CHAPTER I

INTRODUCTION

1.1   Background of the Study

Along with the times, branding in business has become more exigent in the society. A brand indicates a company identity along with image perception (Setyawan, Kussudiyarsana, & Imronudin, 2015). Building a strong brand is one of the success factors in brand companies and one indicator of its success is the brand trust (Hidayanti, Nuryakin, & Farida, 2018). It has been a common knowledge that trust in a business is crucial especially for the sustainability factor. Every business aims to achieve a specific target in market share to maintain their existence in the market.

Nowadays with the development of technology in the modern world, the marketing strategies are affected through the usage of sophisticated technology such as application and social media, commonly called the Internet. The utilization of the Internet will keep on adapting with the advancement of innovation and times. In the new era, Internet of Things, the interaction between individuals or to a group of discussion will utilize the internet. The internet expands the new way of communicating (Angelova, Kiryakova, & Yordanova, 2017). Since the internet has become a way of life for people, people tend to rely on the internet to examine their needs and wants. Hence, the web is considered as a decent stage for finance managers to have the option to advertise their items through digitalization of marketing. The fact that the internet in Indonesia keeps on expanding at any time and led by the more youthful age population (Association of Indonesian Internet

1

Service Providers, 2016). According to business research (Statista,

2020), the growth of internet users in Indonesia is increasing every year and is

predicted to reach 196.16 million users by the end of 2020.

Figure 1.1 Number of internet users in Indonesia 2015 to 2025
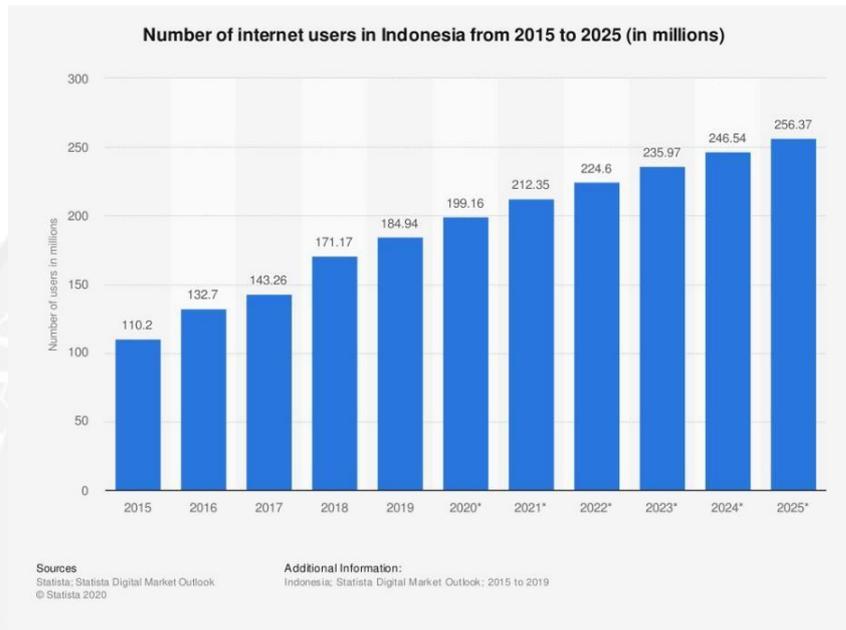
Source: (Statista, 2020)

Furthermore, based on the second quarter 2020, Association of Indonesian Internet

Service Providers demonstrate there were 199.16 million active internet users in

Indonesia or calculated as 73.7 percent of the nation's population of 266.9 million

(Pertiwi, 2020).

The high recurrence of online social media use has made online media overwhelm

as a marketing compartment that has a major function in building trust and

producing customers unwaveringly. The brand network in the online world will

significantly help the brand in the cycle of picking up trust as purchasers read about

the encounters of brand network individuals about the brand's items through the survey. In this modern generation, organizations that are particularly focusing on youthful customers are regarded important to know the adequacy of social media advertising techniques through online brand communities (OBC) that deliver perceived brand reputation including brand trust and brand loyalty. Online brand community is a significant factor in today's marketing strategy, hence, as the growth of technology in the digital industry, the OBC should plays more visible and dominant role. On the other hand, in reality especially in Indonesia market, Online brand community does not expand like the other countries. The utilization of online communities in marketing campaign is missed to be appeared as one of important value. In fact, with the digital era those brand communities are brought to an online system where more members could be easily entered and join discussion with other prior members (Kang & Shin, 2016). As the community established, the potential loyal customers are easily captured in the first place and open bigger opportunities to expand the market through them. Thus, the development of a brand community is urgent and becomes a key of success in building a strong brand.

