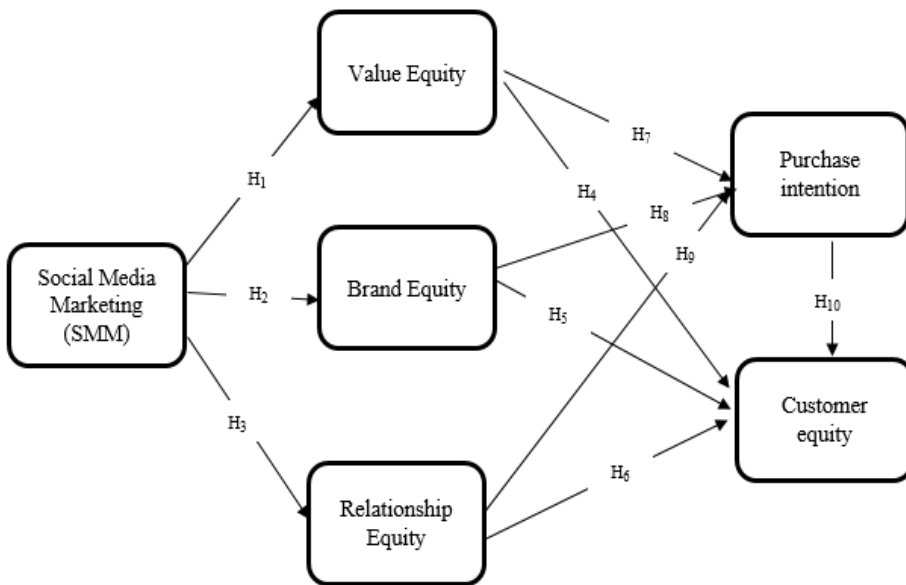

Figure 1. Conceptual Framework

Based on the research framework, the research hypotheses are derived as follows: The existence of social media now supports traditional marketing communication tools. However, the main goal is still the same, which is to increase sales and profitability in the longer term as increasing marketing communication will enhance customer equity (Praude and Shalkovska, 2009). The main purpose of luxury fashion brands' engagement in social media activity is to increase the customer equity drivers of value equity, relationship equity, and brand equity.

The marketing activity of luxurious brand using the social media is debatable. In one sense, luxurious product is "sensory in nature" (Okonkwo, 2007). It implies that customers are more favorable to the touch and feel of the luxurious product before they purchase it. However, the utilization of social media as a way to promote the luxurious brand is deemed useful, especially to those who have slightly lower purchasing power and those who are uncomfortable visiting the bricks and mortar of a luxurious store that might make them feel insecure (Kapferer, 2015; Okonkwo, 2007). However, a company should understand that when they decide to use social media as one of their marketing vehicles, they need to design it well, i.e. it should represent

the value of the brand and influence the increasing perception of its brand equity (Ancuta, 2012). Hence, the researcher proposed the following hypotheses:

H1: Perceived SMM activities have a positive effect on value equity

H2: Perceived SMM activities have a positive effect on brand equity

Furthermore, Chaffey (2000) stated that the interactive nature of the internet has a potential opportunity to build relationships with individual consumers, therefore the next hypothesis is constructed as follows:

H3: Perceived SMM activities have a positive effect on relationship equity

Based on the customer equity framework constructed by Rust *et al*. (2000), customer equity is influenced by value equity, relationship equity, and brand equity. These constructs are referred to as drivers, or determinants of customer equity that are managed together to improve the overall customer equity. The three drivers also work in conjunction in order to achieve the main goal of customer equity, which is loyalty, and leads to company's revenue and profit, thus results in the long-term success of the company. Rust *et al*. (2004), empirically tested this model in the airline industry and demonstrated that these three drivers have strong relationship with customer equity. Although the dimensions of each driver might vary between industries, in general there are the three drivers of customer equity which are represented by: the customers' perceptions of the value acquired from the relationships with the firm and their evaluation of the firm's product, brand or relationship. These are also applicable to the luxurious brands' context (Persson and Ryals, 2010) therefore, the following hypotheses are proposed:

H4: Value equity positively affects customer equity

H5: Relationship equity positively affects customer equity

H6: Brand equity positively affects customer equity

Customer equity drivers will also have similar influences on purchase intention. Therefore, it is necessary to examine the behavior that is created from the customer equity drivers. A social media posting may have an impact on purchase intention (Schivinski and Dabrowski, 2015). Moreover, based on the theory of reasoned action, attitude toward behavior and social pressure creates consumers' behavioral intentions (Fishbein and Ajzen, 1975). Because of the similarity, the influence of purchase intention and customer equity also needs to be analyzed. Thus, the researcher proposes the following hypotheses:

