

CHAPTER 1

INTRODUCTION

In these chapters, the researcher aims to explain the motives and goals of conducting the research topic which will be consisted of the research background, problem statement, research problem, objectives of the study, benefits of the study, research contribution, and research systematics. The discussion will also be supported by data, preliminary research and diagrams gathered from primary and secondary research.

1.1 Research Background

The presence of technology and the internet have changed how society functions nowadays. Platforms and gadgets such as smartphones, computers, and tablets have helped ease the lives of consumers which generation nowadays can't seem to function without periodically over time. The growth of technology has shifted the economy and affected many sectors such as industrial, education, and trades as well as improving the overall social factors of the society as the internet connects people from all around the world. One of the transactions that consumers have been familiar with is electronic commerce (e-commerce). The amount of technological development in the era especially in the commerce sector, have brought up many new brands and competitors in the e-commerce sectors, which brings an interesting problem to diagnosed and analyze how a company can gain a competitive advantage over the others and are capable of becoming a market leader,

and one of the ways a company can gain a competitive advantage is through advertising and word of mouth.

The channel of digital advertising platforms has shown a significant increase over traditional advertising within the past decades due to the massive usage of digital technologies and social media platforms, one of the most popular social media platforms is YouTube. Technologies are born out of purpose, and within new upgrades of technology compounded to create innovation that precedes existing technologies. The technological evolution of technology has been steadily growing and improving over the past few decades with the internet, web, and digital media. The rapidly increasing usage of the internet to either communicate, searching information, solving a problem, and media entertainment have been providing consumers with countless streaming entertainment and digital information in Indonesia.

Based on the scope of data taken from websites Datareportal (2019), Indonesia has since experienced huge growth and steady improvement of internet and social media users. Indonesia's large population is one of the most active countries on social media websites in the South-East Asia region, with more than half the population (73,7%) active on the internet. This has attracted a lot of large international platforms such as YouTube to expand their marketing into the domestic market especially to cater to younger generations in hopes of gaining a majority of the marketing shares and online users in their platforms.

Referring to the results of the survey of Asosiasi Penyelenggara Jasa Internet Indonesia [APJII] held in 2019-2020 (Q2), the increased penetration of the internet

users among the Indonesia population is having an 8,9% increase from 2018 with total internet users of Indonesia of 196.71 million out of 266.91 million total population (73,7%) in 2019-2020 compared to the previous year in 2018 of 171,17 million out of 264.16 million (64.18%). Amongst the total of internet users in Indonesia, Millennials are the most prominent users with more than 30% of the total population in eleven major cities in Indonesia, this generation is also called the most ambitious and technology literate (Nielsen, 2020). Millennials lifestyle is also something to consider in addition to the largest internet technology users, they also shop online, publish a comment on online platforms, searching for product reviews before purchasing the product, and also watching online advertisements.

Looking at how Millennials are studied is an interesting discussion as they evolve through identity, community, commerce, and resilience, it is sure that they will change how the future is shaping, and these examine how brands can meet their high expectations as they will be the next generation to change how brand expectations functions. The YouTube platform as a digital marketing platform and Millennials as a consumer group will be correlated and discussed.

Electronic commerce (e-commerce) companies in Indonesia have been showing a significant growth activity periodically. Data shows that currently, Indonesia has been holding the highest rate of e-commerce usage of any country in the world, due to the amount of huge internet traffic and huge population in Indonesia. The data shows that over 90% of the country's internet users in the age between 16-64 have been accessing and purchasing products/services from online e-commerce (GlobalWebIndex, 2019).

Other data provided by GlobalWebIndex taken in Q2 2019 also show the overall e-commerce engagement in users searching for online products/services to purchase is over 93%, with 90% actively visiting online retail stores on the web. Over 107 Million customers are purchasing consumer goods via e-commerce which is a 5,6% increase from the previous year of 2018 (GlobalWebIndex, 2019). Despite these changes and high-level usage, the overall value of the e-commerce market in Indonesia is relatively low compared to other countries, with the average e-commerce shopper spending less than 1,2 million rupiah per year (GlobalWebIndex, 2019). However, these statistics shown above, justify how the e-commerce market in Indonesia can still grow on a large scale especially according to the data shown in 2018, the amount of spend on grocery products surged by over 30% periodically year-on-year putting Indonesia as one of the top growing online grocery markets in the world.

The total spending of Indonesian e-commerce reaches a high \$20.3 Billion in 2018, which is 20% higher than the previous year, with various spending on goods such as electronics, fashion, video games, groceries, and online travel purchases. These spendings are taken from various unicorn e-commerce brands in Indonesia, mainly the top five powerhouses of e-commerce which are: Tokopedia (average of 125 million visits per month), Shopee (average of 88 million visits per month), Bukalapak (average of 84 million visits per month), Lazada and also JD.id (App Annie, Q1 2019). From the number of visits the company is having, the rates of the future of e-commerce are looking promising over the upcoming years. (GlobalWebIndex, 2019)

Having YouTube as a research study is interesting because YouTube is currently leading the social network platform for entertainment, having over 88% of internet users reportedly active in the social platforms, the data is then followed by the rest of the social platforms such as WhatsApp (83%), Facebook (81%) and Instagram (80%) (GlobalWebIndex, 2019). Within these results the most common social media platforms recognized by Indonesian internet users is YouTube. This can provide a big chance and opportunity for e-commerce companies values and also purchase intentions of consumers.

