

# PARASOCIAL RELATIONSHIP, CUSTOMER EQUITY, AND PURCHASE INTENTION

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## ABSTRACT

*This study examines the effectiveness of Parasocial Relationship (PSR) in the relation between Generation Z with social media influencers and its impacts on customer equity and purchase intention. An online survey was conducted on 200 Gen Z in Makassar city and the data obtained were analyzed using a Structural Equation Model with PLS software. The results show that PSR, Social Media Influencers, and Gen Z positively impact customer equity and purchase intention. Specifically, customer equity influences purchase intention more significantly than PSR. Furthermore, it has a positive and significant role as mediating variable in the relationship between PSR and purchase intention. Due to the importance of the purchasing decision process on organizational performance and the need for policies in determining the right marketing strategy, this study has implications for theoretical and practical development.*

**Keywords:** PSR, Customer Equity, Purchase Intention, Generation Z

## INTRODUCTION

Social media platforms have an essential part of people's life, as evidenced by the growing number of users. It can have an effect on an individual's behavior, particularly during this pandemic (Uddin & Uddin, 2021) and help improve brand identity (Chigora et al., 2021). HootSuite and we are social, a marketing strategy, released a new report on global internet users, including in Indonesia, for early 2021. The report stated that 170 million Indonesians, or 61.8% of the population, utilized social media. This number has grown by 10 million or roughly 6.3% compared to January 2020 (We Are Social, 2021). Furthermore, the Hootsuite report stated that 3.725 billion people, or 48% of the world's population, are active on social media. The growing number of users has made social media develop new advertising techniques, such as influencer marketing (Childers, Lemon & Hoy, 2019). Due to the complexity of social media, it can generate new venues that offer enticing services and products (Walkowski et al., 2020). Social media marketing is effective at promoting, since numerous internet influencers have been found creating their own content (Khairatun, 2020). Therefore, it is critical to encourage customers to share positive brand experiences and recommendations with their friends and family *via* social media (Tarigan et al., 2020) as the quality of a service has a substantial impact on purchase decisions (Kurniasih & Elizabeth, 2021).

Influencer marketing employs influential individuals to create brand awareness and shape purchase decisions (Brown & Hayes, 2008). It is the most effective social media marketing method (Ward, 2017; Huffington Post, 2016). According to recent statistics, influencer marketing expenditures are rapidly increasing. In 2018, Instagram alone spent more than \$5 billion on influencer marketing (InfluencerDB, 2019), and this amount would rise to \$13.8 billion by 2021 Influencer Marketing Hub (2021). Martínez-López, et al., (2020) stated that the increase could be caused by customers' heavy reliance on social media platforms in making purchasing decisions. Also, the expenditure increase is due to people's overconsumption of influencers' content than organizational content.

Freberg, et al., (2011) defined SMI as new independent, third-party advocates that shape audience opinion through blogs, tweets, and other social apps. They are called "influencers"

because of their capacity to manipulate their audience's views through continual interaction (Freberg et al., 2011). SMI is capable of self-promotion, content management and determination of what works best for their followers. As a result, their followers consider them respectable, sought after, and trustworthy. In this research, SMI is anyone that endorses a product or service on social media, such as actors, athletes, or social media celebrities, such as bloggers or YouTubers.

SMI may serve as spokespersons for the brands they represent and are an effective strategy of brand endorsement (Freberg et al., 2011). For this reason, they are increasingly being used to boost product marketability since most organizations cannot directly connect with customers through social media (Kapitan & Silvera, 2016). Most people find ads on regular online adverts annoying and ignore or block them completely (Martinez-Lopez, 2020). Therefore, influencer marketing overcomes communication barriers with online customers, allowing the business to reach them. In line with this, Chung & Cho (2017) stated that SMI is ineffective unless it develops a close relationship with customers.