H7: Value equity positively affects purchase intention

H8: Relationship equity positively affects purchase intention

H9: Brand equity positively affects purchase intention

H10: Purchase intention positively affects customer equity

RESEARCH METHOD

The research used in this study is a descriptive cross-sectional design because this research has clear and specific hypotheses and the information was collected from one sample at one-time period. The researcher intends to conduct a pre-test to 30 respondents before undertaking the main survey in order to collect primary data (Malhotra *et al.*, 2012). Pre-test or pilot- testing is fruitful to test the questionnaire on a small sized sample to better predict potential problems (Parasuraman *et al.*, 2005). It is also useful to identify whether the respondents understand the content of the questions, wordings, sequence, layout, question difficulty, and instructions. After the pre-test is conducted, the next step is to execute the main test to a larger sample size, and in the end, the result will be analyzed with simple regression and multiple regression using SPSS 20.

The primary data was collected through research in the form of an online survey created using Google Form and distributed to the respondent via social media (e.g. Facebook, Instagram, twitter, etc.). Any Indonesian who follows luxury brand social media was eligible to become a respondent. After the survey was distributed, the researcher gave a timeframe of two weeks in order for all responses to be gathered with a minimum threshold of 225 responses. Online distribution has an advantage of the high level of flexibility to obtain data, in that it can be accessed and filled anywhere anytime. In collecting the primary data, the researcher used both structured and unstructured question design.

To measure social media marketing, the researchers used an instrument which consisted of 11 items such as: content shown in the brand's social media is the newest information, using the brand social media is very trendy, etc. (Kim and Ko, 2012). To measure value equity, the researchers used the items from Kim and Ko (2011) and Holehonnur et.al. (2009) which consists of 9 items such as: the price shown for the product is acceptable, the products offered in the brand's social media are what I am looking for, etc. Brand equity was measured using 9 brand equity items which consists of: the luxury brand I follow is a strong brand, the luxury brand I follow is an attractive brand (Holehonnur *et al.*, 2009; Vogel *et al.*, 2008). To measure relationship equity the researcher asked 5 items on the relationship equity such as: I feel a sense of community with the one who fond of the brand; the relationship I have with the brand is important to me (Hennigs *et al.*, 2013; Telles and Mazhari, 2011). The purchase intention variable is measured using 6 items of purchase intention scale (Bian and Forsythe, 2012; Kim and Ko, 2012). Four items developed by Kim & Ko (2012) were used to measure customer equity.

ANALYSIS AND DISCUSSION

Among the total 225 respondents, more than 90% were female. This can be explained by the fact that female customers have a higher tendency compare to male customer to buy a luxurious product (Stokburger-Sauer and Teichmann, 2013). Most of the respondents fall into the 19-21 age range (36.32%), followed by 22-24 years old (35.90%); the detail on the demographic data of the respondents are presented below:

Table 1. Demographic Profile

Category	Result
Age	18 – 21 years old (48.72%); 22 – 24 years old (35.90%); 25 – 27 years old (9.40%); 28 –30 years old (3.42); 31-35 years old (0.43%)
Gender	Female (92.30%); Male (7.70%)
Education Level	No Diploma (4.70%); High School Graduate (21.37%); Associated Degree (3.85%); Bachelor Degree (61.80%); Master's Degree (8.28%)
Occupation	Student (65.80%); State Officer (1.28%); Private Company Employee (20.10%); Entrepreneur (8.97%); Others (3.85%)
Residence	DKI Jakarta (71.80%); West Java (7.25%); Tangerang (6%); Central Java and DI Jogjakarta (4.27%); East Java (1.28%), Sumatera (3%); Central and Eastern Indonesia (1.27%); Abroad (5.13%)
Monthly Income/Allowance	< 1,000,000 (0.85%); 1,000,000 – 4,999,999 (38.03%); 5,000,000 – 9,999,999 (29.91%); 10,000,000 – 19,999,999 (20.52%); 20,000,000 – 50,000,000 (8.13%); > 50,000,000 (2.56%)
Monthly Expenditure	< 1,000,000 (2.99%); 1,000,000 – 4,999,999 (65%); 5,000,000 – 9,999,999 (22.65%); 10,000,000 – 19,999,999 (6.41%); 20,000,000 – 50,000,000 (2.56%); > 50,000,000 (0.43%)
Social Media	Instagram (96.58%); Twitter (2.99%); Facebook (0.43%)
Luxury Brands	Chanel (42.74%); Dior (7.69%); Gucci (8.97%); Valentino (5.13%); Burberry (9.83%); Others (25.64%)

