# CHAPTER I

# INTRODUCTION

## 1.1 Background of Study

Majority of Indonesian people have access to the internet. According to a survey conducted by We are Social in 2022, Indonesian people who use the internet amounted to 204.7 million people or 73.7% of the total population in Indonesia. This can be explained as activities that are conducted in daily lives are becoming more and more affected by the existence of the internet.

Before the era of smartphones took over most of the scene in society, there were instead flip phones / cellphones that were in circulations. That time, people rarely had the need to subscribe to an internet package as the available services were communicating via SMS (short message service) or just regular phone calls. But ever since smartphones entered the trend, there was an increase in number of smart applications and others, thus resulting in the need for internet provider ever since.

With the internet, how things were going back then went through shifting. No more communicating with friends via SMS by paying for every outbox or spending extra to send pictures through MMS (multimedia messaging service), because there was smart messenger that allows users to be friends and have conversation, send broadcast, make groups, etc. and other smart applications. The advancement of this field allowed people to improve and innovate the way of

things before. Example can be as simple as people using the messaging application

BlackBerryMessenger (BBM) to sell and buy variety of things, ranging from: clothes, school stationaries and even food.

With the fast growth of blogs, social networking sites, and media-sharing technologies which are enabled by internet, social media is transforming the way information is conveyed across cultures and throughout the world. The impact of social networking sites (SNS) has spread across society, pushing not just individuals but also corporations to use them (Ngai, Tao, & Moon, 2015). The social media user count has been increasing since 2014, even tripling in the amount from 62 million to 191 million in 2022 (Riyanto, 2022).
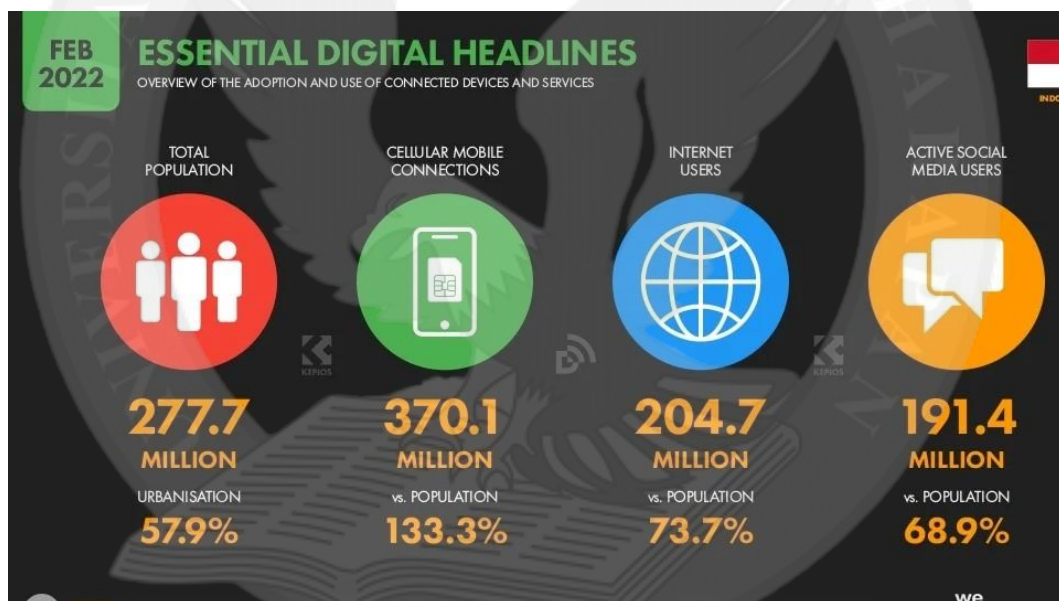


**Figure 1. 1 Trend of Internet and Social Media User in Indonesia 2022**
Source: https://andi.link/hootsuite-we-are-social-indonesian-digital-report-2022/

Another major activity carried out by accessing the Internet is to build community or conduct buying and selling goods/services called E-commerce. The community could be formed by mutual interest gathered via liked page on Facebook like gaming, etc. Another point is e-commerce. Usually, people would have transactions of buying and selling things only via offline such as stores but

now they could have it done with the internet or e-commerce. Shopping for shoes, clothes, accessories, supplies and else has never been this easier before. Instead of going out to buy baby formula or clothes, now parents could just be inside home, scroll phone to find the brands and have them delivered right to the door. Examples of popular e-commerce in Indonesia are Lazada, Shopee, Tokopedia, BliBli, JDID.ID, etc.