As an indicator in a business, it assumes that the brand itself holds a central role in consumers' life that directly and indirectly affect their decisions (Delgado-Ballester, Palazon, & Pelaez-Muñoz, 2017). Expanding this concept approach to the research in digital environments, trust in a brand is an indicator in the relationship. One simple way to establish a relationship between brand and consumers is through the community which consumers tend to trust others from their experience's consumption, especially in the specific group regards to the brand

3

or product related; therefore, they able to gather more precise information and insights of a right purchase (Belanche, Casalo, Flavián, & Guinalíu, 2019)

Based on precedence research above, concluded that information and insight from certain groups or communities generate a source for consumers that turn into word-of- mouth marketing. As the growth of competition in the businesses, the condition where limitation of development and high cost, companies aim for more efficient methods of generating sales. In this context, word mouth (WOM) communication was proposed to be a more effective communication channel, as it requires promotion cost (Singh, 2019).

Word of mouth used to have big limitations by the quantity of area of individuals interfaced with, yet today's circumstances are different due to online and social media, where individuals are able to share and reach millions in just seconds (Mosley, 2020). The adaptation of the online system generates a new form of WOM communication which is known as electronic word of mouth (eWOM). eWOM has taken on uncommon significance with the development of online stages, which have made it one of the most compelling data sources on the online (Alcocer, 2017), since eWOM does not simply stop after one connection; on the other hand, one individual will keep spreading information to another. With each share, word of mouth promotes the potential for significant development (Mosley, 2020). In other words, eWOM truly shows its significant level of trust, that being generated from the basic brand trust. Nielsen report (Nielsen, 2012) indicates 92% of individuals trust word of mouth or references from those they know, compared to other advertising. This implies when somebody sees a companion or relative raving about a specific brand,

4

they tend to be considerably more prone to purchase the products or services or at least considered them in their consideration.

This research is an extension based from Anaya Sánchez et al. (2020) regarding positive eWOM intention whereas the research explained how the brand trust, OBC trust and repurchase intention influence positive eWOM intention. This research study has featured the significance effect of consumers' trust in both the brand and the community itself; as key predecessors of the advantages that online brand communities can bring to associations; which predicted to have a good impact on positive word of mouth for the brand (Loureiro & Kaufmann, 2018). The examination of the two kinds of trust would assist with bettering comprehend their interrelationships and impacts on shopper conduct. As conclusion, the purpose of the research study is to examine the direct and indirect impacts of brand trust and online brand community trust, repurchase intention on positive eWOM intention. Results were gathered through an online survey sample of 165 respondents; the research study calculated in partial least squares structural equation modelling (PLS-SEM). The outcomes indicate brand trust OBC trust directly and indirectly have an impact on repurchase intention and positive eWOM intention.

1.2 Formulation of the Problem

The problems of this research study are formulated into:

1. Does brand trust positively influence OBC trust?

2. Does brand trust positively influence repurchase intention?

3. Does OBC trust positively influences repurchase intention?

4. Does brand trust positively influence positive eWOM intention?

5. Does OBC trust positively influence positive eWOM intention?

6. Does repurchase intention positively influences intention to engage in positive eWOM?

1.3 The Objective of Study

If refer to above formulation of the study, these are objectives that need to be achieved in this research:

1. To identify brand trust positively influences OBC trust

2. To identify brand trust positively influences repurchase intention

3. To identify OBC trust positively influences repurchase intention

4. To identify brand trust positively influences positive eWOM intention

5. To identify OBC trust positively influences positive eWOM intention

6. To identify repurchase intention positively influences intention to engage in positive eWOM

1.4 Benefit of the Study

1.4.1 Theoretical Benefits

This research will be useful for adding insight and knowledge in writing. In addition, beneficial as supplementary information regards to positive eWOM intention which expected to be useful for further research especially for marketing branding and marketing strategy in terms of brand trust, online brand communities trust and repurchase intention.

1.4.2 Practical Benefits

With the results of this research, it is expected that related parties such as brand companies, startup companies, and other business owners can utilize the information of this research to develop more effective and efficient brand strategy in order to increase trust, community trust, repurchase and word of mouth expectations.

1.5 Writing Systematics

This thesis contains five chapters, with the writing systematics as follows:

Chapter I: INTRODUCTION

Consists of research background, formulation on study, objectives of study, research benefits, theoretical and practical benefits and systematic of writings.

Chapter II: LITERATURE OF REVIEW

This section will explain the meaning of each variable, hypothesis and research model.

Chapter III: RESEARCH METHOD

This research method will include a discussion of the research object, the unit of analysis, the type of research, the operationalization of the research variables, the population and samples, the data collection methods, and the data analysis methods.

Chapter IV: ANALYSIS AND DISCUSSION

This discussion will describe the data description, data testing, hypothesis testing and discussion.

Chapter V: CONCLUSIONS AND SUGGESTIONS

This section will explain the conclusions based on the analysis of the previous chapters and suggestions for improvement.