The respondent was also questioned about their social media profile to gain more understanding about how they interact and utilize social media as a marketing source of information regarding the luxurious product. The result is presented in table 2 below:

Table 2 Respondents' Social Media Profile

Category	Results
Luxury Brands Followed on Social Media	The majority of the respondents follow Chanel's social media account (42.74%) and 25.64% choose other brands that are not on the option.
Social Media Used to Follow Luxury Brand's Account	The majority of the respondents choose Instagram (96.58%) and Twitter (2.99%) as a social media platform to follow the chosen luxury brand's account.

The majority, nearly half of the respondents follow Chanel's social media account. This is in line with research which found that Chanel is the number one luxury brand that is engaged in social media, based on social visibility, general visibility, net sentiment, reach growth, and social engagement include its content (Brandwatch, 2015). The next luxury brand most followed on social media is not listed on the option available, which represents 25.64% of total respondents, with various brands including the famous red sole of Christian Louboutin and entry- level luxury brands such as Kate Spade and Michael Kors. Popularity is further followed by brands that are listed in the option, such as Dior (7.69%), Gucci (8.97%), Valentino (5.13%), and Burberry (9.83%).

Almost all of the respondents use Instagram, as social media platform to follow the luxury brand that they desired. Instagram takes account of 96.58%, and is closely followed by Twitter (2.99%) and Facebook (0.43%). There are no other social media platforms that are used by respondents to keep in touch with their favourite luxury brands.

Pre-test for Validity and Reliability assessment

A pre-test is conducted by distributing the questionnaire to 30 respondents to see the face validity of the questionnaire as well as testing whether the data collected is reliable and valid. The reliability test was used to ensure that the items in the questionnaire used in the research were reliable and consistent. Malhotra stated that the consistency is measured by Cronbach's Alpha, where the minimum score that should be fulfilled is 0.6. or more. While the validity test measures the degree to which a measure accurately represents what it supposed to. Two elements of Kaiser-Meyer-Olkin (KMO) and factor loading or component matrix score are needed to measure validity. Both elements should score more than or equal to 0.5 in order to be claimed valid (table for validity and reliability test is attached). The results of the reliability test show that the variables used are reliable and consistent. The variable with highest reliability score is Purchase Intention, followed by Relationship Equity, Brand Equity and Value Equity. The Social Media Marketing (SMM) variable has the least score of 0.689. Meanwhile, the validity test using KMO where all variables scored $\geq$ 0.5 can be considered as valid.

Hypothesis Testing

In testing the hypotheses, the t test was used to see the relationship between variables within the model. The summary of the hypotheses testing is presented below:

Table 3. Hypotheses Testing

Hypothesis	R Square	Beta	t	Sig	Result
H1: Social media marketing on value equity	0.387	0.622	12.100	0.000	Accepted
H2: Social media marketing on brand equity	0.404	0.636	12.539	0.000	Accepted
H3: Social media marketing on relationship equity	0.297	0.545	9.911	0.000	Accepted
H4: Value equity on customer equity	0.217	0.325	3.852	0.000	Accepted
H5: Brand equity on customer equity	0.217	-0.050	-0.623	0.534	Rejected
H6: Relationship equity on customer equity	0.217	0.230	2.772	0.006	Accepted
H7: Value equity on purchase intention	0.523	0.236	3.578	0.000	Accepted
H8: Brand equity on purchase intention	0.523	0.262	4.199	0.000	Accepted
H9: Relationship equity on purchase intention	0.523	0.335	5.162	0.000	Accepted
H10: Purchase intention on customer equity	0.131	0.362	5.192	0.000	Accepted

