

CHAPTER I

INTRODUCTION

1.1 Research Background

TikTok has established itself as a powerful platform for businesses to create and connect to their audience through short-form video content. The platform employs algorithms that are designed to provide tailored content streams according to a user's personal preferences, because of this the platform can significantly influence consumer behaviour that with consistent reinforcement triggers purchase intentions according to Gesmundo (2022).

First launched in 2017, The platform quickly rose to global popularity with over 400% year-over-year first time installs equating to over 740 million new users as of 2021 (Ceci, 2022). More recently in January 2023, the platform has reached to 1.051 billion users worldwide representing a reach of approximately 13.1% of the global population and ranking the 6th most active social media platform. User demographics for TikTok can be described as leaning towards female, accounting for 54.1% of the user base and is most popular with the Gen-Z and Millennial age group, with users aged 18-24 making up 38.9% of the user base with 25 to 34 at 32.4%, 35 to 44 at 15.6%, 45 to 54 at 8% and 55 above accounting for only 5.1%. (Kemp, 2023)



Figure 1.1 TikTok: Global Advertising Audience
Source: Datareportal (2023)

TikTok has garnered particular popularity within the South-East Asian region with over 272.2 million users with Indonesia accounting for over one-third of this figure with over 109.9 million users in 2023. Coupled with Indonesia’s rising middle class with purchasing power, this unique combination presents a highly favourable opportunity for businesses, local or foreign to take advantage of the strong consumption patterns of Indonesian consumers. However, with the increased sophistication of the growing middle class, it has led to the younger generations to be more brand-conscious and more meticulous when making purchase decisions (Oxford Business Group, 2019); (Swasono, 2023); (World Bank, 2020).

A Mckinsey & Co. report by Budiman (2013) states that Indonesia’s consumer market is complex due to the varying taste and preferences of cultural groups scattered across 17,500 islands. Companies must prioritize localizing products, value propositions and understanding urban dynamics to reach Indonesia’s diverse consumers and more increasingly on the digital space. This is due to the high level of social media penetration rate of 160 million people

accounting for 59% of the county's population with a 8.1% year-on-year growth (Kemp, 2020). The average screen time spend on social media is at 3 hours and 26 minutes and coupled with the strong consumption patterns results in 88% of internet users are making purchases online (Anymind, 2020).

All of these factors allows the influencer economy in Indonesia to flourish, providing a large talent pool of influencers from different tiers and niches. According to a study conducted by Statista, approximately 79% of Indonesian respondents would search more information of a product or service after exposed to an influencer marketing content (Nurhayati-Wolff, 2023).

This study aims to investigate the effectiveness of Social Media Influencer marketing with the Gen-Z and Millennial age group. As previously established this age group are brand-conscious consumers as well as having the propensity to research products or services online before making a purchase decision. Therefore, the factors of Brand Image and Consumer Product Knowledge is explored in relation with Social Media Influencers towards Purchase Intentions as well as their affects as a collective. Researchers conduct a survey on TikTok users due to its continuing popularity for businesses and consumers to interact. Researchers and Marketing Executives alike see the need to uncover further evidence on social media influencers, brand image, consumer product knowledge and how it impacts purchase intentions as to further justify prevailing marketing strategies, as well as generate new insights to the phenomenon of short-video media and it's usage within a business setting.

1.2 Research Questions

Based on the research background, the following research question have been developed:

- 1) Do social media influencers contribute to customer purchase intentions on TikTok Indonesia?
- 2) To what extent does Brand Image contribute to Purchase Intentions on TikTok Indonesia?
- 3) To what extent does Consumer Product Knowledge contribute to Purchase Intentions on TikTok Indonesia?
- 4) Do Social Media Influencers coupled with Brand Image and Consumer Product Knowledge contribute to Purchase Intentions on TikTok Indonesia?

