

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

As a result of today's volatile and intensely competitive business climate, using digital platforms to create more robust customer engagement has become necessary. One of the world's most populous countries in terms of online population is Indonesia. According to a survey from the Association of Indonesian Internet Service Providers (2022), there are 210 million internet users out of 272 million Indonesians. In other words, the internet penetration rate in Indonesia is 77.2%. Among this number of internet users, 49.7% are female, with most of the population aged between 19 and 34. For the Indonesian beauty industry, this demographic composition is heavily skewed towards the millennial and younger generation segments. Customers can directly engage in social media marketing efforts, resulting in higher sales of beauty goods and a stronger brand presence.

The market for beauty and other personal-care goods is one of the most rapidly expanding sectors due to fluctuating trends and social media's influence. One of the most common challenges for companies of all sizes is the struggle to connect with customers. Beauty industries are challenged to find innovation and new experiences that can connect to customers and better understand their goals and how they may relate to society's current state through purpose-driven behaviors. Hence, beauty companies such as PT Social Bella Indonesia strive to

keep up with the constant evolution and search for amazing marketing experts to create brand engagement planning and execution.

In terms of beauty marketing trends, social media marketing activities (SMMA) are essential. SMMA will increase customer interaction, creating a brand reputation for customers willingly providing positive word of mouth to society (Liu et al., 2018). By assessing social media marketing activities, companies can stimulate continuously and increase customer's desire for brand offers, creating revenue opportunities as SMMA will generate customer's purchase intentions for the product or services suggested.

According to Kaur et al. (2020), "consumer brand engagement" (CBE) describes consumer's emotional connection with the brands they communicate with. CBE's two-way nature is reflected by the fact that, in today's rapidly changing digital environment, customers can obtain brand-related content and actively contribute to its creation (for instance, via user-generated content). Businesses can increase the loyalty of their customers by implementing consumer based engagement practices (Kaur et al., 2019).

Besides consumer brand engagement, brand equity is also essential in delivering value-added marketing strategies. A company's brand equity has always been a core competency that provides income, sales, and reduced costs. In marketing, brand equity relates to a brand's ability to influence consumer behavior. A brand's name, for example, has a significant effect on the marketing of a product or service, whereas this would not be true unless the identical product or service was not being marketed under the same brand (Choedon & Lee, 2020).

Customer purchase intention is the prospect of a customer's willpower to purchase goods or services. A customer's tendency in purchasing a specific service or item determines how highly probable a transaction might occur. Customers have a higher likelihood of choosing a well-known brand over a less well-known brand when it comes to purchasing intentions. According to Aji et al. (2020), the customer's interest and the probability of purchasing goods are a combination of purchase intention.

Recommendations from other customers on social media about the quality of a product tend to highly bring one's customer intention to buy the recommended product. When a consumer receives much information regarding a product and has a positive intention toward it, this shows the likelihood of the consumer purchasing the product.

PT Social Bella Indonesia is a trusted and fast-growing beauty retailer founded in 2015 that has evolved from a local e-commerce platform to an omnichannel concept (online and offline system) since 2019. The social media marketing efforts, brand equity and brand engagement offered by Sociolla give a substantial competitive advantage compared to other beauty stores in Indonesia. Currently, Sociolla features a variety of beauty products from more than 200 brands, including Laneige, COSRX, L'Oréal Paris, Wardah, Loreal, Maybelline, Scarlett, SK-II, and others. In a reasonably short period, Sociolla became one of the fastest-growing e-commerce sites and won various awards. Sociolla sells local, western, Korean, and Japanese beauty products ranging from makeup, skincare, hair care, fragrance, and beauty tools to women across Indonesia.

**Table 1.1 Beauty E-commerce in Indonesia (Quarter 1 2022)**

Rank	E-Commerce	Founded Year	Number of Web Visitors Monthly
11	Sociolla	2015	1,456,700
18	iStyle	2016	366,100
20	Sephora	2011	231,900

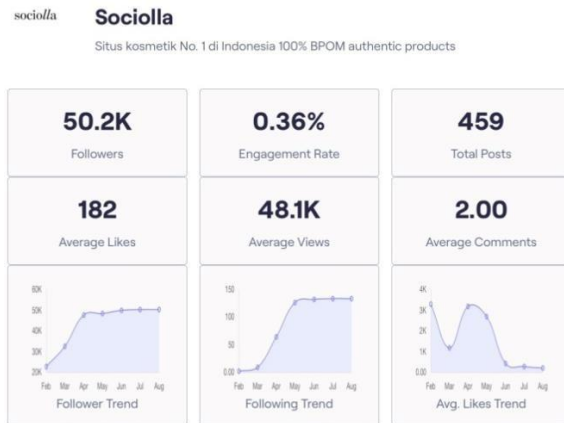
Source: iPrice Group Insights (2022)