Table 3 shows the result of hypothesis testing. If the significance level is valued above 0.5, it means that the Null Hypothesis (H0) is accepted. Based on the hypotheses testing in Table 3, one out of ten hypotheses is rejected, namely H5.
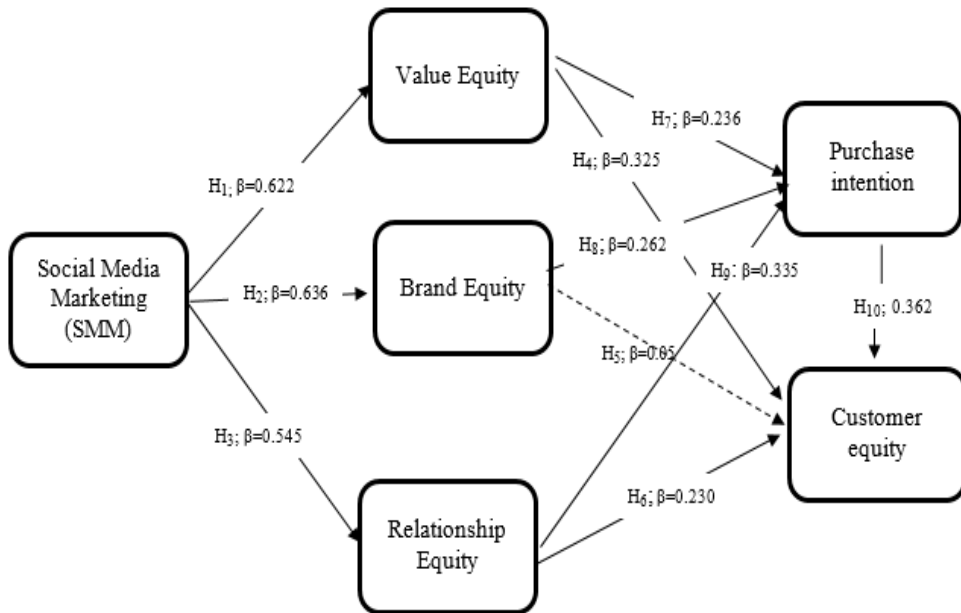
Figure 2. Hypothesis Testing

H1: Social media marketing positively affects value equity

Luxury brands generally offer and extend the opportunity to obtain money for value based on the admiration and appreciation of achievements in the context of designing, producing, and distributing outstanding products (Wiedmann and Hennigs, 2013). Social media can help luxury brands to visualize their products better, in a less costly manner compared to traditional marketing, such as printed ads (Kim and Ko, 2010). It is known that luxury brands have some of the best visuals to put on social media beyond the beautiful models and handbags that are usually captured in a traditional marketing channel. The uploaded luxury brand content, which is portrayed as high quality congruent to the high price offered, will enhance value equity.

H2: Social media marketing positively affects brand equity

Increasing social media marketing will result in brand equity. Drivers of brand equity such as brand awareness and brand image can be built through various marketing activities such as by linking the brand to customers' favorable concepts, usually to certain properties (Keller, 2008). The other example is by having a unique flow of communication and make sure the messages are worth customers' time by offering and creating unique stories, images and videos along with providing an experience and telling stories behind the brand, which emphasize the distinct competencies between luxury brands and other industries (Parr, n.d.). The main ideas are to have content that is in line with the brand image, to accentuate the heritage of the brand, and to collaborate with influencers that match the brand image. Social media may create brand awareness which in the end results in a positive image and brand equity towards the luxury brand itself (Alhaddad, 2015).

H3: Social media marketing positively affects relationship equity

In general, social media is used by many products including luxury brands and has three kinds of posts that are useful to improve relationship equity (Lovejoy and Saxton, 2012). The first is information posts that are used to attract followers and spread the relevant news about the brand. The second is community posts to engage followers and to promote interactive dialogue by thanking fans who acknowledge current events like a holiday soiree or a runway show for instance. The last one is action posts to get followers to do something for the organization. One example of an action post is creating a campaign by using #Hashtags (Fan and Gordon, 2013). Opening up more is however quite a challenging task for luxury brands as it may damage their brand positioning.

H4: Value equity positively affects customer equity

Value equity increases customer equity of luxury brands. The respondent's judgment towards the utility of the luxury brands products will make them want to spend more, have a higher likelihood of purchasing the luxury brand product and stay loyal to it for many years. The higher the value of the objective assessment, the higher the customer equity. This result is in line with the framework of Rust *et al*. (2000), which mentioned that value equity is one of the drivers of customer equity. Luxury brands can be innovative in regards to their products by thinking beyond the traditional, yet keeping to their roots and heritage (Caïs, 2015).

H5: Brand equity positively affects customer equity (rejected)

The result shows that brand equity did not have significant influence customer equity, unlike the two other equities of value and relationship. Brand equity may not work to enhance the long-term behavior of customers towards their favorite luxury brand. According to Euromonitor (2015), Indonesian luxury customers tend to purchase products that suit their preferences, regardless of the brand. Thus, it will make it easier to go from one brand to another or engage in switching behavior. It is still considered to be important and acts as a trigger to a continuous favorable customer.

