

CHAPTER I

INTRODUCTION

1.1 Background of The Study

Due to COVID-19 a new era for online shopping consumer behavior has been created. A term called Consumer Megashifts 10x10 which defines changes in consumer behavior is 10 times larger and 10 times faster than pre-pandemic era. There is a new consumer behavior that influences every business across the world. The reasons for this shift can be influenced by the consumers' new lifestyle, preferences, priorities and their buying decisions (Puteri, 2021). The stay-at-home lifestyle has affected the pattern of consumer behavior in Indonesia. People need to optimize their activities from home, while limiting unnecessary contacts with others. The businesses then must willingly adapt to their new consumer behavior by implementing a new business strategy along with its marketing strategy. The new alternative for is for businesses to move their business virtually. E-commerce sales, transaction volumes and distribution of goods have been growing rapidly since the pandemic COVID-19. These actions have positively resulted in the increase of total distribution of goods from digital applications (GMV) (Dampak Pandemi COVID-19 Terhadap e-Commerce Indonesia, 2020).

However, there is a decrease in Indonesian society's interest in purchasing intention fashion products online during and after the Covid-19 pandemic. As illustrated in Table 1.1.

Table 1.1 Perbandingan Peringkat Kategori Produk Terlaris di Online Shop

Peringkat	Kategori Produk	Persentase	
		2021	2022
1	Pulsa dan Voucher	23.4%	24.9%
2	Fashion dan Aksesoris	17.3%	16.3%
3	Kesehatan dan Kecantikan	13.9%	14.3%
4	Peralatan Rumah Tangga	10.5%	10%
5	Makanan	7.7%	6.9%

Source: Muhamad, (2023) & Pahlevi (2022)

From Table 1.1, Katadata Insight Center (KIC) conducted research to report on Indonesian e-commerce consumer behavior and online shopping trends post Covid-19 pandemic. The KIC study analyzed 16 million e-commerce transaction samples from the five largest marketplaces in Indonesia, showing that credit top-ups and vouchers were the most frequently purchased products online by Indonesians in 2021 and 2022. Healthcare and beauty product purchases are also having an improvement from 17.3% to 16.3% in 2021 and 2022. Fashion and accessories were the second most frequently purchased products during the same period but experienced a decrease in purchases

from 17.3% to 16.3%. This indicates a decline in the purchase rate for fashion products from 2021 to 2022 (Muhamad, 2023; Pahlevi, 2022).