There are various forms of E-commerce, namely: listings/classified ads, shopping mall, online marketplace, online shop, online shop in social media as well as crowdfunding & crowdsourcing (Pradana, 2015). One form of E-commerce that is developing in Indonesia is online store on social media, or social commerce.

Social commerce is a new business model formed from the merger of social networking and e-commerce that promotes product sales and influences user purchasing behavior via a network of social media and social networking sites (Chen, Hsiao, & Wu, 2018). It utilizes the interaction and contribution of social media users to make online purchases (Purwantini, 2017). Social commerce comes in which information about a product or service is disseminated through social media in attempt to influence a customer's purchase decision (Lal, 2017). Based on data from last year (Wijayanto, 2021), transactions obtained from the social commerce sector in 2021 reached 42 trillion rupiah.

The data above shows that the high enthusiasm of the public to shop using the increased platform has implications for increasingly fierce competition between marketing actors, especially on social commerce platforms. Social

commerce can provide various advantages, namely making shopping a social experience, reducing the opportunity for consumers to change their minds, making it easier for marketing to provide the right product or service for its consumers, and making it easier for marketers to get feedback on marketing content from their consumers (Mclachlan, 2020).

Individual purchasing behavior on social platform is impacted by social experience in the context of social commerce (Chen & Shen, 2015). They also say that users are more inclined to discuss their online purchasing experiences with their friends, influencing the behavior of others on the site. These experts also feel that people prefer to buy things based on the recommendations of their internet buddies. Furthermore, they claim that users are more likely to share their online purchasing experiences with their friends, influencing the behavior of others on the network.

The said link between people and society can be defined as social experience. Whether it is influence through family, school, peer groups, or mass media on an individual's socialization process (which includes purchase decision), they all can be concluded as social experience.

Communication is a component of the social experience that may influence an individual's purchase decision on a social commerce platform (Beyari & Abareshi, 2018). It enables the transfer of support and influence from one person to another, which can take the shape of emotional or informational support about products and services. Each individual may be an agent of word of mouth using the platform's social technology, which means they are not only receiving

but also contributing knowledge that can be utilized to benefit others (Beyari & Abareshi, 2018).

As social experience such as recommendations, interactions, and communication between people, is viewed as the fundamental component that drives social commerce, monitoring its influence on an individual's purchase decision becomes critical. Individuals are more easily influenced by others than ever before in the age of social media, since social media has become an indispensable activity in people's life and the primary source of information for many. Customers' social experiences are no longer limited to individuals in their immediate social circle, thanks to the advent of social commerce platforms. It also means chatting with strangers and individuals they would not normally be able to connect in real life as if they were pals (Xiang L. , Zheng, Lee, & Zhao, 2016).

Furthermore, the social impact theory is proposed to determine the social influence of the sender on the receiver, which consists of three attributes: the strength, immediacy, and number of the people who generate information to an individual, in order to measure the quality of social experience in the context of social commerce.

The customer gathers product-related knowledge from others in the form of opinions, experiences, or evaluations regarding certain items or services (Chow, 2015) to enhance their purchasing decision-making through networking, collaborating, and information-sharing (Sharma, Menard, & Mutchler, 2017). In this study, the word social commerce refers to the third-party SNS (Instagram,

Facebook, YouTube, and others) utilized by sellers to facilitate engagement with their consumers and among fellow customers.

By utilizing SNS technology that is familiar to both the vendor and the user, social commerce simplifies social interaction among customers to the vendor's advantage. On these platforms, vendors may upload material about their products or services and engage customers in social engagement. Buyers get information and expertise as a result of this, which enables them to purchase products from a certain merchant. The popular social commerce in Indonesia is Facebook, Whatsapp, Instagram and also the most recent one being TikTok.

One of the most growing social commerce platforms in Indonesia is Instagram. Instagram is a social media currently under the auspices of Facebook, which allows users to capture, edit, post, and share their photos/videos with others. According to Dailysocial.id (2019), Instagram shows that the commerce features that Instagram brings are more serious, with visual content in it that is more highlighted, in accordance with the current trend of the younger generation in consuming content on the Internet.