H6: Relationship equity positively affects customer equity

Luxury brands will undertake actions to gain relationship equity as experience is everything for the luxury brand (Atwal and Williams, 2009). Luxury brands need to maintain their exclusivity (Phau and Prendergast, 2000). By engaging in social media they also have to maintain their content in order to make it accessible enough, but not too much. In other words, the luxury brand has to sustain high levels of awareness but tightly control brand diffusion to maintain its exclusivity (Phau and Prendergast, 2000). It is also one of the reasons luxury brands do not do sweepstakes, giveaways or contests (Berthon *et al*., 2009). They do not want people to consider their brands cheap so that they do not offer any special treatment in exchange by following the luxury brand's social media account.

H7: Value equity positively affects purchase intention

The relationship between high price and high quality strongly appeals to customers and because of this relationship between price and perceived high quality, they look for a high priced product (Vazifehdust and Reihani, 2013). Through social media, although they cannot include the price, they can have content that focuses solely on the quality of products. The contents should be rich enough to flaunt the quality, such as the material used and the convenience of the product and in the end this will urge customers to purchase the product.

H8: Brand equity positively affects purchase intention

Brand equity is derived from many brand elements, such as brand names, brand awareness and brand image. Customers' purchase of luxury brand products solely on brand equity is based on two reasons: self-fulfillment and self-image projection (Truong and McColl, 2011; Vigneron and Johnson, 2004). They might purchase luxury goods to fulfill a certain desire and to project the image they want in the eyes of other people (V *et al*., 2016). They also believe that by purchasing the products from the high-end brand will make them differ from the other people. Although in this research, brand equity is not significantly influencing customer equity, result show that it influences the purchase intention in a way that, the greater the customer's perception of brand equity, the more likely they are to purchase the luxurious product. This finding is in line with previous studies which shows the importance of brand equity to the intention to buy a luxurious brand (Kim and Ko, 2010, 2012).

H9: Relationship equity positively affects purchase intention

There are numerous ways used by companies to increase relationship equity. The most commonly used approach is to have a loyalty program. Although a loyalty program might be the most common way to build a relationship, the luxury good industry works the other way around. Launching loyalty programs will not work with the model of a luxury brand, as it would damage the brand positioning and the essence of the luxury brand itself. This is also revealed in this research that emphasize on special treatment by following the luxury brand's social media is not valid. To replace the loyalty and reward card, luxury brands create a tier for the customers instead. The tier focuses on the top spender by valuing them with special treatments. In addition, they also create in-store special treatment with the employees as the key factor. They should be trustworthy and reliable so customers can count on them (Song *et al*., 2012).

H10: Purchase intention positively affects customer equity

The relationship between purchase intention and customer equity can be redefined as a short-term attitudinal variable and a long-term behavioral variable that is strongly interconnected (Kim and Ko, 2010). Luxury brands should continuously invest in value equity, brand equity, and relationship equity in order to affect purchase intention. Social media marketing that is carried out by luxury brands could consequently influence customer equity through the effects of value equity, brand equity, and relationship equity on purchase intention.

CONCLUSION

The paper aims to examine the effects of social media marketing on customer equity and purchase intention. The study found that social media is very effective in influencing all the types of equity: value equity, brand equity and relationship equity. However, the study found that only value equity and relationship equity directly influence customer equity while brand equity has no direct influence on customer equity. The study implies that the value of the luxury brand company or the value of its customer base in term of future revenues can be maintained through the delivering good value (quality, price convenience) products and the company's ability to build good relationships with its customers.

Even though brand equity and customer equity are interrelated concepts in which both stress the significant role of customers, the lack of significance k between brand equity on customer equity implies that customer equity can still persist without brand equity. The significant influence of brand equity on purchase intention and the significant influence in turn of purchase intention on customer equity also implies that brand equity can directly influence customer equity. With regards to brand equity, we can conclude that customer equity may exist with or without customer equity especially for luxury brands targeted to the young adult customers. This is in line with a previous study which found that customer equity is more central to many firms than brand equity (Rust *et al.*, 2004).

IMPLICATIONS

The significant influence of social media on the formation of value equity, brand equity and customer equity implies that luxury brands should actively engage in social media as one of many channels used to market their products. The study also proves that social media utilization in the end will also trigger customer intention to purchase the products offered and behavior to maintain loyalty and continuously purchase the same brand. By creating content that is entertaining, up-to-date, informative, and triggers communication among the brand and the followers via social media, the company may trigger young adult customers to buy their products. One example is through "In Tweet Purchasing", which allows customers to steal the looks from the contents uploaded and purchase the products they desire via twitter. To improve value equity, the company can use social media to display the high quality of their products that is congruent to the price. In terms of brand equity, social media is an effective platform to portray the brand image and create awareness. In regard to relationship equity, social media acts as a medium to enable followers to communicate with the brands and with other followers.