SMI establishes relationships with its followers *via* social networking platforms such as Facebook, Twitter, and Instagram. As a result of the influencer's self-disclosure, their followers feel more connected and confident (Huang, 2015). Furthermore, the attachment encourages their followers to interact with the influencer by commenting, liking, and sharing posts. Social media interactions create interpersonal relationships and solid emotional connections between SMI and their followers, even without direct knowledge of one other. Subsequently, most followers think their relationships with influencers are unique and personal, even when they realize this is an illusion (Dibble, Hartmann & Rosaen, 2016).

Horton & Wohl (1956) used the terminology "Parasocial Relationship (PSR)" to refer to the special bond between followers and influencers. Individuals establish PSR with influencers when exposed continually to the media's appeal and acquire a sense of closeness, connection, and affiliation with influencers (Horton & Wohl, 1956). In the formation of PSRs, intended friendship is a more significant determinant than physical attractiveness (Rubin & McHugh, 1987). People frequently read the news or watch and evaluate influential individuals' performance that provides information about their characters, such as style, personality, preferences, and personal life. Consequently, they assume they know the influencers by evaluating and understanding their on-stage behavior.

The closeness makes SMI seem more trustworthy, encouraging their followers to seek advice and purchase suggested goods. This is similar to how people rely on their closest friends for important information, suggestions, and approval on different behavioral choices. According to a recent Twitter study, influencers' tweets persuade 40% of platform users to buy a product. Similarly, Google research indicates that 60% of YouTube users are likely to follow their preferred influencers' purchasing recommendations (Influencer Marketing Hub, 2020).

Marketers use PSR to ensure consumers have accurate and complete information about their products or services, reducing perceived risk while increasing trust and loyalty. Customers in PSR have a similar goal and a high emotional attachment, resulting in a standard signal related to the product or services. PSR is a promotional technique that helps organizations understand customer needs and behavior to enhance the brand's value and revenue, known as customer equity. This equity is essential for marketers to optimize future profits (Lemon, Rust & Zeithaml, 2001) and increase organizational profitability.

Customers are a valuable asset, meaning that companies must understand their needs and behaviors to create successful marketing strategies and generate revenue through customer satisfaction. Customer equity is a concept that relates to a customer's lifetime value. It emphasizes the importance of consumers as company assets that should be recruited, maintained, and maximized (Blattberg, Getz & Thomas, 2001). Lemon, et al., (2001) stated that customer equity is driven by value, brand, and relationship equities. These key customer equity drivers enable an organization to react to consumers and markets with strategies that optimize performance (Lemon et al., 2001).

The impact of social media and celebrities is particularly significant for Generation Z (Martínez-López et al., 2020; Taylor, 2020). In this regard, a YPulse study showed the power of influencers on Generation Z, where 54-70% of 13-18-year-olds follow a celebrity blog, vlog, Instagram or YouTube channel (Taylor, 2020). This shows that Gen Z's relationships with influencers are critical to their identity and self-esteem. They follow their favorite influencers to constantly update current issues (Sheldon & Bryant, 2016) and adopt the celebrity image. Influencer Marketing Hub (2020) stated that Gen Z admires influencers, wants to be them, and values their opinions. Furthermore, Taylor (2020) stated that 58% of Gen Z report buying something due to a celebrity recommendation.

In the era of the COVID-19 epidemic, young people's evolving social media consumption patterns have created an even more significant impact on influencer marketing (Taylor, 2020; HBR, 2021). Lou & Yuan (2019) stated that one critical factor contributing to influencer marketing effectiveness is PSR. However, few studies have examined PSR's promotional role and potential benefits on influencer marketing performance (Yuan et al., 2019). According to Morwitz (2014), purchase intention is a popular marketing strategy that forecasts sales and market share. Therefore, this study evaluates the effectiveness of PSR among social media influencers with their Gen Z based on purchase intention *via* customer equity directly or indirectly.

## LITERATURE REVIEW AND HYPOTHESES

### Social Media

Social media is an internet-based technology that facilitates conversation. Stevenson (2015) defined it as websites and applications that enable users to create and share content. Similarly, Kotler & Keller (2016) defined social media as a platform through which individuals and organizations exchange text, pictures, music, and video information. Social media different from conventional online apps. Most communication was carried out through SMS or phone calls before the emergence and widespread adoption of social media. Social media provides and shapes new ways of communication. Additionally, it allows users to create and publish content, network, interact, share media, and bookmark, enhancing open dialogue between users. Due to its growing popularity, individuals are increasingly communicating through chat services or sending messages through platforms.