In addition, currently Instagram has brought the Instagram Shop feature to Indonesia which makes it easier for sellers/ online shops to market their products, although for now there is no payment feature. However, its current closest competitors, namely Facebook and Whatsapp, have not yet implemented their payment systems. In 2022, Indonesian Instagram users are reported to reach 99.15 million people with increase of 16.6% from last year, making it the second most used social media platform after Whatsapp (Riyanto, 2022).
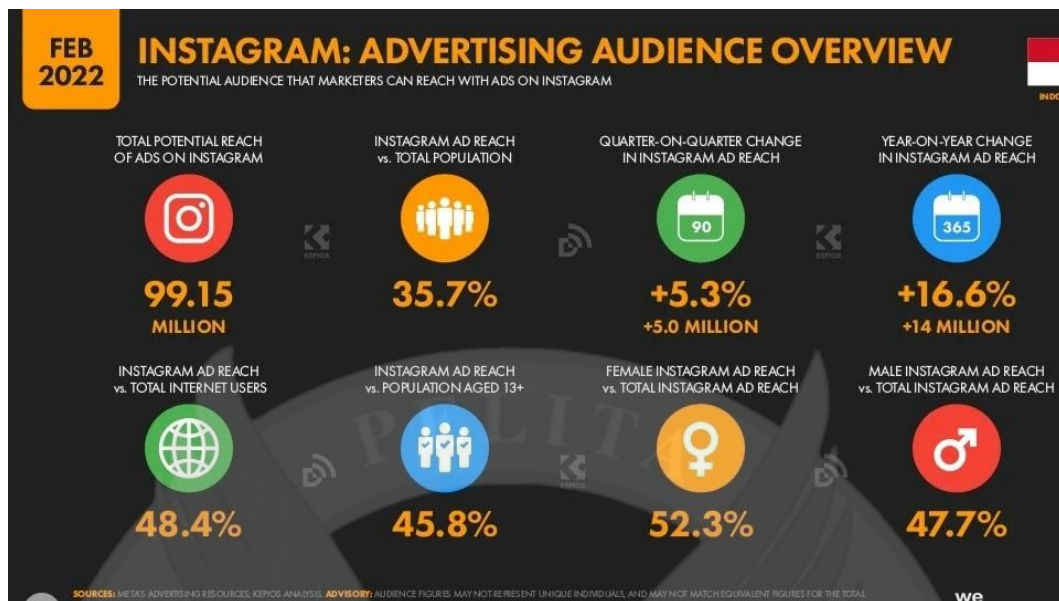
**Figure 1. 2 Instagram Indonesian Audience Overview**
Source: https://andi.link/hootsuite-we-are-social-indonesian-digital-report-2022/

As Instagram emerges as the top platform in social commerce context, they become an interesting object for this paper to explore. Instagram has platform that allows people to keep innovating between the users. On Instagram, people are free to share their thoughts, ideas, creativity, and recommendations in forms of several contents, starting from 'feed' that is plastered on your home page, 'stories' that is limited to be viewed in only 24 hours and other form such as 'reels' which is short video that is adapted from another social media called Tik Tok.

Not only for personal account, but business accounts are also emerging to sell their products and services by utilizing visual and understanding Instagram users' behavior. Purchase is usually linked to another external platform, but it is all directed from the Instagram page itself. The function of Instagram Shop has been deployed where users can browse, search, save or directly click on the items to see details such as price and description along with the link to purchase. Another form of purchase could be external link to a marketplace or even direct

transaction between bank accounts by communicating through direct message of DM.

Take a clothing brand named Love Bonito (@lovebonitoid) as example. It is a business from Indonesia with 220 thousand followers dated in April 2022. Instagram shop has been used in their account, easing their customers to browse through their collections and make purchases.
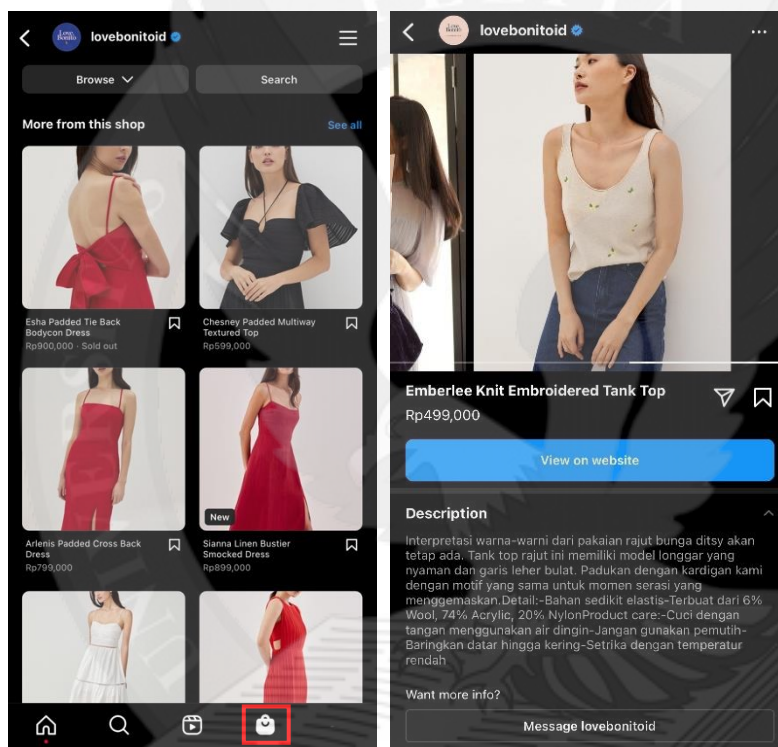