The significant influence of value equity, brand equity and relationship equity on young adult customers' purchase intention suggested that the luxury brand company should not only offers high quality products but can also create a luxury brand which has a strong influence on the subjective assessment of the customers and it should also build a strong relationship with the young adult consumers.

Customer equity is a must for the luxury brand company to strengthen its value equity and relationships equity compared to its brand equity as customer equity can exist with or without brand equity. Therefore, the luxury brand company may focus more on the design and

attributes of the product rather than the luxury brand per se. The highest competition among luxury brands also acts as one of the reasons customers rarely maintain absolute loyalty to a brand g the lifetime value they have to the selected luxury brands relatively small.

REFERENCES

Aaker D. A. (1991). Managing brand equity. New York, NY: Free Press.

Alhaddad, A.A. (2015), "The Effect of Advertising Awareness on Brand Equity in Social Media", *International Journal of E-Education, E-Business, E-Management and E-Learning*, Vol. 5 No. 2, pp. 73–84.

Ancuta, C. (2012), *Impact of Social Media over Luxury Brands,* University Van Amsterdam.

Aravindakshan, A., Rust, R.T., Lemon, K.N. and Zeithaml, V. a. (2004), "Customer equity: Making marketing strategy financially accountable", *Journal of Systems Science and Systems Engineering*, Vol. 13 No. 4, pp. 405–422.

Atwal, G. and Williams, A. (2009), "Luxury brand marketing–the experience is everything!", *Journal of Brand Management*, Vol. 16 No. 5–6, pp. 338–346.

Auguste, G. and Gutsatz, M. (2013), *Luxury Talent Management: Leading and Manageing a Luxury Brand*, Palgrave Macmillan.

Berthon, P., Pitt, L., Parent, M. and Berthon, J. (2009), "Aesthetics and Ephemerality: Observing and Preserving The Luxury Brand", *California Management Review,* Vol. 52 No. 1, pp. 45–66.

Bian, Q. and Forsythe, S. (2012), "Purchase intention for luxury brands: A cross cultural comparison", *Journal of Business Research,* Vol. 65 No. 10, pp. 1443–1451.

Blattberg, R.C. and Deighton, J. (1996), "Manage marketing by the customer equity test.", *Harvard Business Review,* Vol. 74 No. 4, pp. 136–144.

Brandwatch. (2015), *Social Insight on The Luxury Fashion Industry*.

Campbell, S., Chong, S., Ewen, V., Toombs, E., Tzalazidis, R. and Maranzan, K.A. (2016), "Social media policy for graduate students: Challenges and opportunities for professional psychology training programs", *Canadian Psychology/Psychologie Canadienne,* Vol. 57 No. 3, pp. 202–210.

Chakraborty, S., & Sheppard, L. (2016). An Explanatory study on Indian Young Consumers' Luxury Consumption: The Underlying Relationship of Interpersonal Influence, Brand Image, Brand Consciousness and Demographic Components with Luxury Brand Purchase Decision.

Cheah, I., Phau, I., Chong, C. and Shimul, Sadat, A. (2015), "Antecedents and outcomes of brand prominence on willingness to buy luxury brands", *Journal of Fashion Marketing and Management,* Vol. 19 No. 4, pp. 402–415.

Clark, M., Black, H., & Judson, K. (2017). Brand community integration and satisfaction with social media sites: a comparative study. *Journal of Research in Interactive Marketing,* 11(1).

DeMers, J. (2014), "The Top 10 Benefits Of Social Media Marketing".

Di Benedetto, C. A., & Kim, K. H. (2016). Customer equity and value management of global brands: Bridging theory and practice from financial and marketing perspectives: Introduction to a Journal of Business Research Special Section. *Journal of Business Research,* 69(9), 3721-3724.

Euromonitor. (2015), Digital Consumer Landscape: Indonesia.

Fan, W. and Gordon, M.D. (2013), "Unveiling the Power of Social Media Analytics", *Communications of the ACM*, Vol. 12 No. JUNE 2014, pp. 1–26.

Fishbein, M. and Ajzen, I. (1975), "Belief, Attitude, Intention, and Behavior: An Introduction to Theory and Research", *Reading, MA: Addison-Wesley*.

Fraser, B. (2014), "8 characteristics of luxury products".

