



The Effect of UGC (User Generated Content) and FOMO (Fear of Missing Out) on Gen Z's Online Purchasing Decision in Bandung City on Online Start-ups

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Abstract. Generation Z is a generation that grew up amid a digital era that continues to grow so that technology becomes an integral part of their lives. Various trends then emerged, such as various kinds of content created by other users, known as User Generated Content (UGC) panic or fear due to missing information began to appear later in this generation group called Fear of Missing Out (FoMO). This study looks at the effect of UGC and FOMO on Gen Z purchasing decisions in Bandung City by taking a case study on online purchases at start-ups. Practically, this writing can be useful for start-up companies to see consumers who will become the majority in the Gen Z group. The research results from 126 respondents show that UGC and FoMO influence Gen Z's online purchasing decisions at the Start-up in Bandung City.

Keywords: *User Generated Content, FoMO, GenZ*

1 Introduction

1.1 Background

Indonesia's population in 2022 in the data reported by BPS amounted to 275773.8 (thousand people) [1]. In this large population, Indonesia has a reasonably large Gen Z age group, which is 74.93 million or 27.94% and the total population of Indonesia. According to [2], it is explained that Gen Z was born in 2003 and beyond and people known as i-Generation [3]. However, some literature states that Gen Z starts in the birth range of 1997 to 2012. If you look at the range of birth years, Gen Z has now begun to enter the workforce and become an important consumer in various industries. While the young Gen Z is a potential market for products and services in the future. Bandung is one of the cities in Indonesia known as a creative city. This nickname is given because its cultural activities are fused with economic and social activities [4]. This is also the basis for the birth of many new businesses (start-ups) in this city. Bandung's creative city development is also supported by the community and government so that Bandung always experiences development. The number of Gen Z in this city is also constantly growing. This aligns with the many young people from other regions who continue their education in Bandung.

Various industries with new product brands were born in Bandung. Bandung youth are usually delighted with local brands or brands from Indonesia. Generation Z is the first generation fully accustomed to using digital technology and social media as the main channel for communication, entertainment, and consumption [5]. Various activities, including shopping, are done online. So this generation also tends to be updated on information or fashion constantly. Purchasing decisions in this generation depend on online reviews [5]. Even the purchase decision depends on the content in cyberspace, commonly known as user-generated content. In [6], it is explained that Gen Z prefers individual rather than social interaction. Also, in this group, there is an increase in depression and anxiety levels that are higher than in other generations. This is referred to as Fear of Missing Out (FoMO). FoMO is a reasonably new construct that involves a person's reluctance to miss important and important information and social events from people in their social network [7]. These various phenomena impact existing technological developments, and companies must be able to capture every opportunity [8]. Related to this basis, the author wants to see whether UGC and FoMO affect Gen Z Bandung City's online.

1.2 User Generated Content (UGC)

User-generated content related to a brand (UGC) is common in social media. Consumers use UGC to express themselves, share experiences, be entertained, be informed, or socialize with others [9]. Individuals will be strongly influenced by content created by user reviews on a website if the information is considered useful and relevant to their decision-making process [10]. It is also explained that perceived value in UGC is formed by information value, credibility, and similitude. Perceived value is defined as the influence felt when other users create content so that it helps in making decisions. Information value is that the content created by other users is valuable. Credibility is content created by other users with good credibility and can be trusted. Similarity is content created by other users that has the same preferences.

1.3 Fear of Missing Out (FoMO)

FoMO is a study in studying consumer behaviour today [11]. FoMO is a fairly new construct that involves a person's unwillingness to miss important information and social events from people in their social network [7]. FoMO can have a detrimental impact on individuals as it impacts the psychological as well as mental health of individuals [12].

1.4 Purchasing Decision

The online purchasing decision model, a construct in this study, uses the AIDA model. In [13], it is explained that AIDA consists of Attention, Interest, Desire and Action and can be done in online purchasing decisions. Attention is the initial stage in the communication process, where consumers need to learn about the product or service's existence. Interest is the second stage, where consumers begin to be interested in the product or service. Desire is an advanced stage of interest, where consumers start looking for information about goods/services. Action is the final stage where consumers have decided whether to buy the products/services offered.

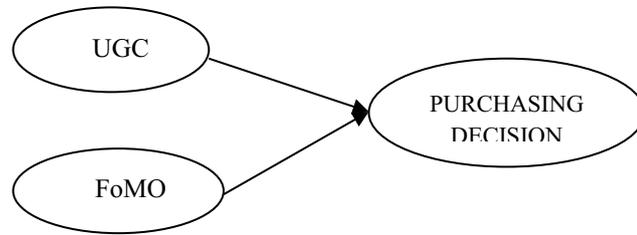


Fig.1. Conceptual Framework

Hypothesis

- H1: There is an influence of User Generated Content (UGC) on Genz's online purchasing decisions at Start-Up.
- H2: There is an influence of Fear of Missing Out (FoMO) on Genz's online purchasing decisions at Start-Up.

