

CHAPTER I

INTRODUCTION

1.1 Background of the Study

The tight rivalry in the business world requires each organization to make proper strides and techniques to win the opposition with rivals to keep up with their reality and obviously keep up with and even increment the benefits produced. Without an exact methodology the organization can not endure in light of the fact that over the long run contenders will keep on arising alongside expanding buyer interest. This is looked by each benefit looking for organization and magnificence store are no special case. As a general rule, the motivation behind laying out an organization, among others, is to get the ideal benefit. The accomplishment of the organization's own objectives should be possible through promoting exercises to sell their items. Complex business sectors, extreme rivalry, and energetic shoppers are every one of the an image of the present competitive marketplace.

Buying interest is important for the part of shopper conduct in consuming mentalities, the inclination of respondents to act before the it is really executed to purchase choice. Because, consumers are now getting smarter and more careful, more demanding, can no longer be satisfied by simply presenting a trade off between price and product quality. But they demand six things at once such as: high quality products, reasonable price with soft payment terms and easy

alternative payment methods, fast delivery of products, special services, products that have a high degree of flexibility, and are user friendly.

One of the factors that influence buying interest is product diversity. Product diversity is an assortment of all items and merchandise that a specific dealer offers to purchasers. Product diversity makes the accessibility of merchandise in exceptionally shifted amounts and types, bringing about numerous decisions in the customer shopping process (Nur, 2016). Frequently customers in the shopping system, the choices taken to purchase a thing are those that were not recently recorded in that frame of mind of merchandise. Product diversity is a fascination for buyers, particularly it can give elective decisions that are more fluctuated. Elective decisions that are more differed for purchasers can energize buying interest.

Another factor that influences the level of buying interest on products or services is promotion. For organizations, promotion is a significant dynamic variable. Promotion is a correspondence action among organizations and buyers with an end goal to impact shoppers in buying exercises as indicated by their desires and needs. The deals or showcasing division of an organization will foster promotion to illuminate about their items with the goal that they can impact customers to get them. Promotion is the correspondence cycle of an organization with current and future closely involved individuals and society. Promotion is imparting data among venders and likely purchasers or others in a channel to impact perspectives and conduct (Nathania, 2021). From the definition above, it very well may be presumed that promotion impacts and convinces target clients to purchase or redirect acquisition of items given by the organization.

One of the biggest innovations that has emerged from the beauty industry is an online marketplace namely Sociolla, which is currently booming among beauty influencers whose contents are selling various brands that can make it easier for consumers to find beauty products both locally and abroad.

Based on data from IDN Times, there are five beauty e-commerce trusted in Indonesia, namely Sephora, Althea Korea, Allyoung, Sociolla and Bensrub. Sociolla is not the first e-commerce in Indonesia. Although Benscrub was founded earlier than Sociolla, Sociolla's growth rate was faster than Benscrub. This is because the products sold by Benscrub tend to be western, Australian and New Zealand products. Meanwhile, Sociolla sells a variety of local, western, Korean and Japanese products. The diversity and suitability of products with Indonesian society makes Sociolla more preferred. Quoting from its official website, the company Sociolla claims that they are not just an e-commerce company, but also want to be an incubator for the beauty industry. As an ecosystem, they want to be able to collaborate with various parties. And as a company, they also want to be able to facilitate all stakeholders, especially those in the beauty industry, so that they can grow together. Thus, the e-commerce is not the one that will grow, but the industry as a whole. Not only present online, Sociolla has also begun to expand to offline stores. As for the Sociolla offline store which was opened at Sun Plaza Medan. Their other business is engaged in a media called Beauty Journal. The media was originally a blog and has grown into a marketing agency that helps almost all brands including local and foreign brands in order to educate customers and provide the correct information.

In the city of Medan, Sociolla is classified as an application that is still foreign to this day even though the online marketplace has been established since 2015. However, it is possible that Sociolla will become an application which will be in great demand in the future as a place to buy famous beauty products easily, quickly, and guaranteed authenticity and quality, ranging from makeup, skin care, hair care, bath & body, accessories and fragrance. This depends on how the company's strategy is to attract consumer interest on the products they market in the online marketplace. In this case, online site owners must also pay attention to several things to convince website visitors to gain consumer trust which ultimately leads to buying interest. This makes the writer interested in researching Sociolla which is basically a very good online shopping application but there are still few interested people in the city of Medan.

Extremely close rivalry makes beauty store companies beat each other to acquire portion of the overall industry and the top position in the distribution of beauty product. Sociolla is one of the beauty stores that distribute a large varieties of beauty product brands. As a beauty e-commerce that is popular and trusted among cosmetics and skin care products lovers, Sociolla still lacks in several aspects which causes a decrease in visitors to the website of Sociolla.

