

CHAPTER I

INTRODUCTION

1.1 Background of Study

Some populated country like India, Indonesia, US, and Brazil, show the growth of users of social media network sites keep increasing steadily from 2007 to 2011. (emarketer.com, retrieved at 16 January 2012)

In Indonesia social media users categorized as figure bellow:

Social Media Users by Age in Indonesia

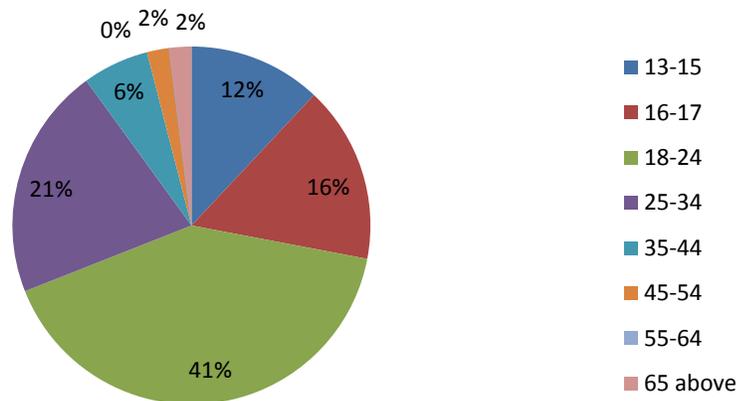


Figure 1.1
Social Media Users by Age in Indonesia
Note: socialbakers, 2012

Futher more, based on socialbakers (2012) the changes in growth of social media in many countries. The following table explains the growth of social media (facebook) in five highest population country who used social media:

Table 1.1
World Facebook Growths

#	Country	Users	Change	(± %)	Pen.
1.	United States	155,892,160	+145,380	+0.09%	50.25%
2.	India	45,019,840	+9,610,300	+27.14%	3.84%
3.	Indonesia	43,523,740	+3,377,400	+8.41%	17.91%
4.	Brazil	42,199,880	+14,261,000	+51.04%	20.98%
5.	Mexico	33,597,260	+4,243,920	+14.46%	29.87%

Note: www.socialbakers.com, 2012

The social media networking is a mean of communication in 21st century that enables people to communicate many people at once. This media can be used in business and marketing as communication tools either for products or companies toward consumers and vice versa; yet, it also can be accessed by the consumer to consumer. Social media encompasses a wide range of online, word-of-mouth (WOM) forums, blogs, and chat-rooms. Social media had amplifying power of consumer to consumer conversation in marketplace, which enables to quickly shares experience toward such a product or company; this can be a benefit toward the company side since can be moderated or sponsored such discussion room to keep company performance good (Mangold & Faulds, 2009).

Stelzner (2011) showed that in 2010, only 31% of marketers were using social media, and 2011 the number has grown to 50%. Meanwhile, the studies also shown that B2B (Business to Business) companies has longer time experience in using social media rather than B2C (Business to Consumer). This phenomenon show that marketers still do not used social media to reach the consumer and there is no significant prove that shown the result of using social media as business media to communicate and reach end customers (Stelzner, 2011).

Neti (2011) stated that there are two benefits of social media that are important to businesses, such as: (1) Cost reduction by decreasing staff time; and (2) Increase of probability of revenue generation. Social media enables companies to share expertise and knowledge tap into the wisdom of consumers, enables customers helping customers, engages prospects through customer evangelism; Thus the benefits of social media include: brand reach and awareness, consumer interactions through transactions, referrals and reputation management.

Many of marketers today use the social media without any strategy. Study result that many companies have big ideas about using social media in business but failed to think explicitly and communicating the measurement of the goals, 94% of the companies using social media have connectivity with the activity of marketing division, 71% for public relation, 55% for every activity related to sales and only 29% for communicating every policy, protocol and employee policy. Most of companies do not consider about the effect and end result of using social

media, this make the companies tend to apply the social media without strategy. The lack of integrity of company structure and plan in using the social media make the company suffering into failure. (sme.marketing.co.id, retrieved on 31 January 2012).

Pickard (2011) stated that in 2010, social media already used by 80% of the Wall Street registered companies in Asia Pacific, including Indonesia. The number of growth in usage is increasing compared to years before by 40%. This research also shown that social media is more adoptable in Western Culture, and hard to implement in Eastern which believe that direct face to face marketing is more important than through social media. In Asia, social media frequently is more used to be influencer that is receiving feed from RSS, rather than a discussion group type. Yet the study conclude that video canal usage boosted the usage of social media as discussion group recently in Asia Pacific, this step might bring social media corporate to learn to handle and maintain the figure, image, and step in dealing with consumers. (Pickard, 2011).

The researcher has been held pre-interview with ten people with variety age and different professions in Surabaya, Indonesia. The result shows in the table below:

Table 1.2

Pre-interview

	Questions	Answers	Percentage
1.	Do You Know Social Media	Yes	100
2.	What is the use of those social Media	Communication	50
		Business	20
		Others	30
3.	Are you joining at least one business fan page	Yes	70
		No	30

Note: Data Analysis, 2012

From the pre-interview, it can be concluded that in Surabaya, most people have already familiar with social media. The result indicates that people use social media to communicate and keep up with the community. This result support the previous research by Pickard (2011) that stated Asian culture tend to affected by *influencer* type strategy in social media marketing strategy. The influencer in here is defined as the broadcasted message like RSS feed and information feed, rather

than discussion group. The result also shown that 70% of the people at least join one business fan page. It means that the customers feel the desire to get closer with the company.