2 Method

This research was conducted with quantitative research. The sampling method used purposive sampling and distributed questionnaires. The number of respondents was 126 Gen Z in Bandung City. The data analyzed in this study used SEM-PLS and Smart PLS analysis. This research consists of three variables; the dependent variable is purchasing decision, and the independent variables are user-generated content (UGC) and Fear of Missing Out (FoMO).

3 Results & discussions

Based on the data processing results on 126 questionnaires collected, the following are the study results. For the characteristics of the 126 respondents, 92 are female, and 34 are male. All respondents are Gen Z with birth years 1997-2012. Overall, respondents have purchased start-up products online, some even frequently. Of the 126 respondents, the following are purchases made online.

3.1 Result

The following are the results of data processing from 126 respondents using SMART PLS. From a total of three constructs and 16 indicators, the following model is formed:

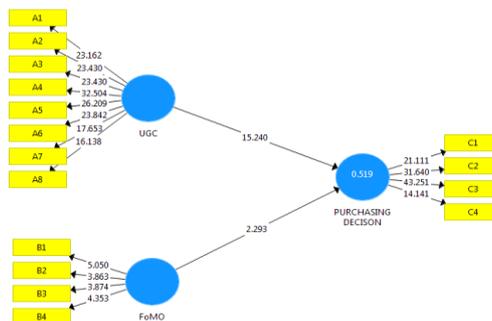


Fig.2. Research Model

Based on the data processing that has been done, an outer loading analysis is carried out to see whether the construct is valid and reliable to be studied. In analyzing convergent validity, the composite reliability and Cronbach's values of each construct must be above 0.7. Then, the average variance extracted (AVE) value must be above 0.5. So, based on the result, it can be seen that the Cronbach alpha value for all constructs is above 0.7, which states that the variables/constructs studied are reliable. Then, the AVE value for all variables is above 0.5, meaning all variables/constructs studied are declared valid.

Model Test

Table 1 – R Square

| | R Square | R Square Adjusted |
|---------------------|----------|-------------------|
| PURCHASING DECISION | 0.519 | 0.512 |

To determine how much of the exogenous construct can be described by the endogenous construct, use the coefficient of determination (R Square). The table shows that the R Square value is 0.519, indicating that the UGC and FoMO structures moderately influence purchasing decisions.

Table 2 – F Square

| | FoMO | PURCHASING DECISION | UGC |
|---------------------|------|---------------------|-----|
| FoMO | | 0.048 | |
| PURCHASING DECISION | | | |
| UGC | | 0.979 | |

The degree of interaction between variables is measured by f-square or effect size. 0.02 is a small, 0.15 is a medium, and 0.35 is a significant value for the f square. Values under 0.02 can be disregarded or thought to have no effect. According to this table, the f square value for FoMO on purchase decisions is 0.048, which indicates that the value between variables is minimal. UGC's influence on purchasing decisions has a f square value of 0.979, indicating a strong correlation between the variables.

Hypothesis Test

Table 3 – Path Coefficient

| | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics (O/STDEV) | P Values |
|----------------------------|---------------------|-----------------|----------------------------|--------------------------|----------|
| FoMO → PURCHASING DECISION | 0.153 | 0.158 | 0.067 | 2.293 | 0.022 |
| UGC → PURCHASING DECISION | 0.689 | 0.69 | 0.045 | 15.24 | 0 |

Based on the table above, the results are obtained based on a confidence level of 95%, a maximum error of 5% and a sample size of 126 so that a t-table of 1.657 is obtained; based on this, the following results can be seen:

FoMO - Purchasing Decision t hit 2.293 is greater than t table 1.657, so hypothesis 1 is accepted, namely that there is an influence between FoMO on purchasing decisions.

UGC - Purchasing Decision t hit 15.24, which is greater than t table 1.657, so hypothesis 2 is accepted: there is an influence between UGC and purchasing decisions.

3.2 Discussion

From the result From the research results, we can see that UGC and FoMO influence Gen Z in purchasing decisions. However, from the research results, the value of FoMO's influence on purchasing decisions is smaller than UGC's purchasing decisions. It can be interpreted that these variables have an effect but are not the primary consideration for Gen Z in deciding on a purchase, especially at a start-up. Some research also states that FoMO is not the main basis for a person making purchasing decisions, but with FoMO it can strengthen or weaken a person's purchasing decisions [14]. Besides that, it turns out that FoMO can also affect a person's purchasing behaviour [11]. For this reason, a business person needs to understand the phenomena that occur in the market that can affect the company's business. Likewise, UGC, mentioned in [15], states that UGC is part of digital marketing, which will undoubtedly affect purchasing decisions.

4 Conclusion

This study concludes that user-generated content (UGC) and FoMO affect online purchasing decisions for Gen Z in Bandung. Judging from the value, the most significant influence is the influence of UGC, 68.9%, while the influence of FoMO on purchasing decisions is 15.3%. This indicates that every purchasing decision made by Gen Z is based on reviews or content created by other users. Although influential, the fear or anxiety of missing FoMO information is not significant. So, start-ups need to be aware of Gen Z consumers and how information circulates in cyberspace about the products being sold and content created by other users, which should always be considered so as not to create negative public perceptions.

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