Social media may be influenced by time and a community and could be rearranged by its creators. In dealing with influencers, various social media channels are available and categorized into microblogging, social networking sites, photo and video sharing, and social blogging, enabling users to write posts with a character restriction of 140. Social blogging is advantageous for consumer interaction and casual discussion (Hennig-Thurau et al., 2010; McNealy, 2010). Photo and video sharing enable users to exchange images and videos, such as Instagram and YouTube. These social media platforms are often used to embed content and share authentic experiences through picture and video sharing (Castronovo & Huang, 2012) (Castronovo & Huang, 2012). Social blogging varies from microblogging, where a blog is typically hosted on its website with its URL with no limitations on the length, style, or format of postings. It is considered a medium to encourage WOM suggestions and foster positive relationships (Castronovo & Huang, 2012).

The widespread use of social media as a marketing tool has transformed the way companies interact with their consumers (Parsons & Lepkowska-White, 2018) and consumer satisfaction will be affected by online marketing (Widyawati & Faeni, 2021). Effective marketing can be accomplished through social media platforms like as Facebook and Instagram in order to reach customers at a low cost (Lim & Teoh, 2021). It has developed into an effective business promotional tool accessed by anyone to widen their network. With the most significant possible active users, social media is ideal for developing a loyal community (McNealy, 2010).

Social networking sites have developed many derivative functions, such as advertising and sharing life experiences, emphasizing contact. Moreover, social media allows a two-way conversation between businesses and customers. Subsequently, consumers are no longer passive recipients but active participants in marketing activities (Parsons & Lepkowska-White, 2018). Also, consumers create online social groups based on common interests or viewpoints, allowing companies to discover and contact them (Huang, 2010).

### **Social Media Influencer**

Influencers are traditionally defined as people that affect the views or behavior of others (Combley, 2011). They often have a large following that pays attention to their views. Moreover, influencers can persuade and change people's behavior due to their relationships, knowledge, and skills in a specific field. With the emergence of Web 2.0. they are now referred to as influencers on social media platforms (SMIs).

The SMI definition was initially proposed by Freberg, et al., (2011), which defined social media influencers as new third-party endorsers that shape their audience's opinions through postings and blogs. Additionally, De Veirman, et al., (2017) regarded SMIs as trustworthy trendsetters in the server niche, with a significant social network of followers. According to Lou & Yan (2019), SMI is someone skilled at creating and consistently posting valuable content. They have a large following, allowing them to provide marketing value to the brand. Also, these influencers have the credibility of their online peers, and their opinions may affect brand reputation (Ryan & Jones, 2009).

SMI could also control e-WoM (electronic Word of Mouth), which substantially affects customer purchase decisions (Freberg et al., 2011). The E-WoM created by SMI is considered more powerful and convincing than e-WoM from the company (Freberg et al., 2011). Some researchers identified attractiveness, trustworthiness, and expertise as the three factors contributing to SMI's persuasive abilities (Dwivedi et al., 2013; Lou & Yan, 2019; Wiedmann & Mettenheim, 2020). Attractiveness is an individual's physical appeal, expertise describes the source competency, and trustworthiness is concerned with credibility.

SMI has a huge and devoted audience and offers companies various organic and cost-effective strategic marketing options. Subsequently, brands connect and interact more effectively with customers, shaping their overall image and influencing purchase intention. Furthermore, SMI assists the brand in developing trust and making their followers loyal by sharing content on their social media platforms. Kay, et al., (2020) stated that SMI posts on social media improve their followers' purchasing intention and boost their product awareness or attractiveness.