Table 1.1 Number of monthly web visits on Sociolla in Medan from 3rd quarter 2019 to 1st quarter 2021 (in 1,000s)

Year	Web visits (in thousand)
Q3 2019	3988.3
Q4 2019	2704.3
Q1 2020	3050

Q2 2020	1986.9
Q3 2020	1986.7
Q4 2020	3086.5
Q1 2021	2836.7

Source: statista.com (2021)

From table 1.1 above, it can be concluded that in the first quarter of 2021, the number of Sociolla's monthly web visits in Medan amounted to approximately 2.83 million, indicating a decrease compared to the previous quarter. This shows that buying interest has decreased in Sociolla's web.

There are many factors that cause low conversion rates, one of them is the experience of unpleased prospective buyers when doing a search on the website, such as not happy with the appearance of the site or worse, prospective buyers do not find what they are looking for. This condition occurs at the website of Sociolla as can be seen from the declining site traffic data. The decrease in web visitors is indicated by writer because of the problem of product diversity and also promotions that are less pleasing and did not attract prospective consumers' buying interest.

The problem of product diversity that researchers value on Sociolla are the best seller shade options are often sold out. The stock of the best seller products offered has been sold out and customers cannot order the product. This is considered as a serious problem because many people look for that particular shade. Since the problem occurs pretty frequent, prospective buyers are no longer interested to buy beauty products from Sociolla. The other problem is Sociolla do not provide high end brands to meet the needs of people from high social class.

Although Sociolla provides a large varieties of beauty product brands, Sociolla mainly offer beauty brands with affordable price. Since Sociolla does not distribute high end brands, the market that prefers high end brands are not interested in buying products from Sociolla. Another problem is that the number of ratings and negative reviews from consumers regarding product diversity and product availability. Since there are several problems about the unavailability of some products, it made some customers to leave bad reviews on the site claiming about the particular problem. Negative reviews surely can be seen by many people, which is less interesting to attract other prospective customers to purchase products from Sociolla.

The problem of promotion that researchers value on Sociolla are Sociolla offers promotion in their website in the form of voucher. However, the problem that occurs on the Sociolla website is that the users need to play games in order to obtain the vouchers. It makes the audiences think that the website of Sociolla takes too long for each task performed by the user that leads to frequent crashes. This promotion method is a serious problem as people will be no longer interested in making the next step of action that should lead to a purchase. Besides from that problem, buying beauty products online from what Sociolla has promoted is not always great because it also has its drawbacks that caused by unclear product information. Namely that the cosmetics and skin care products sold are not always suitable for every skin types/colors. This can happen because customers could not try it directly on the skin and they only see the color through the screen. Therefore, the level of mischose when making a purchase is very high because of the unclear information about cosmetics and skin care products. These concerns

might lead the prospective buyers feel uninterested in buying products from Sociolla. Also, Sociolla uses retargeting strategy to lead the audiences back to their page. This type of strategy is implemented when a user visits the website of Sociolla then left the site. When the user visits the other site, the advertisement of Sociolla will appear in that other site to lead the user visit the website of Sociolla back. Since it happened pretty frequently, many audiences are annoyed about this particular redirect strategy. Given that retargeting is a strategy to accurately display products based on consumer interests and desires or a personalized strategy in the target market, there are often concerns about public privacy leaks. The authors suspect that this is one of the reasons people refuse to put interest in buying products from Sociolla.

Based on the background above, the researcher is interested in choosing the title **“The Influence of Product Diversity and Promotion on Buying Interest at Sociolla Medan”**.

1.2 Problem Limitation

This research is limited to Customers of Sociolla Medan, which visited and become a consumer of Sociolla store at Sun Plaza Medan. It is limited to Product Diversity, Promotion and Buying Interest got from Sociolla Medan. The questionnaire was distributed to the respondents at the end of February 2022.

1.3 Problem Formulation

Based on the background research, the problem formulation of this research are:

1. Does the Product Diversity partially has significant impact towards Buying Interest at Sociolla Medan?
2. Does the Promotion partially has significant impact towards Buying Interest at Sociolla Medan?
3. Do Product Diversity and Promotion simultaneously have impact toward Buying Interest at Sociolla Medan?

1.4 Objective of the Research

The study will achieve the following objectives:

1. To test and examine the effect of Product Diversity towards Buying Interest at Sociolla Medan.
2. To test and examine the effect of Promotion towards Buying Interest at Sociolla Medan.
3. To test and examine the effect of Product Diversity and Promotion towards Buying Interest at Sociolla Medan.

1.5 Benefit of the Research

1.5.1 Theoretical Benefit

Theoretically, to writer and reader, the result of this research is expected to be a reference or input for the development of communication science and increase the study of management, especially to determine the effect of Product Diversity and Promotion towards Buying Interest.

The study will achieve the following purposes:

1. For the writer: This research is expected to provide an overview of the influence of Product Diversity and Promotion towards Buying Interest at Sociolla Medan.
2. For the reader: as a reference in conducting further research on Product Diversity and Promotion towards Buying Interest. In addition, it can also provide motivation and an overview to readers in determining research topics.

1.5.2 Practical Benefit

Practically, to the company, the results of this study are expected to be input for Sociolla Medan especially in decision making to determine company policy, helping Sociolla Medan solve its problems. And for others this research is also expected to assist other parties in presenting information to conduct similar research.