Garnyte, M. and Pérez, A.D.Á. (2009), *Exploring Social Media Marketing towards a Richer Understanding of Social Media in Postmodernity, Media*.

Godey, B., Manthiou, A., Pederzoli, D., Rokka, J., Aiello, G., Donvito, R., & Singh, R. (2016). Social media marketing efforts of luxury brands: Influence on brand equity and consumer behavior. *Journal of Business Research,* 69(12), 5833-5841.

Heine, K. (2012), "The concept of luxury brands", Luxury Brand Management.

Hennigs, N., Wiedmann, K.-P., Klarmann, C. and Behrens, S. (2013), "The Concept of Luxury: A Global Phenomenon with Local Implications".

Hogan, J.E., Lemon, K.N. and Rust, R.T. (2002), "Customer Equity Management: Charting New Directions for the Future of Marketing", *Journal of Service Research,* Vol. 5 No. 1, pp. 4–12.

Holehonnur, A., Raymond, M.A., Hopkins, C.D. and Fine, A.C. (2009), "Examining the customer equity framework from a consumer perspective", *Journal of Brand Management,* Vol. 17 No. 3, pp. 165–180.

Johnson, M.D., Herrmann, A. and Huber, F. (2006), "The Evolution of Loyalty Intentions", *Journal of Marketing,* Vol. 70 No. 2, pp. 122–132.

Kapferer, J.-N. (2015), Kapferer on Luxury: How Luxury Brands Can Grow Yet Remain Rare, Kogan Page, London.

Kaplan, A.M. and Haenlein, M. (2010), "Users of the world, unite! The challenges and opportunities of Social Media", *Business Horizons,* Vol. 53 No. 1, pp. 59–68.

Keller, K.L. (2008), Strategic Brand Management, Brand, Vol. 58, available at:https://doi.org/10.2307/1252315.

Kim, A.J. and Ko, E. (2010), "Impacts of Luxury Fashion Brand's Social Media Marketing on Customer Relationship and Purchase Intention", *Journal of Global Fashion Marketing,* Vol. 13 No. 13, pp. 164–171.

Kim, A.J. and Ko, E. (2012), "Do social media marketing activities enhance customer equity? An empirical study of luxury fashion brand", *Journal of Business Research,* Vol. 65 No. 10, pp. 1480–1486.

Koh, Y., Lee, S. and Choi, C. (2013), "The income elasticity of demand and firm performance of US restaurant companies by restaurant type during recessions", *Tourism Economic,* Vol. 19 No. 4, pp. 855–881.

Lamberton, C., & Stephen, A. T. (2016). A Thematic Exploration of Digital, Social Media, and Mobile Marketing: Research Evolution from 2000 to 2015 and an Agenda for Future Inquiry. *Journal of Marketing,* 80(6), 146-172.

Lovejoy, K. and Saxton, G.D. (2012), "Information, Community, and Action: How Nonprofit Organizations Use Social Media", *Journal of Computer-Mediated Communication,* Vol. 17 No. 3, pp. 337–353.

Madahi, A. and Sukati, I. (2012), "The effect of external factors on purchase intention amongst young generation in Malaysia", *International Business Research*, Vol. 5 No. 8.

Malhotra, N.K., Birks, D.F. and Wills, P. (2012), *Marketing Research : An Applied Approach, Marketing Research*.

Mangold, W.G. and Faulds, D.J. (2009), "Mangold-SocialMedia (1)", *Business Horizons,* Vol. 52, pp. 357–365.

Okonkwo, U. (2007), Luxury Fashion Branding, Book, available at:https://doi.org/10.1057/9780230590885.

Parasuraman, A., Zeithaml, V.A. and Malhotra, A. (2005), "E-S-QUAL: A Multiple-Item Scale for Assessing Electronic Service Quality", *Journal of Service Research,* Vol. 7 No. Feb., pp. 1–21.

Parr, C. (n.d.). "Digital Luxe: Social Media Strategies for Luxury Brands".

Persson, A. and Ryals, L. (2010), "Customer assets and customer equity: Management and measurement issues", *Marketing Theory,* Vol. 10 No. 4, pp. 417–436.

Phan, M., Thomas, R. and Heine, K. (2011), "Social Media and Luxury Brand Management: The Case of Burberry", *Journal of Global Fashion Marketing,* Vol. 2 No. 4, pp. 213–222.

Phau, I. and Prendergast, G. (2000), "Consuming luxury brands: The relevance of the 'Rarity Principle'", *Journal of Brand Management,* Vol. 8 No. 2, pp. 122–138.