Wiedmann, et al., (2010) classified influencers into eight distinct categories, including top influential, Narrative specialists, and superspreaders as representative examples. These categories vary primarily based on individual and social capital. Individual capital is associated with involvement, competence and knowledge, innovation, Machiavellianism, contentment, risk aversion, and demographics. In contrast, social capital comprises integration, gregariousness, personality strength, and empathy. Top influential -individuals score highly in individual and social capital, have a big following, and are well-versed in their profession. They regularly communicate with followers and update recommendations or lessons depending on their expertise and participation. Narrative specialists excel more in individual capital, are less popular than the other two categories, and are the most competent and informed. Examples of narrative experts are makeup artists and skincare professionals with a specific number of followers. Superspreaders are individuals with higher social capital and lower individual capital than other categories and specialize in one or a few particular areas. Therefore, they have a significant and loyal following, though they are relatively less professional. Even when superspreaders endorse brands that do not match their competence, their referrals are still effective due to their followers' reputation and trust (Wiedmann et al., 2010).

## Parasocial Relationship

Horton & Wohl (1956) defined the relationship between a media persona (SMI) and their followers on social media as a PSR. In this regard, PSR happens when a person is intensively exposed to the SMI, generating friendship, understanding, and affiliation with the SMI (Horton & Wohl, 1956; Chung & Cho, 2017). PSR results from an individual's innate desire for social connection, as shown *via* real-life contact and interactions with SMI (Bond, 2016). When PSR develops, they grow in ways comparable to their normal interpersonal relationships. Individuals respond to SMI as they engage with people in real life because the human brain absorbs media experiences and processes real-world events (Chen, 2016; Kanazawa, 2002).

PSR is an illusionary experience in nature because closeness or intimacy is usually only from the follower's perspective (audience), while the latter (the influencer) is unaffected (Lou, 2021). An illusion of eye contact *via* the camera and a direct verbal and physical conversation causes the audience to feel an actual engagement with the performance and adapt their actions appropriately (Reinikainen et al., 2020; Horton & Wohl, 1956). The effects extend beyond the behavior of media messages to include the emotional impacts on people's lives and how they relate to them. Tian & Hoffner (2010) stated that PSR's appeal is powerful in its ability to impact an audience member's personality, style, mindset, and behavior (Tian & Hoffner, 2010).

Several studies also have discovered that PSR could positively affect customer views and behaviors connected to celebrity endorsement (Knoll et al., 2015; Yuan et al., 2016). Therefore, when individuals have strong PSR with SMI, they develop or alter their views about consuming, following the attitudes endorsed by SMI (Yuan et al., 2016). Tsotsou (2015) showed that greater emphasis on parasocial activities might help marketers develop and retain customer loyalty. Furthermore, it may affect how marketers communicate and how consumers perceive a brand. Therefore, companies may utilize celebrity endorsers with a PSR to acquire market share and create continuous competitiveness (Kim et al., 2015). PSR has a significant role in enhancing the credibility of celebrities that promote businesses, strengthening followers' purchase intention (Chung & Cho, 2017; Lou & Kim, 2019; Jin & Ryu, 2020; Reinikainen et al., 2020; Sokolova & Kefi, 2020).

*H1: PSR positively influences Purchase Intention*

## Customer Equity

Blattberg & Deighton (1996) introduced the notion of customer equity. It stated that customers, similar to other financial assets, should be monitored, managed, and maximized by businesses and organizations. However, Rust, et al., (2004) further defined customer equity as the total discounted lifetime value of all firm's customers. Furthermore, they conceptualized customer equity as consisting of three elements. First, value equity is the customer's objective appraisal of a brand's usefulness based on perceptions of the value received and given. Second, brand equity is the subjective and intangible value placed on a brand by a customer. Third, relationship equity is the propensity of customers to remain loyal to a brand regardless of its objective or subjective evaluation.