From the information in the table, it is evident that Sociolla, iStyle, and Sephora each have an established presence in Indonesia's beauty e-commerce market. Even though Sociolla was not the first beauty e-commerce, Sociolla's growth rate is better than those of the other local beauty e-commerce. Indonesian customers prefer Sociolla, which sells various products from local, western, Korean, and Japan, with all products labelled BPOM certified. To achieve maximum customer experience, Sociolla must optimize its brand engagement and brand equity for purchase intention through social media marketing activities.

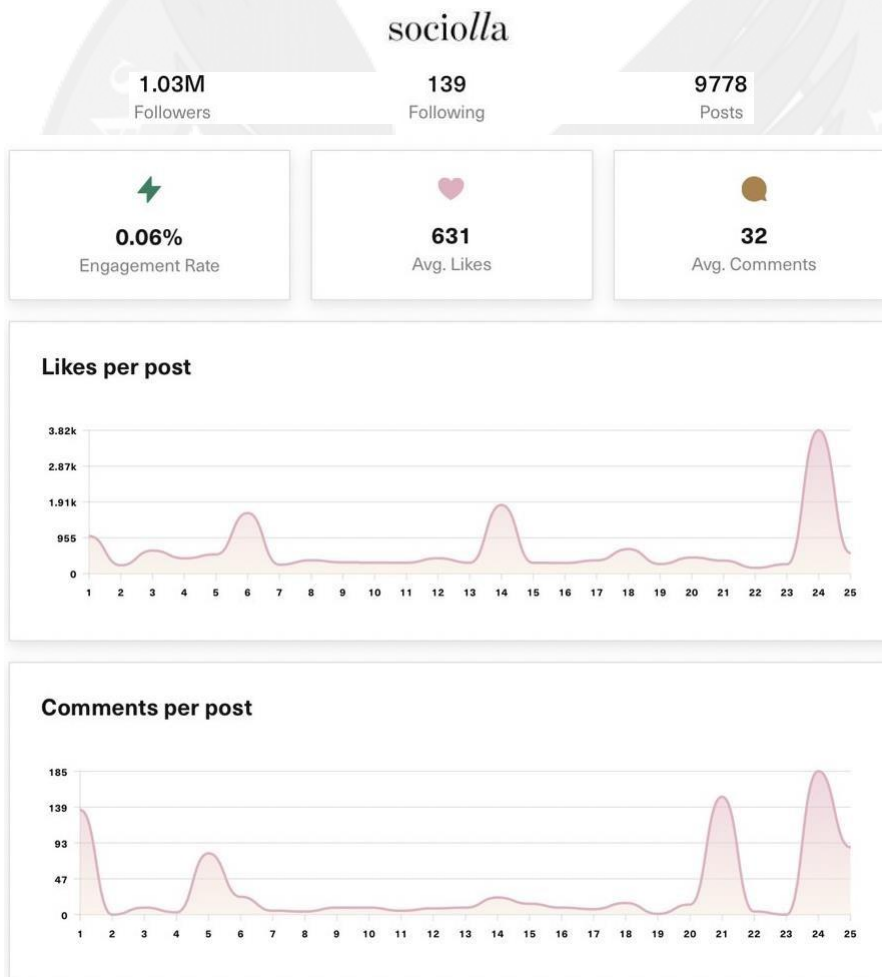
Instagram is the most active social media platforms used by Sociolla. Sociolla's Instagram (@sociolla) has more than 1 million followers, with a total of 9,500 posts. Sociolla often interacts with its followers through social media, especially Instagram, giving information about products and tips for existing beauty information. Aside from being active on Instagram, Sociolla is also active on TikTok and YouTube. Sociolla's TikTok (@sociolla\_id) has more than 50 thousand followers, with a total of 459 posts. Sociolla's YouTube has a total of 3.38 thousand subscribers and 62 videos on their YouTube channel.