With all of this data, YouTube users reach over one billion every month, accounting for nearly one-third of all internet users worldwide. YouTube, as a social media website, is currently one of the most popular, with over 1.78 billion concurrent users predicted, and will continue to expand by 1.86 billion users in 2021. YouTube is an excellent tool for displaying advertising for its products, and this distinguishes it from other sites and the volume of material uploaded regularly on YouTube is where users look for product details and facts before making a buying decision.

Preliminary research has been conducted using google forms questionnaire by the researcher to furthermore solidify the topic background theory and finding the problem gap between variables. There are a total of 25 respondents in the preliminary research consisting of 15 females and 10 male participants, in which all the participants have previously seen YouTube Advertising related to e-commerce brand promotions before on YouTube. These are therefore the findings of the research:

According to the processed data within the 25 respondents: 23 participants (92%) belong to the millennials group (age ranging from 20~25 years old). The next results, the daily average watch time of YouTube platforms and frequency of YouTube advertisement in a day is shown in the table below:

Indicator	1~2 Hours/Times	3~4 Hours/Times	5+ > Hours/Times
Daily Average Watch Time of Participants	11 Participants (44%)	9 Participants (36%)	3 Participants (12%)
Frequency of YouTube Advertisement in a Day	12 Participants (48%)	10 Participants (40%)	3 Participants (12%)

Table 1.1: Preliminary Research: Daily Average Watch Time of Participants & Frequency of YouTube Advertisement in a Day

The preliminary research concludes that the most common e-commerce brands that are shown being advertised on YouTube are Tokopedia and Shopee with the results of data shown in the table below:

Indicator	Total Respondent
Tokopedia & Shopee	18 Participants (72%)
Lazada	5 Participants (20%)
JD.id and Other	2 Participants (8%)

Table 1.2: Preliminary Research: Most Popular E-Commerce Brands

Within these e-commerce brand, multiple factors make participants chose a certain brand over the other which includes:

Indicator	Total Respondent Overall
Pricing & Product Quality	15 Overall Participants Votes (60%)
Advertising Quality & Promotions	14 Overall Participants Votes (56%)
Website Design & Application	13 Overall Participants Votes (52%)
Payment Methods	7 Overall Participant Votes (28%)

Table 1.3: Preliminary Research: Factors of Competitive Advantage Between Brands

The respondent also offers their opinions on the biggest problem which e-commerce are facing within the industry, which are a combination of brand advertising, price competition, brand preferences due to customer preferences of word-of-mouth and lastly how effective e-commerce brand can build a relationship with the customer. The last question from the research relates to the topic of eWOM which questions whether the respondent shares a YouTube advertisement related to e-commerce to their peers/colleagues which they find interesting, the results show 15 respondents (60%) willing to share the advertisement while 10 respondents (40%) decided not to share the advertisement to their peers/colleagues.

Within the preliminary research taken above, it can be concluded that millennials are the most common target group to use the YouTube platforms, and all of the respondents have seen YouTube advertisements related to e-commerce. The data shows that the frequency of advertisements shown on YouTube will highly increase the longer an individual uses YouTube due to the watch time over the advertisement shown. The factors that highly affect customer e-commerce preference brands according to the research are, advertising quality/promotions as well as pricing & product quality which play a huge role in advertising such as

YouTube promotions. Overall data shows that most of the respondents will share e-commerce YouTube advertisement to their peers/colleagues which they find interesting therefore eWOM as a variable plays a huge value in increasing brand awareness and can affect purchase intention of products.

1.2 Problem Statements & Research Problem

According to the preliminary research that has been conducted, the researcher has asked several questions regarding YouTube advertisement and e-commerce within the industry. All things considered, when being asked the questions of whether YouTube is considered a main relevant option of advertising and being enjoyable for consumers, about 60% (15 people) out of 25 total people answered that YouTube advertisement is considered to be irrelevant and deemed to be an annoyance for the market. This is an issue because the goal of digital advertising on YouTube is to give entertaining yet informative resources while developing a sense of relationship with the brands for individuals watching the advertisement. The reason that may cause the problem is that the factors and concepts that persuade customers to accept YouTube advertising as an advertising medium are still relatively new and not yet being fully understood by the market.

Although the usage of the primary form of media such as television has been in a relatively stable form and impact, the digital marketing channels such as YouTube have been rising rapidly and continue to grow which is experiencing acceleration and emergence in the market, therefore the problem for advertisers who are experiencing advertising substitution between YouTube advertising and

other forms of media is, how could they operate within this new era and environment to obtain the best return of investment with the help of YouTube advertising.

Because of the critical needs and new aspects of YouTube as a new social advertising platform, there is a lack of knowledge and values that is concerning the consumers, advertisers and marketers plan for the companies. Therefore, what this research thesis attempt is filling the gaps, finding a relationship and investigate what YouTube advertisement value have on brand awareness, what kind of value and advertisement do customers want in advertising and the purchase intention of customers.