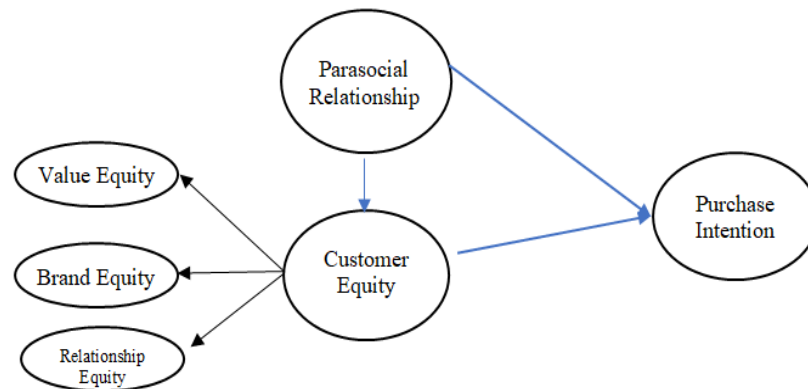
Customer equity is critical as a company marketing strategy approach. Marketers may evaluate a customer's asset value, which helps them with upsells, retention, and acquisition. Moreover, customer equity allows marketing budgets to be modified as relationships with customers evolve. The customer equity marketing system optimizes revenues by arranging processes and structures around add-on selling, retention, and acquisition. Additionally, it utilizes interactions to strengthen relationships and attract new customers (Blattberg et al., 2001). In line with this, business performance in marketplaces depends on how they manage customers as assets. PSR is promotional strategies that may help organizations understand various customer needs and consumer behavior to increase the value and revenue of brands,

known as customer equity. Moreover, it is an important marketing strategy that influences advertisers' communication and the overall brand's consumer equity.

*H2: PSR positively influences Customer Equity*

Holehonnur, et al., (2009) showed a link between value equity and purchasing intent. They found that the consumer's objective evaluation (value equity) primarily determines buying intention and that desire to act resulted in behavior. As a result, as a customer's equity worth rises, consumers' purchasing intention increases. Furthermore, their research found a link between brand equity and purchase intention, where the consumer's subjective view is the primary driver of purchase intent. Consequently, the study hypothesized that as customer brand equity rises, purchase intention increases. Moreover, Vogel, et al., (2008) found a significant correlation between relationship equity and purchase intention. They stated that customers develop familiarity with the brand, store, or employee when perceived relationship equity grows. Similarly, Yuan, et al., (2019); Hennig-Thurau, et al., (2002); Patterson & Smith (2001) found that equity, satisfaction, and loyalty enhanced consumer intention to buy a product or service.

*H3: Customer Equity positively influences purchase intention*



**FIGURE 1  
PROPOSED MODEL**

## RESEARCH METHODS

### Research Scope and Context

This descriptive and cross-sectional research examines the PSR between the Brand Ambassador of Wardah as an influencer with Gen Z as their follower, using Wardah products as its object. Wardah is a local Indonesian beauty brand whose products ranked in the top three consumer-selected beauty brands from 2015 to 2020. Additionally, the latest survey by Top Brand Award in Indonesia showed that Wardah products rank in the top three of Gen Z's preferred beauty products (Top Brand Index, 2021).

### Population and Sample

The research population comprised Generation Z born between 1995 and 2002 in Makassar City. This population was chosen as the target responder because it is the most critical consumer group in the online market (Priporas, Stylos & Fotiadis, 2017). In Indonesia, the Generation Z population is the largest, making up 75.49 million (27.94%) of Indonesia's 267

million population in 2020 (BPS, 2020) and is the second-largest after millennials (Lokadata, 2020).

Gen Z has the highest degree of confidence in influencers compared to other generations. According to ZAP & MarkPlus clinics (2020), 54.22% of Indonesia's Gen Z women regarded influencers as beauty role models. Furthermore, that studies found that the Gen Z women trust influencer recommendations when seeking information or increasing references.

## Data Collection

This non-probability study used quantitative methods and empirical field study with a survey questionnaire in hypothesis testing. Survey questionnaires were distributed online through social media platforms, such as WhatsApp and direct messages. An online survey approach was considered appropriate due to the COVID-19 pandemic.

The purposive sampling method was used to select respondents, comprising Gen Z (15-16 years old), Wardah product users, and social media followers from the Wardah brand ambassador. Data were collected online from April 2021 to June 2021. From the 200 survey questionnaires collected, 109 were analyzed after excluding incomplete responses.