1.3 Research Objectives

Based on the context of this study, the research objectives are as follows:

- 1) To explore the effects of Social Media Influencers towards Purchase Intentions on TikTok Indonesia users.
- 2) To uncover the extent of Brand Image in contribution to Purchase Intentions on TikTok Indonesia.
- 3) To investigate the contribution of Consumer Product Knowledge towards Purchase Intentions on TikTok Indonesia.
- 4) To find out the collective effects of Social Media Influencers, Brand Image and Consumer Product Knowledge towards Purchase Intentions on TikTok Indonesia.

1.4 Research Benefits

1) Theoretical Benefits

- a) This research aims to identify the benefits of engaging social media influencers by brands and how they contribute towards purchase intentions on TikTok Indonesia.
- b) Results of this study are expected to provide insight to influencer and community operations within TikTok Indonesia, an organization with limited studies covering them, despite Indonesia being one of their largest user bases.
- c) Results from this study can be the basis for future researchers who wish to explore the topic of social media influencers, brand image, consumer product knowledge and purchase intentions, or TikTok Indonesia as a whole.

2) Practical Benefits

- a) Results from the study can provide insight towards purchasing intentions and customer retention power of TikTok in the e-commerce space that provide statistical grounding for SMEs or large corporations to justify the use of influencers in their marketing initiatives.
- b) Insights gathered from this study can provide statistical evidence for one of TikTok's key revenue streams of social media influencer activation packages for brand marketing campaigns. Allowing the company to more appropriately communicate their impact and value towards potential clients with additional grounding.

1.5 Research Scope and Limitations

The researcher is subjected to limited time and resource constraints. This study aims to explore the. In terms of geographic scope, it is limited to TikTok users across Indonesia. However, it is important to note that internet penetration across the country is largely concentrated in the Java region (Imansyah, 2018), therefore the research population within this study will reflect the proportions of internet connectivity across the archipelago. This study takes a deducting approach to synthesize insights and is to be conducted within a 3 months period. The sample consists of 200 TikTok users across Indonesia, aged between 15 – 35. The author recognizes the limitations during the study that results in weaknesses and flaws. One of these limitations is the bias that individuals may carry due to the different social media consumption habits. Another limitation is that this study is in terms of sample size, therefore results from this study is a general point of view and it is important to note the differences in consumer habits across various verticals within TikTok's platform.

Primary data collection will be in the form of questionnaires that enables TikTok users to self-reflect their own consumer habits with respect to Social Media Influencers, Brand Image and Consumer product knowledge. The questionnaire is to be distributed through Populix, a research company providing market survey services. This done to maintain data integrity and ensure that the data reflects actual consumer habits.

1.6 Research Model

This research is modelled after a recent study conduct by Nurhadyanti (2019). The study investigated the impact of Social Media Influencers and Brand Image towards Purchase Intentions. It was found that Social Media Influencers itself contributed insignificantly towards purchase intentions, highlighting the need for stronger Brand Image when driving consumer's consideration to purchase. The study focused on Social Media as a whole, encompassing all other platforms such as Instagram and is limited to respondents in Jakarta.

Modifications to the original study has been made to be adapted to this study. Firstly, the expansion of the respondent's profile to cover Indonesia as a whole and covering other population centers outside the Java island for a more comprehensive investigation that takes into consideration consumer habits of users outside metropolitan areas. Furthermore, research efforts will be concentrated to TikTok as it is currently the most popular marketing tool for business to reach a millennial audience (Grome, 2022). The original study reports the use of Structural Equation Modelling (SEM) and Goodness-of-fit measurements to uncover the causal relationships between variables. This study will be using Regression analysis to quantify the extent of how the variables affect purchase intentions as to provide a predictive model in how organization may look to influence consumer behavior.

Lastly is the addition of the Independent variable of "Consumer Product Knowledge", this is to account for the Indonesian consumers propensity to conduct research before making a purchase decision (Nurhayati-Wolff, 2023). Consumer Knowledge such as on product price, quality, feature, function and benefits which

are researched by the potential customer are contributing factors to purchase intentions that should be considered. (Wang, 2015)