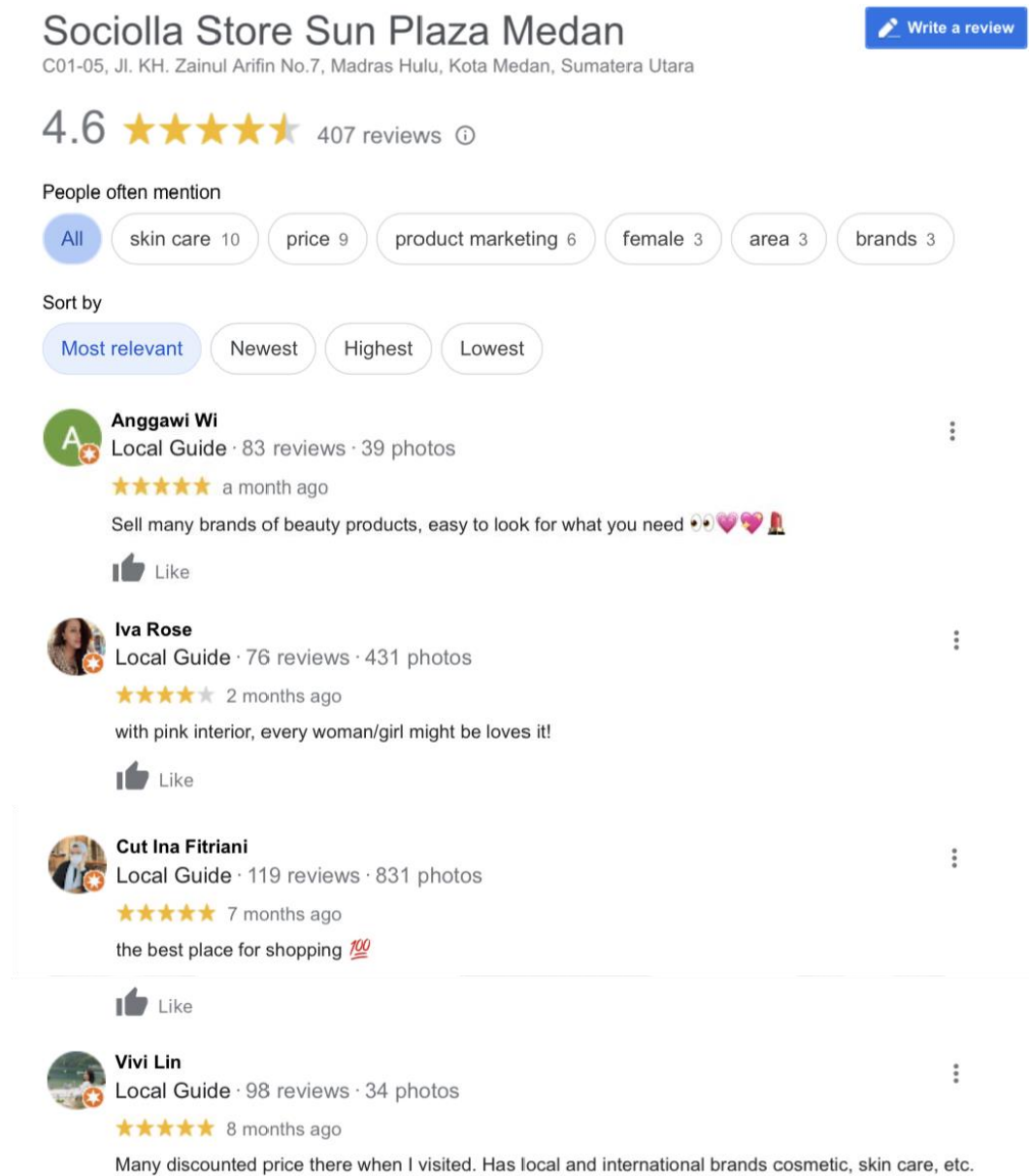
**Figure 1.1 Engagement Rate of Sociolla's Youtube**  
Source: Inbeat Engagement Calculator (2022)