## Measurement and Data Collection Method

The study operationalized three variables, including Parasocial Relationship (PSR), Customer Equity, and Purchase Intention. PSR was measured using an eight-item, five-point Likert scale adapted from Reinikainen, et al., (2020). The Customer Equity measurement was adapted from Rust, et al., (2000); Yuan, et al., (2016) with a thirteen-item, five-point Likert scale. Furthermore, purchase intention as Dependent Variable was measured using a three-item five-point Likert scale adapted from Chung & Cho (2017).

PLS Software was used to analyze the research objectives and hypothesis testing, conducted using confirmatory factor analysis and Structural Equation Modeling (SEM). Confirmatory factor analysis tested each instrument's validity, Structural Equation Modelling (SEM) tested the hypotheses, and the reliability was tested using Cronbach's  $\alpha$ .

## RESULTS

### Measurement Model

The proposed model was analyzed by first evaluating the measurement model to determine the construct's reliability and validity. As shown in Table 1, each variable has several indicators, with a loading factor above 0.70. Furthermore, the indicators on customer equity dimensions are CE3, and CE4, with a loading factor value less than 0.70. Indicators relating to parasocial relationships variables with a value less than 0.70 are PRS2, PRS4, PRS5, and PRS8. As a result, indicators with a loading factor less than 0.70 were declared unfit for further investigation and were excluded. The loading factor iteration results were generated after performing two iterations for each indicator on the variables, as shown in Table 1 (loading\*). Furthermore, the CR values were above 0.7, and AVEs were higher than 0.5, indicating satisfactory reliability and convergent validity, respectively (Hair et al., 2017).

Construct/Item	Loading **	Loading*	Cronbach	CR	AVE
Parasocial Relationship			0.802	0.871	0.627
- I look forward to watching the celebrity on her channel	0.762	0.773			
- If the celebrity appeared on another YouTube Chanel, I would watch that video	0.517				

- When I am watching the celebrity, I feel as if I am part of her group	0.728	0.815			
- I think the celebrity is like an old friend.	0.637				
- I would like to meet the celebrity in person.	0.616				
- If there were a story about celebrity in a newspaper or magazine, I would read it	0.787	0.784			
- The celebrity makes me feel comfortable as if I am with friends.	0.732	0.796			
- When the celebrity shows me how she feels about the brand, it helps me make up my own mind about the brand	0.652				
<b>Customer Equity</b>			0.954	0.960	0.635
Value equity			0.773	0.897	0.813
- This brand is priced appropriately according to its quality	0.829	0.874			
- This brand is excellently designed	0.857	0.928			
- The price is competitive to other brands	0.566				
- This brand is easy to purchase	0.652				
<b>Brand equity</b>			0.922	0.938	0.683
- This brand is attractive.	0.848	0.848			
- My attitude towards this brand is very favorable.	0.866	0.866			
- I often pay attention to the advertisements of this brand.	0.844	0.844			
- I can remember this logo or brand symbol	0.740	0.741			
- This brand has high ethical standards	0.831	0.830			
- The brand image fits my personality very well	0.804	0.803			
- I have positive feelings towards this brand.	0.847	0.847			
<b>Relationship equity</b>			0.939	0.954	0.805
- This brand will provide what I want	0.890	0.890			
- I feel intimately connected with this brand	0.923	0.923			
- I know this brand well	0.885	0.885			
- This brand matches my image	0.926	0.926			
- This brand matches my style	0.861	0.861			
<b>Purchase Intention</b>			0.814	0.890	0.730
- The likelihood of purchasing this product is	0.833	0.833			
- It is likely that this brand would be my first choice when considering purchasing a beauty product	0.906	0.905			
- I would not buy another brand of beauty product if this brand was available at the store	0.822	0.824			

Resource: Output SmartPLS 3., 2021

## Structural Model

The second stage of testing assessed the structural model by evaluating its appropriateness using various goodness-of-fit indicators. The measurement uses R-Square ( $R^2$ ) for latent variables and Q-Square Predictive Relevance ( $Q^2$ ) for the structural model. Table 2 shows the findings of the analysis :

