

# CHAPTER I

## INTRODUCTION

### 1.1 BACKGROUND OF THE STUDY

In this modern and sophisticated era, the development of information and technology increasingly influences human life. One of the most popular in the community is social media. Social media has now become a major need for humanity. The role of social media is actually very much and not limited to individuals, but can be for a business entity.

Nowadays, there are still many traditional companies that are not maximizing or not using social media to promote their products and still harsh on conservative or traditional marketing methods. Social media, as the times develop it becomes a competitive necessity to expand their territory to online market. According to Statista, in 2016, Indonesia is one of the most astounding number of web user in the world among every country, where 132.7 million out of the nation's all out population of about 260 million were active web user. These days purchasers are self-coordinated. They research about the company brand, evaluate product, product service online or through their network before making their purchase decisions. Therefore, social media can be the outlet for the company to represent product, enhance brand reputation, brand awareness and user management. Where those factors can frequently influence the customer purchase decision. Customer purchase decision is highly influence by advertisement through social media and recommendation or review from electronic word of mouth or buzzword. Therefore, the company are enhancing the customers relying on social media for their purchases. Therefore, social media marketing can have positive effect on customer purchase decision (Prasath & Yoganathen, 2018).

Nature Republic Co., Ltd., a Korean Brand that provide beauty products made from natural ingredients. The company was founded in

March 2009 by Jung Woon-Ho. The headquarter office is located in Seoul, South Korea. In 2015, it operates 680 stores in Korea and independent stores in 120 locations in 14 countries (USA, Mongolia, Taiwan, Macao, Hong Kong, Japan, Philippines, Cambodia, Malaysia, Thailand, Indonesia, Vietnam, Myanmar) (Nature Republic, 2016) . Nature Republic targets young 20-year-old female consumers who love K-pop. Moreover, marketing in the field of social media through Instagram, Facebook and official website. Not only that, they also market their products through E-commerce such as Tokopedia, Shoppe, etc.

**Table 1.1 Sale Amount in Nature Republic Medan**

<b>Month</b>	<b>Sale Amount</b>
28 October – 31 October 2018	Rp 300.828.273
1 November – 30 November 2018	Rp 960.867.419
1 December – 31 December 2018	Rp 980.454.546
1 January – 31 January 2019	Rp 751.674.473
1 February – 28 February 2019	Rp 709.953.183

Source: Nature Republic Medan (2018)

In can be seem from the data that provided from Nature Republic Medan's store supervisor, there is a drastic decline of the sale amount in December to January and the sale amount still decrease in February. At October 28, 2018, Nature Republic establish the first store in Medan. Nowadays, social media assumes a significant role in attract customer. Based on the author research and interview with the supervisor, the social media channels are combine together based on the state. The decreasing of the sell amounts is because the ineffectiveness using of the social media marketing that is used by the nature republic in Medan branch. Sometimes the customers who saw some certain products through social media such as the company's Instagram profile, when they checked to the store, the products that they're demanded was not available. It makes the customers need to find other alternative or other product from other brands that similar. In additional, the supervisor also doesn't really understand if the social media really strongly effective influence customer purchase decision. The research that will be done by the writer principally concentrations on the impact of the social media towards the customer's purchase decision

therefore, the research will be entitled: **“The influence of social media marketing toward customer purchase decision in Nature Republic Medan”**.

## **1.2 PROBLEM LIMITATION**

In this research, the problem limitation is to know the efficiency of the influence of social media marketing toward customer purchase decision. Where in this research, the dependent variable (variable Y) is the influence of social media marketing and the independent variable (variable X) is customer purchase decision. With the indicator for the dependent variable are engagement, reach, leads and customer (Sukhraj, 2017) . Whereas, the indicator for the independent variable are personal factor, social factor and psychological factor (Lautiainen, 2015). According to the capability and knowledge of the writer, the provided research will be limited. The focus of this research are Nature Republic’s customers who lives in Medan for at least one time purchased the product. Moreover, research time is in period of January to May 2019

## **1.3 PROBLEM FORMULATION**

Based on the observation that is done by the writer during research, the writer finds several problems faced in, which are:

1. Does social media marketing influence customer purchase decision?
2. What are the influence of social media marketing toward the company?

## **1.4 OBJECTIVE OF THE RESEARCH**

The objectives of the research that the writer can get are as follows:

1. To understand how the social media marketing influence customer purchase decision.
2. To investigate the influence of social media marketing to the company.

## **1.5 BENEFIT OF THE STUDY**

The benefit of the study is separated into theoretical benefit and practical benefit.

### **1.5.1 THEORETICAL BENEFIT**

In regard with theoretical framework, the accomplishment benefit for the writer is expected that this research study can enrich the author's knowledge related to the understanding of how the social media marketing influences and have effects on customer purchase decision and also its impact to the company. Moreover, for the reader, as the reference and material for another related research study.

### **1.5.2 PRACTICAL BENEFIT**

In regard with practical context, the paper can provide information for the company expected to be able to help company understand the importance of social media marketing and become a reference for other similar research to improve company performance.

## **1.6 SYSTEM OF WRITING**

This research consist of five chapters and each chapter divided into some sub chapter according to requirement. Each chapter are as follows:

### **Chapter I: Introduction**

In this chapter, the writer focuses on background of the impact social media marketing toward customer purchase decision, the reason to conduct the research, problem identification, scope of study, objective of the research. Additionally, the benefit of the research consist of theoretical benefit and practical benefit, which can be useful for society and the company.

### **Chapter II: Literature Review and Hypothesis Development**

This chapter, the writer focuses on providing the theories from previous research and academic literatures related to social media marketing and customer purchase decision, that

those will be serve as the foundation of the research. Moreover, in this section, hypothesis and the research model are developed as well as framework of thinking for this research.

### Chapter III: Research Methodology

This chapter, the writer provides information of research design, population and the sample used in the research. In addition, in this part also provides collection method, operational variable definition and variable measurement and data analysis method.

### Chapter IV: Data Analysis and Discussion

This chapter consist of research object, data analysis, discussion on the result of data quality and hypothesis testing.

### Chapter V: Conclusion

This chapter provides brief conclusion of the research from the previous discussion, implementation from the result of the research and recommendation as input for the company.

