

# CHAPTER I

## INTRODUCTION

### 1.1 BACKGROUND OF THE STUDY

The increase of social media users is rapid. It is gradually changing the way people live and touches upon many industries. Social media is no longer just a tool for personal usage, but this has become opportunity for companies to grow their business.

Compared with traditional marketing channels, marketing through social media platforms has several advantages. First and foremost, connections on social media platforms are mainly based on networks established in reality. This means being different from other online platforms, marketing through social media platforms may be more effective as people on the social media networks have certain trusts established in advance regardless of strong ties or weak ties. Second, social media is based on web 2.0 technology, which is fast in spreading the information. Third, social media encourages interaction and conversation, which means the communication on social media, is two-way. User-generated content is the most crucial feature in social media that supports this two-way communication going smoothly. Last and probably most important is that most social media platforms are free of charge and easy to start with for companies.

Most of the traditional companies are now eager to expand their territory to online market as they know this is not only a trend nowadays, but also a competitive necessity. Getting support via online, companies need to develop different marketing strategies to better promote their products and services. The increasing popularity of social media has attracted many companies to employ social media platforms for online marketing. Social media purchasing consists of two steps.

First, seeking and obtaining product information through social media platforms. Second, developing purchase intention or making purchase.

Social media is not only a place to represent brand and position as an expert, but it is also an outlet to enhance the brand reputation, and further connect with the community. Customer purchase decision is also frequently chance to happen while exposed to advertisement or the way brand market its product through social media.

A key business component of social media is that it now allows consumers to evaluate product, make recommendations to contacts or friends, and link current purchases to future purchases through status updates and twitter feeds. In addition, the use of social media presents a valuable tool for firms in which a satisfied user of a product could recommend that product (good or service) to other potential users. The companies are looking for taking advantage of increasing trend of customers relying on social media for their purchases.

According to World Economic Forum (WEF)'s Global Competitiveness Report 2016-2017 (Schwab, 2016), Indonesia ranks 60<sup>th</sup> out of 138 economies in terms of infrastructure development. In fact, infrastructure development and macroeconomic development go hand-in-hand because infrastructure development gives rise to economic expansion through the multiplier effect, while economic expansion gives rise to the need to enlarge existing infrastructure to absorb the larger flow of goods and people that travel across the economy. Lack of adequate infrastructure also undermines serious the attractiveness of Indonesia's investment climate. These matters obviously make investors think twice before deciding to invest in Indonesia (FajarS, 2017)

Infrastructure on transportation is a major component in life and life system, government system, and social systems (Sembanyang, 2011). M Firmanshah, as a Head of Student Unit and Scholar of Pemuda

Pancasila, stated that public will give same answers that infrastructure of Medan city at this time is very bad. (Harian Analisa, 2017)

PT Solusi Transportasi Indonesia or as known as Grab is a transport provider applications which serves vehicle bookings such as motorcycles, cars, taxis, as well as delivery of food purchases, goods, and car rentals. According to the Grab website (Grab, 2018), Grab is present in eight countries across the region and currently available in 132 cities across Indonesia. Grab has a vision to revolutionize the Southeast Asia, by providing security and comfort to users in transportation service.

H.E. Luhut Binsar Pandjaitan, Coordinating Minister for Maritime Affairs said that Indonesia's growth potential will depend in large part on the continued development of its infrastructure, including an efficient public transport network. Technology will play a major role, and services like Grab that leverage the power of data analytics will complement and improve the efficiency and reliability of the nation's transportation infrastructure, enabling Indonesia to progress even faster. (GrabInc., 2017)

By having Grab in Indonesia especially in Medan, they can support infrastructure on transportation development, which the writer thinks it is important to be discussed in this research. This research is focusing on the purchasing perspective of consumers that are influenced by the Grab social media marketing. The study aims to show the impact received through social media marketing. Therefore, this research will be entitled, **“Social Media Marketing Creates Impact to Customer Purchase Decision on Grab Company in Medan”**

This research title is also being support by journal of Pütter (2017), which stated that even in the presence of changing social media mechanisms and the increasing use of technology, consumers still go through a common set of steps in making decisions that impact purchasing decisions. And also Mangold and Faulds suggested that

social media have important influences in every stages of decision making processes including information acquisition, brand awareness, purchase decision, post-purchase communication and evaluation.

## **1.2 PROBLEM LIMITATION**

In order to make this research is not too broad, the writer will focus on the variables' indicators of social media marketing strategy and customer purchase decision variables. With the indicators of social media marketing strategy are seven steps that must be followed to develop a social media strategy (Jay Baer, 2009). Meanwhile, for the indicator of customer purchase decision variables are few factors that influence purchase decision (Principles of Marketing, 2015). The target of this research will be Grab's user for at least one time that are living in Medan. Sample required is from age 15 - 64 years old. Also, research time is in period of January to July 2018.

## **1.3 PROBLEM FORMULATION**

To fulfill the aim and the purpose of the study, the research question has been formulated by relying on the background and the problem statement as following: "Does marketing via social media have influences to purchase decision of Medan customers and bring positive impact to Grab's company?"

## **1.4 OBJECTIVE OF THE RESEARCH**

The objectives of this research are the following: "To understand whether social media marketing strategy have impact on the purchase decision of Medan customers."

## **1.5 BENEFIT OF THE RESEARCH**

The benefits of this research can be separated into two kinds of benefit, which are:

### **1.5.1 THEORETICAL BENEFIT**

1. To provide enough information on how social media marketing have effect on customer purchase decision.
2. To have the knowledge of the importance of social media marketing strategy as nowadays marketing promotional tool.
3. As a theory to distribute in academic journal on social media marketing strategy affects customer purchase decision.

### **1.5.2 PRACTICAL BENEFIT**

1. To help business company understands the importance of social media marketing strategy so that they can enhance their company performance.
2. To set as a reference for other researchers to compare with the study that relate or similar to this particular research.

## **1.6 SYSTEMS OF WRITING**

This research will be discussed into parts, and the system of writing will be showed below as followings:

Chapter I, Introduction – in this part, the writer will explain the background of study, the purpose and reason behind the conduct of research, main problem to be solved, benefits of the study and the expected outcome of the research.

Chapter II, Literature Review – the writer puts down the theories that will serve as the foundation of the research, hypothesis is also developed in this section, as well as the research model, and framework of thinking.

Chapter III, Research Methodology – the kind of research that is used by the writer, research design, population and sample, data collection method, operational variable definition and variable measurement, and data analysis method.

Chapter IV, Data Analysis and Discussion – general description of the research object, data analysis, and discussion will be written in this chapter.

Chapter V, Conclusion – the last discussed chapter in the paper that contains brief answers of the research questions, implementation from the results of the research, and recommendation.