**Figure 1.2 Engagement Rate of Sociolla’s TikTok**  
Source: Grin Instagram Engagement Calculator (2022)



**Figure 1.3 Engagement Rate of Sociolla’s Instagram**  
Source: Inbeat Engagement Calculator (2022)



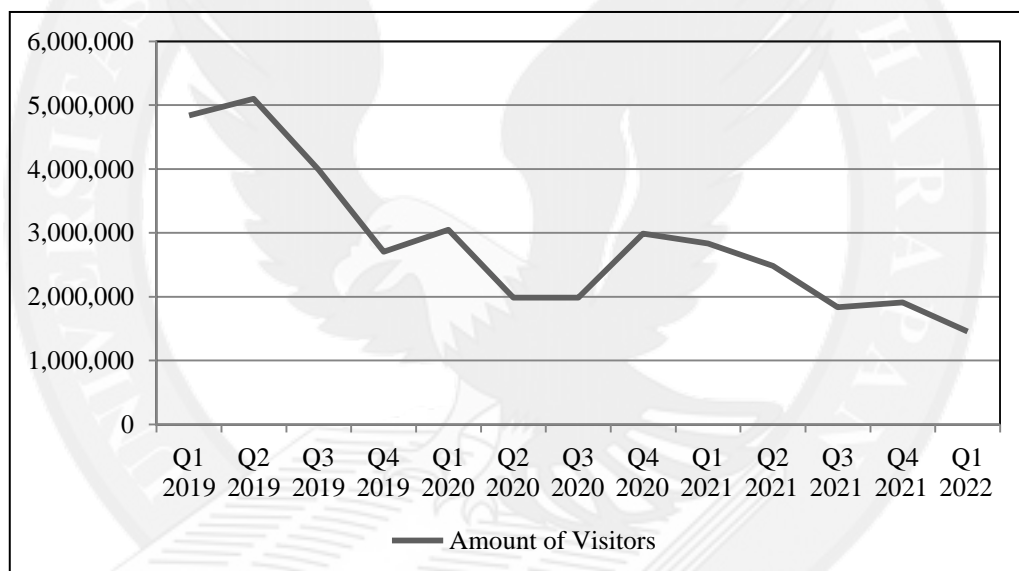
**Figure 1.4 Sociolla Store Sun Plaza Medan Reviews**  
 Source: Google Reviews (2022)

Based on the reviews above, it can be seen that Sociolla Store Sun Plaza Medan is rated 4.6 out of the overall 407 reviews. Due to its good feedback and opinions, it attracts other customers to visit the Sociolla store or download Sociolla e-commerce platform to read customer product reviews and shows the likelihood of having purchase intentions.

**Table 1.2**  
**Amount of Visitors from Sociolla E-commerce Store**  
**Quarter 1 Year 2019 – Quarter 1 Year 2022**

Quarter	Amount of Visitors	Number of Visitors increase or decrease	%Change/Quarter
Quarter 1 Year 2019	4,838,300	-	-
Quarter 2 Year 2019	5,101,800	263,500	5.45%
Quarter 3 Year 2019	3,988,300	-1,113,500	-21.83%
Quarter 4 Year 2019	2,704,300	-1,284,000	-32.19%
Quarter 1 Year 2020	3,050,000	345,700	12.78%
Quarter 2 Year 2020	1,986,900	-1,063,100	-34.86%
Quarter 3 Year 2020	1,986,700	-200	-0.01%
Quarter 4 Year 2020	2,991,800	1,005,100	50.59%
Quarter 1 Year 2021	2,836,700	-155,100	-5.18%
Quarter 2 Year 2021	2,486,700	-350,000	-12.34%
Quarter 3 Year 2021	1,836,700	-650,000	-26.14%
Quarter 4 Year 2021	1,913,300	76,600	4.17%
Quarter 1 Year 2022	1,456,700	-456,600	-23.86%

Source: iPrice Group Insights (2022)



**Figure 1.5 Line Chart of The Amount of Visitors from Sociolla E-commerce Store**  
**Quarter 1 Year 2019 – Quarter 1 Year 2022**

Source: iPrice Group Insights (2022)

The table above shows a situation where the number of visitors is very unstable and tends to decrease drastically. In Quarter 2 of 2019, Sociolla's number of visitors was recorded at the highest, at 5.1 million, and experienced a decline in the next quarter, falling to an estimated 4 million. In Quarter 4 of 2021, Sociolla visitors in Indonesia increased by 4.17% and ranked in the 10th position.



However, Sociolla's position shifted to the 11th rank as it drastically decreased to -23.86% in the beginning quarter of 2022. The number of Sociolla visitors has decreased and has not consistently increased. In other words, the decrease in the number of visitors shows the likelihood of a decrease in customer purchase intention of Sociolla's goods.

Sociolla has the most complete and trusted beauty retailer brand recognition in Indonesia. However, the ratings and the number of monthly visitors to Sociolla are still unstable and tend to decrease. Besides, the lack of intention to purchase beauty products can happen as consumer spending declines, resulting in missed revenue opportunities. Extra social media marketing and digital engagement efforts are customer's expectations to bring the relationship closer by developing a better understanding of relating with the current state of society through consumer brand engagement and brand equity of Sociolla.