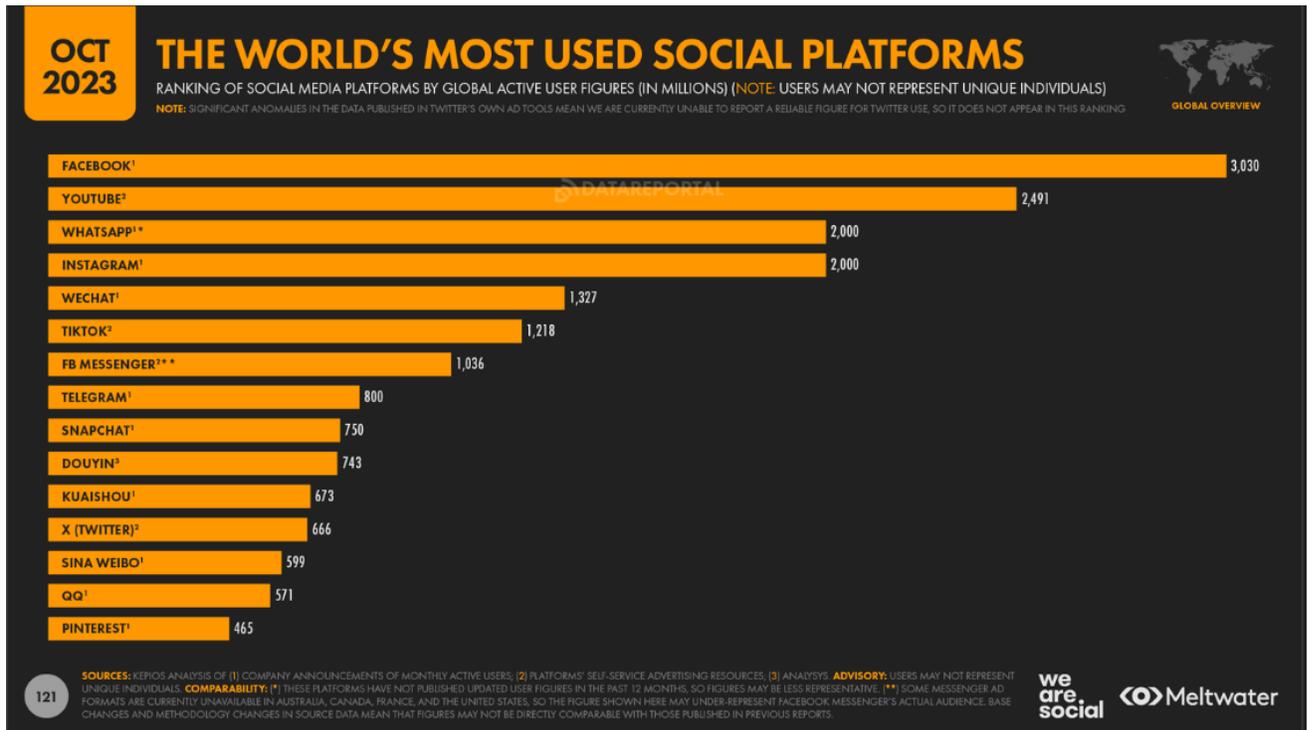


Figure 1.1 The World's Most Used Social Platforms Statistic (2023)
 Source: (Datareportal, 2023)

Referring to the Figure 1.1 above, Instagram is currently being the fourth-largest social media platform with the highest number of users, boasting two billion active users every month (Zote, 2023). According to Statista's data (2023), 60% of Instagram users fall into the Gen Y and Gen Z categories, supporting Instagram as a means to reach audiences for fashion businesses. The platform's role goes beyond individual interactions, contributing to broader societal conversations and shaping the way people

engage with content, making it a dynamic force in the digital age. Representation of age generation gap between Gen Y and Gen Z are illustrated in Table 1.2 below

Table 1.2 Age Range by Generation

Generations	Year Born	Current Ages
Gen Z	1997 - 2012	11 - 26
Millennials	1981 - 1996	27 - 42

Source: Beresford Research (2023)

According to Table 1.2, Gen Z, or Generation Z, is the group of people born between the 1997 and 2012 (Beresford Research, 2023) . They're the first generation to grow up with easy access to digital technology, like the internet and smartphones (Sarah Sladek & Grabinger Gen, 2014) Gen Z is known for being comfortable with technology and using digital tools. They grew up during uncertain economic times, so they tend to be practical and careful with money, focusing on job security and useful skills. Gen Z prefers communicating online, especially through messaging apps and social media. Despite being associated with shorter attention spans, they are also good at saving money and planning for the future. They often trust online influencers for product recommendations (Windasari et al., 2022).

Millennials, also called Generation Y, come after Generation X and precede Generation Z. They were born between the early 1980s and the mid-1990s. Millennials are known for being the first generation with widespread access to digital technology like personal computers and the internet (Windasari et al., 2022). They're comfortable with technology and have had a significant impact on culture, influencing trends in

various areas. The millennial generation is diverse, bringing a wide range of perspectives and experiences.