	<b>R Square Adjusted</b>
Customer Equity	0.335
Purchase Intention	0.592

Resource: Output SmartPLS 3., 2021

Chin (1998) classified the R square as 0.67 (strong), 0.33 (moderate), or less than 0.19. (weak). Table 2 shows that the  $R^2$  value for customer equity and purchase intention is more than 0.33 and less than 0.67, which is moderate. This implies that the variables determine the



variance of changes in the customer equity variable to be 0.335 or 33.5%. Furthermore, the variation of changes in the purchase intention variable is 0.592 or 59.2%. Therefore, 66.5% of the variance in variable change for customer equity and 40.8% for purchase intention is driven by factors outside this model.

When the value of  $Q^2$  is  $>0$  and getting closer to the value 1, the structural model fits the data or has relevant predictions (Ghozali, 2011). The following formula calculates the  $Q^2$  value:

$$Q^2 = 1 - (1 - R_1^2)(1 - R_2^2) \dots (1 - R_n^2)$$

$$Q^2 = 0.729$$

The  $Q^2$  calculation results show that the value of  $Q^2 > 0$ , indicating that the structural model matches the data or has meaningful predictions in the strong correlation category (0.50 – 0.75).

### Hypothesis Testing based on Bootstrapping Results

Table 3 summarizes the outcomes of testing data using the bootstrapping technique. It is based on the findings of the PLS-SEM analysis for the first iteration.

	<b>Original Sample (O)</b>	<b>T Statistics ( O/STDEV )</b>	<b>P Values</b>
Customer Equity -> Purchase Intention	0.746	10.156	<b>0.000</b>
Parasocial Relationship -> Customer Equity	0.584	10.303	<b>0.000</b>
Parasocial Relationship -> Purchase Intention	0.047	0.542	0.588

Resource: Output SmartPLS 3., 2021

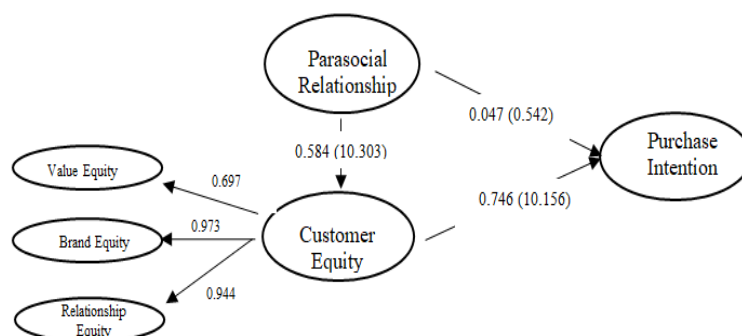
The analysis results on the path coefficients in Table 3 show that:

- The value of t statistics for the relationship between the Parasocial Relationship variable and Purchase Intention is  $0.542 < 1.966$  at a probability level of  $0.588 > 0.05$ . Additionally, the value of the coefficient on the relationship between these variables is 0.047. Therefore, Parasocial Relationships positively but insignificantly affect Purchase Intention.
- The value of t statistics for the relationship between Parasocial Relationship variables and Customer Equity is  $10.303 > 1.966$  at a probability level of  $0.000 < 0.05$ . The value of the coefficient on the relationship between these variables is 0.584. Therefore, Parasocial Relationship positively and significantly affects Customer Equity.
- The value of t statistics for the relationship between the Customer Equity variable and Purchase Intention is  $10.156 > 1.966$  at a probability level of  $0.000 < 0.05$ . Furthermore, the value of the coefficient on the relationship between these variables is 0.746. Therefore, Customer Equity positively and significantly affects Purchase Intention.

	<b>Original Sample (O)</b>	<b>T Statistics ( O/STDEV )</b>	<b>P Values</b>
<b>Parasocial Relationship -&gt; Customer Equity -&gt; Purchase Intention</b>	0.436	7,195	<b>0.000</b>

Resource: Output SmartPLS 3., 2021

Direct and indirect tests were performed to demonstrate the effect of indirect and total factors. The results indicate a strong relationship between the Parasocial Relationships and Purchase Intention Through Customer Equity variable, as seen in Table 4.