Therefore, the research problem of this study are:

- 1.2.1** Does entertainment has a positive influence on e-commerce advertisement value on YouTube among millennials generation?
- 1.2.2** Does informativeness has a positive influence on e-commerce advertisement value on YouTube among millennials generation?
- 1.2.3** Does customization has a positive influence on e-commerce advertisement value on YouTube among millennials generation?
- 1.2.4** Does irritation has a negative influence on e-commerce advertisement value on YouTube among millennials generation?
- 1.2.5** Does e-commerce advertisement value on YouTube has a positive influence on brand awareness among millennials generation?
- 1.2.6** Does eWOM intention has a positive influence on brand awareness among millennials generation?

1.2.7 Does brand awareness has a positive influence on purchase intention among millennials generation?

1.3 Objectives of Study

The objectives of this study research are:

1.3.1 To examine the positive influence of entertainment to e-commerce advertisement value on YouTube platform among millennials generation.

1.3.2 To examine the positive influence of informativeness to e-commerce advertisement value on YouTube platform among millennials generation.

1.3.3 To examine the positive influence of customization to e-commerce advertisement value on YouTube platform among millennials generation.

1.3.4 To examine the negative influence of irritation to e-commerce advertisement value on YouTube platform among millennials generation.

1.3.5 To examine the positive influence of e-commerce advertisement value in YouTube platform on brand awareness among millennials generation.

1.3.6 To examine the positive influence of eWOM intention on brand awareness among millennials generation.

1.3.7 To examine the positive influence of brand awareness on purchase intention among millennials generation.

1.4 Benefits of Study

The benefits from conducting this research study are:

1.4.1 From the perspective of YouTube users: This research study will give empirical evidence and information to understand the factors that will influence e-commerce advertising value in YouTube advertising and how advertising can affect eWOM intention and purchase intention for YouTube millennial users. For users and consumers in Indonesia who have no experience in viewing e-commerce advertising on YouTube, this research will provide an understanding and insights to help them build a positive influence and attitude towards e-commerce brand awareness and YouTube as a social platform. Therefore, this research study might guide users on better understanding the effect of e-commerce advertising on YouTube platforms.

1.4.2 In the perspective of the company benefits: This research study can be used as a reference for e-commerce brands to innovate and furthermore consider their customer's purchase intention and also developing eWOM intention within the millennials generation. This research study may also be considered as a source of knowledge that can help e-commerce brands and YouTube platforms to develop their business strategy and advertising to maintain their existence and possibly become a market leader within the global market industry, especially in Indonesia. Therefore, e-commerce brands will be able to compete within the commerce industry.

1.4.3 From the perspective of academics benefits: This research is expected to be used as further research material to add insights and knowledge about the

influence of YouTube advertising and how it can affect brand eWOM intention and purchase intention through brand awareness in e-commerce brands in Indonesia within the millennials target group.

1.5 Research Systematics

This research paper is written systematically and will be broken down into five chapters that are correspondent to one another. Every chapter have several sub-chapters that will provide a deeper explanation of the topic, the details of each chapter is explained below:

1.5.1 Chapter 1: Introduction

The first chapter will consist of discussion of the research background, problem statement, research problem, objectives of the study, benefits of the study, research contribution, and research systematics. In this chapter, the researcher aim to tell the reader the motive and goals of conducting the research topic, this will be supported by data's and diagrams gathered from primary and secondary research.

1.5.2 Chapter 2: Literature Review

The second chapter will consist of discussion of the various literature review and the main theoretical framework used in the replication model of this research. Consumer Behavior, Advertisement Value on YouTube including each variable: (Entertainment, Informativeness, Customization, Irritation), eWOM Intention,

Brand Awareness, Purchase Intention, Digital Advertising on YouTube and Millennials as a target group. In this chapter, the researcher aims to explain the theoretical framework foundations that support the variables in the research study and supporting data from previous research.

1.5.3 Chapter 3: Research Method

The third chapter will consist of discussion of the applied methodology which details research subjects and data collection analysis techniques. This chapter consisted of research design, population, and sample, data collection methods, types of measurement scale, conceptual and operational design, data analysis method, validity and reliability, PLS-SEM, the outer and inner model evaluation also the pre-test results. In this chapter, the researcher aims to explain the theory behind the chosen methodology tools and how to obtain data for research analysis. The result of the pre-test will also be attached and discussed in this chapter.

1.5.4 Chapter 4: Analysis & Discussion

The fourth chapter will consist of analysis and discussion which contains data analysis from questionnaire data that have been generated using the statistical software (consisted of the respondent profile, actual test, descriptive statistics, outer and inner model evaluation, discussion of hypothesis). In this chapter, the researcher aims to explain the data analysis, results of data collection, data processing, and doing hypothesis testing to provide further explanation to conclude the research.

1.5.5 Chapter 5: Conclusion & Recommendation

The fifth chapter will be consisted of conclusion and recommendations from the overall research analysis and provide a conclusion from previous chapters, the researcher will give recommendations and discuss actions that future researchers can take from this research analysis.