Based on the described background of study, the writer chooses to conduct research with the title **“The Effect of Social Media Marketing Activities on Customer Purchase Intention, with the Mediation of Brand Equity and Consumer Brand Engagement (Case Study on Customers of PT Social Bella Indonesia in Medan)”**.

## **1.2 Problem Limitation**

The subject matter of this research is limited with the purpose of simplifying the data collection and processing. Due to the limited knowledge and time, the writer decided that the object of this research will only focus on



customers from PT. Social Bella Indonesia is located in Medan and interact with the most-active social media platforms used by Sociolla which is Instagram. Four variables are being studied in this research, where social media marketing activities (X) as the independent variable, brand equity ( $Z_1$ ) and consumer brand engagement ( $Z_2$ ) as mediating variables and purchase intention (Y) as the dependent variable.

According to Choedon & Lee (2020), indicators of Social Media Marketing Activities are trendiness, e-WOM, interaction, customization and entertainment. Moreover, according to Park et al. (2019), Brand Equity indicators are perceived quality, brand awareness, brand loyalty and brand association. Furthermore, according to Obilo et al. (2020), indicators of Consumer Brand Engagement are affection, activation, and cognitive processing. Lastly, according to Lutfie & Marcelino (2020), Purchase Intention indicators are stimulation, consciousness, and information search.

### **1.3 Problem Formulation**

The following are the study's problem formulations, which are based on the information provided in the previous section:

- a. Do social media marketing activities influence brand equity at PT Social Bella Indonesia's customers in Medan?
- b. Do social media marketing activities influence consumer brand engagement at PT Social Bella Indonesia's customers in Medan?

- c. Do social media marketing activities influence toward purchase intention at PT Social Bella Indonesia's customers in Medan?
- d. Does brand equity influence purchase intention at PT Social Bella Indonesia's customers in Medan?
- e. Does consumer brand engagement influence purchase intention at PT Social Bella Indonesia's customers in Medan?
- f. Do social media marketing activities have indirect effect towards purchase intention, with brand equity as mediating variable, at PT Social Bella Indonesia's customers in Medan?
- g. Do social media marketing activities have indirect effect towards purchase intention, with consumer brand engagement as mediating variable, at PT Social Bella Indonesia's customers in Medan?

#### **1.4 Objective of the Research**

Research objectives are represented in the following approach, based on the background information given above.

- a. To identify the influence of social media marketing activities towards brand equity at PT Social Bella Indonesia's customers in Medan
- b. To identify the influence of social media marketing activities towards consumer brand engagement at PT Social Bella Indonesia's customers in Medan.
- c. To identify the influence of social media marketing activities towards purchase intention at PT Social Bella Indonesia's customers in Medan.

- d. To identify the influence of brand equity towards purchase intention at PT Social Bella Indonesia's customers in Medan.
- e. To identify the influence of consumer brand engagement towards purchase intention at PT Social Bella Indonesia's customers in Medan.
- f. To identify the indirect effect of social media marketing activities towards purchase intention, with brand equity as mediating variable, at PT Social Bella Indonesia's customers in Medan.
- g. To identify the indirect effect of social media marketing activities towards purchase intention with consumer brand engagement as mediating variable at PT Social Bella Indonesia's customers in Medan.

## **1.5 Benefits of the Research**

The following are some of the advantages of this study:

### **1.5.1 Theoretical Benefit**

According to the background of study in the prior chapter, the theoretical benefits from this paper are as follows:

- a. To gain additional insights and knowledge regarding the effect of social media marketing activities on customer purchase intention, with the mediation of consumer brand engagement and brand equity comparison compared to the theories obtained during lecture sessions.
- b. The research findings will assist in consolidating and broadening the existing theories and knowledge relating to customer purchasing intention.

- c. This research might encourage further exploration of social media marketing activities, brand equity, consumer brand engagement, any purchase intention.

### **1.5.2 Practical Benefit**

This study provides a variety of practical benefits that can be summed up as follows:

- a. For the writer, this study will expand the knowledge and understanding of social media marketing activities, brand equity, consumer brand engagement, any purchase intention.
- b. For PT Social Bella Indonesia, the research can be a reference consideration in managing the company resources in optimization, making it easy to improve the social media marketing activities further, brand equity, consumer brand engagement, any purchase intention.
- c. For other researchers, the findings of this study will provide additional information and cite literature of empirical evidence regarding social media marketing activities, brand equity, consumer brand engagement, any purchase intention.