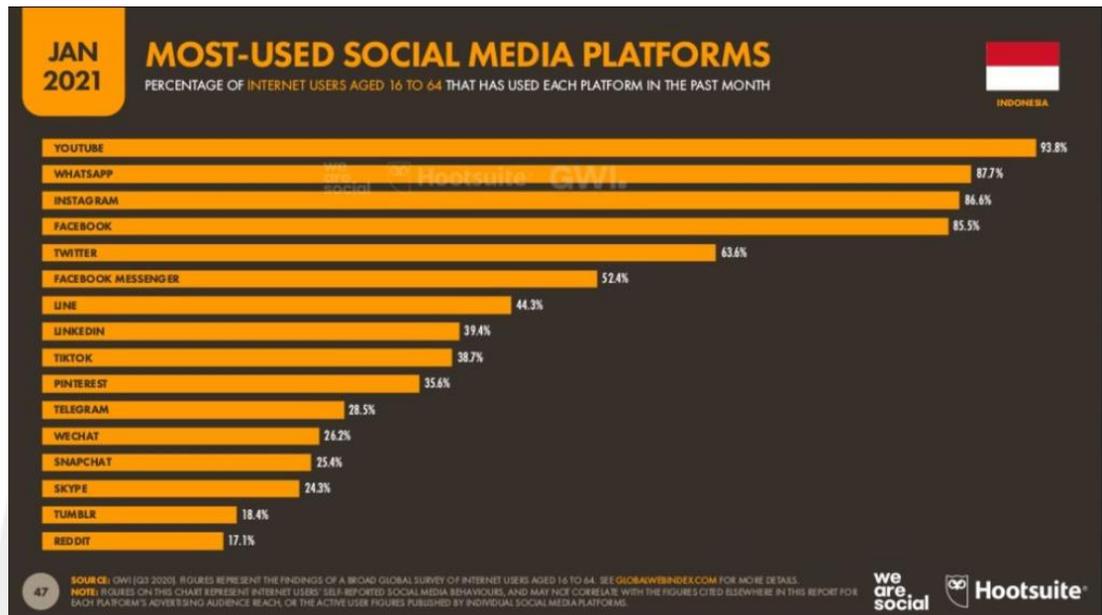


Figure 1.2 Most-Used Social Media Platforms in Indonesia (2021)
Source: Datareportal (2023)

This trend is mirrored in Indonesia as we can see in Figure 1.2, where the number of Instagram users in 2021 has covered 86.6% of internet users from the age of 16-64. This substantial figure attests to the platform’s widespread popularity and impact, reaching approximately the third position out of the total social media population from the past month. The advertising landscape on Instagram in Indonesia has also

flourished, with the reach of Instagram ads reaching 1,628 million audiences across all age groups at the year 2023 (Datareportal, 2023).