According to Bond (2010) research on “Engagement with Social Media and Outcomes for Brands: A Conceptual Framework,” proposes the framework concept of relating Social Media through Brand Engagement and Word of Mouth as one of the result of Behavioral Outcomes as the end results. It can be conclude that the trend on marketing assume social media have the power to gain result in low cost, yet one such risk relates to issue of engagement with consumers via social media might impact consumers’ subsequent behavior.

Engagement is acknowledged as a potentially highly context-specific variable that may impact on consumer choice (Heath, 2007) in relation to particular engagement objects such as brands, products or organization (Patterson et.al, 2006). With dimension of activation, identification and absorption originate from organizational behavior literature (Schaufeli et.al, 2002). Other brand engagement definition stated that “Brand Engagement in Self-Concept (BESC) is a generalized view of brands in relation to the self, with consumers varying in tendency to include important brands as part of self-concepts” (Spröttet.al, 2009). Valuable customer relationships are formed by organizations with target audience, in ways that touch these people so persuasively, that people desire to experience that kind of relationship again keenly (Papadakis, 2009).

Traditional WOM (Word of Mouth) according to Arndt defined as an oral form of interpersonal non-commercial communication among acquaintances (Ardnt, in Cheung, & R. Thadani, 2010). While the newly evolved to the traditional (eWOM) refers to any positive or negative statement made by potential, actual, and former customers about a product or a company via the Internet (Henning-Thurau et.al, 2010)

Word-of-Mouth is very valuable. An effective company can classified and try to value customers with two segmentation (lifetime value and referral value), as to be a good buyer and a good marketer as well (Champion), rather than just a good buyer, but are not good marketer (Affluent). This mean the company and marketer must be concern not only for effort in increasing purchases but also to

make customers as a good marketer, that is to communicate positive information of firm's product and service to others (Kumar et.al, 2007).

Based on the research done by Bond (2010), it may be seen that social media, could help the company to build brand engagement, and customer motivation, and by the end result in behavioral outcomes. From the pre interview held by researcher, it can be conclude that most of the respondents have engagement with special brand, which is social media. The name of Air Asia is appear several times. And most of respondents stated, because of the engagement, the respondent tend to spread a Word Of Mouth (WOM) about company; whether it about the promotion or news updates, or experience of with the brand.

Based on the background and theoretical review, the researcher proposed research entitled **The Influence of Social Media Participation and Engagement on Brand Engagement and Word of Mouth of AirAsia.**

1.2 Research Problems

1. Does Social Media Participation and Engagement positive and significantly affect Brand Engagement of Air Asia?
2. Does Brand Engagement positive and significantly affect Word of Mouth of Air Asia?
3. Does Brand Engagement is an intervening variable of Social Media Participation and Engagement to Word of Mouth.

1.3 Research Objectives

1. To determine the effect of Social Media Participation and Engagement to Brand Engagement of Air Asia.
2. To determine the effect of Brand Engagement to Word of Mouth of Air Asia.
3. To determine whether Brand Engagement play role as intervening variable for Social Media Participation and Engagement to Word of Mouth.

1.4 Research Contributions

1. Theoretical Advantage

Give significant answer to the problems and answer to be implemented in the real market to avoid skeptic perspective about concept of internet marketing. And plays as support literature in business marketing sector in dealing with social media related with brand engagement and word of mouth. For the future research it can be used as a supporting research.

2. Empirical Advantage

- a. For the Air Asia, the research give an advantage for Air Asia by consider the aspect the research exposes about, that are the impact of using social media to build brand engagement and word of mouth.
- b. For the researcher, this research as a media for the researcher to apply all the knowledge that the researcher have already had during college time.

1.5 Research Limitation

The research started in January until April 2012. The main object to be tested in this research only Air Asia, in the term of usage of internet marketing specially limited into three variables which are Social Media Participation and Engagement, Brand Engagement and Word of Mouth. The data survey was taken is based on Surabaya with sample of young people (18-24) in random. The social media that were used in the research limited to Facebook and Twitter. The research purpose is limited to prove the existence of intervening variable which is Brand Engagement between Social Media Participation and Engagement to Word of Mouth, and not to test the correlation of each variable.

1.6 Research Outline

The Research be arranged in following outline:

CHAPTER 1 INTRODUCTION

Chapter one comprises Background, Research Problems, Research Objectives, Research Contributions, Research Limitation and Research Outline.

CHAPTER 2 REVIEW OF RELATED LITERATURE

Chapter two comprises Previous Research, Social Media Participation and Engagement, Brand Engagement, Word of Mouth, Hypotheses of the Study, Research Model and Operational Framework.

CHAPTER 3 : RESEARCH METHODOLOGY

Chapter three comprises Research Design, Research Variable: Operational Definition and Variable to be tested and Level of Measurement; Data Collection Method: Source of Data, Sample and Sampling Plan, Research Instrument and Data Analysis Methods.

CHAPTER 4 : RESULT AND DISCUSSION

Chapter four comprises General Description of Air Asia Air lane; General Description of Respondents: Description of Respondents Based on Air Asia's social media; Data Analysis: Validity Test, Reliability Test; Descriptive Research Variables, Classic Assumption Test: Linearity Test, Normality Test, Heteroscedasticity; Coefficient of Determination (R^2), T-Test, Path Analysis; Discussion.

CHAPTER 5 : SUMMARY, CONCLUSION, AND RECCOMENDATION

Chapter five comprises Summary; Conclusion; Recommendations.