**FIGURE 2**  
**SUMMARY OF THE RELATIONSHIP BETWEEN VARIABLES**

## DISCUSSION

Previous literature showed an effect of the parasocial relationship and customer equity on purchase intention. However, this study investigates the impact of these two factors concurrently and offers three critical findings by testing Parasocial relationships, Customer Equity, and purchase intentions.

First, a relationship exists between parasocial relationships and purchase intention. These results are consistent with (Chung & Cho, 2017; Lou & Kim, 2019; Jin & Ryu, 2020; Reinikainen et al., 2020; Sokolova & Kefi, 2020). The company collaborates closely with social media influencers to promote its brand and stimulate customers' purchasing interest. Furthermore, SMI produces material that attracts the interest of its followers. They understand their followers' interests, allowing them to alter their perceptions and behavior quickly. Parasocial relationships emerge when viewers consider media characters their peers (Horton & Wohl, 1956). Subsequently, viewers believe they know media personalities by frequently interpreting their performances. This is similar to essential friendships, which involve expressing one's value, learning new skills, and offering protection or assistance in challenging circumstances. Djafarova & Rushworth (2017) performed in-depth interviews with social media users and found that influencers efficiently shape purchasing behavior. According to the halo effect hypothesis, followers' favorable views of influencers positively impact their perceptions of items supported by these influencers (Djafarova & Rushworth, 2017).

Second, a positive relationship exists between PSR and consumer equity. These results are consistent with Yuan, et al., (2016), which found a positive influence of parasocial relationships on consumer equity through social media. In this regard, companies must recruit, establish, and maintain relationships with consumers to retain a competitive advantage (James, Kolbe & Trail, 2002). This relationship may be strengthened through a company's customer relationship marketing initiatives, resulting in more interactions (Leone et al., 2006). Customer equity is the cumulative worth of their relationship with a company or organization (Yuan et al., 2016). Parasocial relationships describe links between brands and people, products, symbols, objects, and company identities. These links enable people to have ties to brands, trademarks, and other symbols, politicians, sportspeople, or actors (Gummesson, 2004), thereby affecting customer equity – brand equity, equity, and equity (Yuan et al., 2019).

Third, parasocial relationships and consumer equity both affect purchase intention. However, the effect of the parasocial relationship on purchase intention is positive but

insignificant, while the impact of customer equity is positive and significant. Moreover, parasocial relationships significantly affect purchase intention when mediated by customer equity. In this case, purchase intention is the likelihood that a customer would buy a product or service in the future (Wu et al., 2011). Customers are less inclined to buy or repurchase goods when they believe they are paying for more than they receive. Several studies have shown that SMI recommendations influence most of Gen Z's purchasing behavior, though this does not make them ignorant of the brand's quality or value.

These results show that the brand value is the top consideration of Gen Z when making purchases. Gen Z is a digital-era generation with 24/7 access to information and online resources. As a result, they are more informed, intelligent, and conscious in choosing the goods and services to purchase or brands to support. Also, they participate, co-create with brands, and openly express their views because they want brands to be receptive to their requirements. Furthermore, Gen Z prefers companies that provide quality above marketing buzz (IBM, 2021). According to South China Morning Post (2021), luring Gen Z's attention requires anticipating their needs and desires. Furthermore, it is important to develop equity to make brands must-haves and inspire an intelligent, highly connected audience with a choice. Tighe (2013) stated that celebrity endorsement is the best method to introduce new products to the market, though the market share is best retained by focusing on consumers' value.

## LIMITATIONS AND FUTURE RESEARCH

This study only focused on a small sample comprising Generation Z in Makassar, Indonesia, meaning that the findings may not apply to all of Generation Z. There is a need to apply the model and the interactions between variables in different locations or nations to obtain more generalized findings. This study focused on Wardah as a beauty product, necessitating the need to consider other celebrity-endorsed products. Since only the role of parasocial relationships and consumer equity in purchasing intentions were examined, future study needs to include other variables such as brand attachment and trust to obtain a more comprehensive purchase intention model in the social media context.

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