**Figure 1. 3** Lovebonito's Instagram Shop

These features on Instagram that are explained are not only tools to help sellers but can also make bloom types of personal account to some extent. For example, the trend of sharing and recommending things are taken to a step where 'influencer' has become a new occupation. This happens because brands or sellers often make catchy campaigns, creative use of audio and visual, viral marketing and such to make people want to buy them. The whole marketing process is not

often followed by partnership with certain users that we call influencers / celebrity endorser.

By enabling people to express themselves in creative take on Instagram, these users will gradually form their own communities and share things according to their likings. They usually share information, real review, product try-ons, even engaging with their followers further by sharing bits of their personal life. Some will emerge successful enough to grab endorsement and paid partnership with brands by sharing with their followers.

By those description, we can see that being on Instagram exposes users to interact with others, allow them to look at the trends, have specific community of interest which are the attributes of social experiences. Instagram has grown into one of the top B2C (Business to Customer) social media platforms, with additional tools now available to assist business accounts, allowing companies to create brand equity online. According to (Decker, 2020), 90% of Instagram users follow at least one brand, and 83 percent of users feel Instagram has assisted them in discovering new products and services.

This shows that Instagram is the effective platform for analyzing social experience on customer purchase decision in social commerce context. As there are still lack of knowledge around factors to key points that are important in social experience in this equation, Writer is planning to create a research based on this.

In this research, Writer is interested to collect more in-depth information and to see how much impact the variables of social experience can affect the customers via Instagram in making their purchases. Writer will be using

Instagram as the research object. This research will aim to analyze factors of Social Experience which are impacting Customer Purchase Decision, which are Subjective Norms (SN), Peer Communication (PC), Emotional Support (ES), Parasocial Interaction (PI) and Perceived Herd Behavior (PH) and thus, using the context provided above, the writer will do research under the title **"Impact of Social Experience on Customer Purchase Decision in the Social Commerce Context of Instagram".**
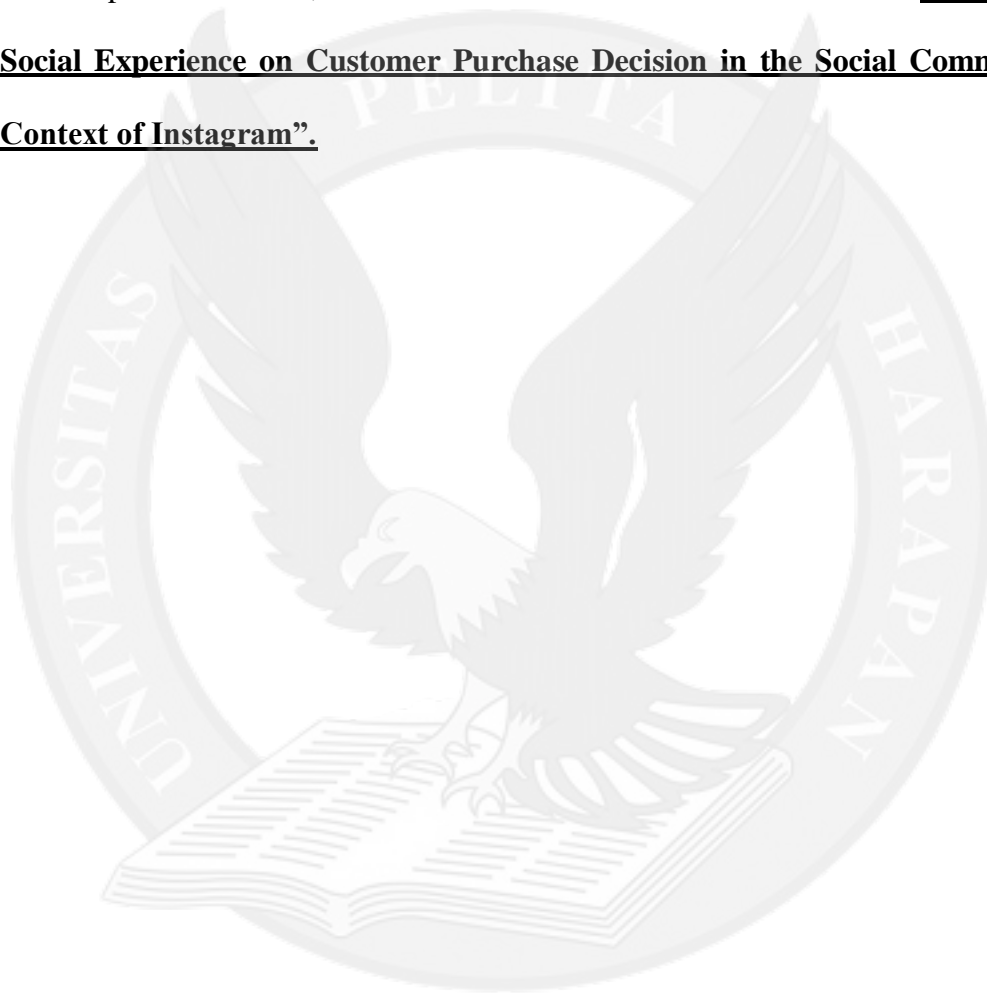
**1.2 Problem Limitation**