Poushter, J. (2016), "Smartphone Ownership and Internet Usage Continues to Climb in Emerging Economies".

Praude, V. and Shalkovska, E. (2009), "Marketing Factors of Formation of Company's Customer Equity", *Organizacijø Vadyba: Sisteminiai Tyrimai*, Vol. 52 No. 63.

Rana, K. S., & Kumar, A. (2016). Social Media Marketing: Opportunities and Challenges. *Journal of Commerce and Trade,* 11(1), 45-49.

Ross, F. (2017). Co-Creation via Digital Fashion Technology in New Business Models for Premium Product Innovation: Case-Studies in Menswear and Womenswear Adaptation. In *Advanced Fashion Technology and Operations Management* (pp. 38-63). IGI Global.

Roy, R. and Rabbanee, F.K. (2015), "Antecedents and consequences of self-congruity", *European Journal of Marketing,* Vol. 49 No. 3/4, p. 444.

Rust, R.T., Lemon, K.N. and Zeithaml, V.A. (2004), "Return on Marketing: Using Customer Equity to Focus Marketing Strategy", *Journal of Marketing,* Vol. 68, pp. 109–127.

Rust, R.T., Zeithaml, V.A. and Lemon, K.N. (2000), *Driving Customer Equity: How Customer Lifetime Value Is Reshaping Corporate Strategy*, The Free Press, New York.

Schivinski, B. and Dabrowski, D. (2015), "The impact of brand communication on brand equity through Facebook", *Journal of Research in Interactive Marketing,* Vol. 9 No. 1, pp. 31–53.

Shukla, P. and Purani, K. (2012), "Comparing the importance of luxury value perceptions in cross-national contexts", *Journal of Business Research,* Vol. 10, pp. 1417–1424.

Shukla, P., Singh, J. and Banerjee, M. (2015), "They are not all same: variations in Asian consumers??? value perceptions of luxury brands", *Marketing Letters*, Vol. 26 No. 3, pp. 265–278.

Solomon, M.R., Marshall, G.W. and Stuart, E.W. (2011), *Marketing Real People Real Choices* 7th Edition, Prentice Hall.

Song, Y., Hur, W. and Kim, M. (2012), "Brand Trust and Affect in the Luxury Brand –", *Social Behavior and Personality,* Vol. 40 No. 2, pp. 331–338.

Stokburger-Sauer, N.E. and Teichmann, K. (2013), "Is luxury just a female thing? The role of gender in luxury brand consumption", *Journal of Business Research*, Vol. 66 No. 7, pp. 889–896.

Telles, M.V. and Mazhari, S. (2011), "Customer Equity Drivers and Purchase Intentions : Examining the Customer Equity Framework in the Retail Clothing Industry in a Swedish Context: H&M and Gina Tricot as the Case Study".

Truong, Y. and McColl, R. (2011), "Intrinsic motivations, self-esteem, and luxury goods consumption", *Journal of Retailing and Consumer Services,* Vol. 18 No. 6, pp. 555–561.

Tuten, T.L. and Solomon, M.R. (2014), "Social Media Marketing Strategy", *Social Media Marketing*, Vol. 19, pp. 63–96.

V, S., M.Chitra and Maran, K. (2016), "A Study on Factors Determining Social Media on Cosmetic Product", *Journal of Pharmaceutical Sciences and Research,* Vol. 8 No. 1, pp. 1–5.

Vazifehdust, H. and Reihani, N. (2013), "Why is Young Consumers' Purchase Intention toward Foreign Luxury Good? Presenting Framework for Young Consumer Purchase Behavior Case Study: Mobile Consumers in Iran", *Journal of Basic and Applied Scientific Research,* Vol. 3 No. 5, pp. 914–923.

Vigneron, F. and Johnson, L.W. (2004), "Measuring Perceptions of Brand Luxury", *Brand Management,* Vol. 11 No. 6, pp. 484–506.

Vogel, V., Evanschitzky, H. and Ramaseshan, R. (2008), "Customer equity drivers and future sales", *Journal of Marketing,* Vol. 72 No. November, pp. 98–108.

Wiedmann, K.-P. and Hennigs, N. (2013), "Placing Luxury Marketing on the Research Agenda Not Only for the Sake of Luxury – An Introduction", *Luxury Marketing*, pp. 3–17.

Yamamoto Sublaban, C.S. and Aranha, F. (2009), "Estimating cellphone providers' customer equity", *Journal of Business Research,* Vol. 62 No. 9, pp. 891–898.