To foresee the possibility of the extension and discussion of issues that are not in accordance with the study, the writer specifies the problem's limitations. Its goal is to improve research on the area of observation's focal point. Research is limited by researching Social Experiences and Customer Purchase Decision of Instagram users in Indonesia.

Based on the background of study above, limitations of research problems in detail include:

1. The study only analyzes six variables consisting of five independent variables branching from Social Experience, namely: Subjective Norms (SN), Peer Communication (PC), Emotional Support (ES), Parasocial Interaction (PI) and Perceived Herd Behavior (PH) along with one dependent variable, Customer Purchase Decision.

2. The object of this research is Instagram as social commerce and its users who have purchased things at least once in the last 2 years.

3. Questionnaires are limited only to Indonesian Instagram users.

**1.3 Problem Formulation**

Here are the problems of formulation that are found during the conducted research:

1. Does Subjective Norms significantly affect Customer Purchase Decision in Social Commerce Instagram?

2. Does Peer Communication significantly affect Customer Purchase Decision in Social Commerce Instagram?

3. Does Emotional Support significantly affect Customer Purchase Decision in Social Commerce Instagram?

4. Does Parasocial Interaction significantly affect Customer Purchase Decision in Social Commerce Instagram?

5. Does Perceived Herd Behavior significantly affect Customer Purchase Decision in Social Commerce Instagram?

6. Which factor from social experience contributes to the customer purchase decision on social commerce Instagram?

7. How does social experience impact customer purchase decision on social commerce Instagram?

## 1.4 Objective of the Research

Here are some objectives of the research to solve the problem that have been found while conducting the research, which are:

1. To examine if Subjective Norms has a significant effect on customer purchase decision on social commerce Instagram.

2. To examine if Peer Communication has a significant effect on customer purchase decision on social commerce Instagram.

3. To examine if Emotional Support has a significant effect on customer purchase decision on social commerce Instagram.

4. To examine if Parasocial Interaction has a significant effect on customer purchase decision on social commerce Instagram.

5. To examine if Perceived Herd Behavior has a significant effect on customer purchase decision on social commerce Instagram.

**1.5 Benefit of Research**

Based on the above research aims, it is hoped that this study will benefit people in the following ways:

**1.5.1 Theoretical Benefit**

The advantage of conducting this study conceptually is that it will serve as a future reference and will serve as the foundation for improving theory of Social Experience, specifically variables of Perceived Herd Behavior, Subjective Norms, Peer Communication, Emotional Support and Parasocial Interaction. This will also serve as a beneficial founding for stakeholders in business, such as marketers, managers, entrepreneurs, and owners to understand better and gain insights about how the variables will influence each other before hands-on implementing them to their business.

**1.5.2 Practical Benefit**

1. For Writer

To gain knowledge on Perceived Herd Behavior, Subjective Norms, Peer Communication, Emotional Support, Parasocial Interaction and Customer Purchase Decision and how they are being affected by each other. This is to boost and add to overall information on Marketing study program.

2. For Instagram Users

To gain more insight and understanding about experiences that are perceived while surfing Instagram especially in context of Social Commerce which is connecting to selling and buying. For buyers, to understand what factors are affecting them into purchasing a product. For sellers, to know which aspects to be boosted for people to purchase.

3. For Other Researchers

To be able to serve as a reference, base, or information source for other researchers who are interested in conducting research related to this topic.