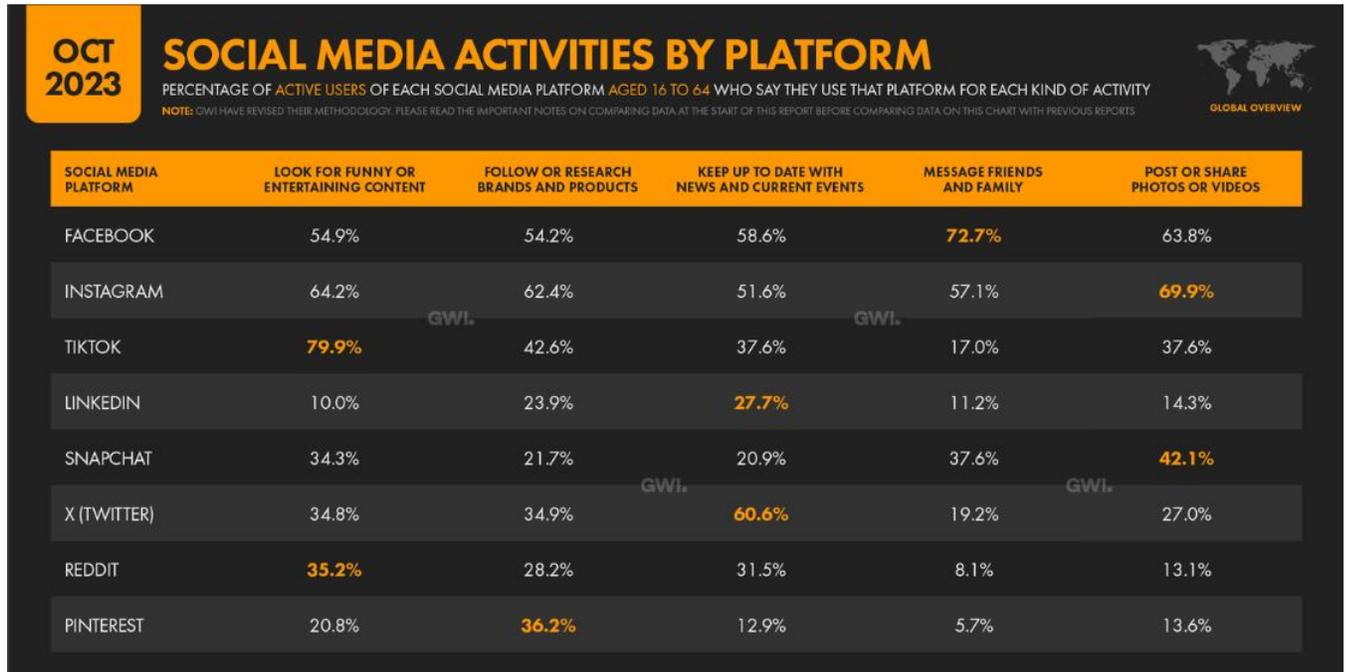


Figure 1.3 Social Media Activities by Platform (2023)
Source: Datareportal (2023)

According to the statistics presented in Figure 1.3, Instagram stands out as the most popular social media platform for seeking information about products and brands. There are a few factors that affect consumer behavior, such as Instagram stands out among social media platforms as a hub for numerous online shops, presenting itself as a lucrative business opportunity (Wulandari et al., 2023.). It has become a notable phenomenon among users of social media, majorly among young people (Kurniawati & Arifin, 2015). Instagram relies heavily on visuals, in contrast to platforms like Facebook and Twitter, it is crucial to highlight the importance of appealing visual

content on Instagram, while customers consider the information quality of the products or services posted by sellers on Instagram to be accurate and trustworthy (Din et al., 2019). The data underscores the platform's role in shaping consumer behavior whose preferences are having a visualize product. Instagram's appeal lies not only in its vast user base but also in the visually engaging nature of its content, making it an ideal space for users to explore, discover, and research products. The platform's immersive features, such as Stories, Feeds, IGTV, IG Live and shoppable posts, contribute to its reputation as a go-to destination for consumers seeking authentic insights into various products and brands (Weinlich & Semerádová, 2022). As the platform continues to evolve and introduces new features, it is poised to maintain its status as a key player in the dynamic landscape of social media-driven consumer engagement.

Instagram offers a wide variety of advertising formats tailored to cater to the specific needs and objectives of businesses and marketers. Some of the prominent categories of Instagram advertising encompass (Macready, 2023):

1. Photo Ads: These represent traditional image-based advertisements through which businesses can present their products or services in an aesthetically pleasing manner. Users can click on these ads to acquire further information.

2. Video Ads: Instagram grants businesses the ability to share brief video clips, which can be exceptionally engaging and informative. These ads can span up to 60 seconds and frequently incorporate storytelling to captivate viewer interest.

3. Carousel Ads: Carousel ads empower businesses to showcase multiple images or videos within a single advertisement. Users can swipe through the carousel to explore additional content, making it an effective means of featuring a range of products or conveying a more comprehensive brand narrative.

4. Story Ads: These advertisements surface within users' Instagram Stories, which consist of short-lived vertical videos or images. Story Ads offer an immersive full-screen experience and are particularly adept at instilling a sense of urgency.

5. IGTV Ads: Through IGTV, businesses can craft longer-form video content and insert ads into these videos. These ads can appear either before or during the IGTV content.

6. Shopping Ads: Instagram's shopping functionalities enable businesses to tag products within their posts, streamlining the shopping experience for users and facilitating direct purchases through the platform. Shopping ads can substantially bolster e-commerce sales.

7. Explore Ads: These ads make their appearance within the Explore section, affording businesses an opportunity to engage with users actively searching for fresh content and new accounts to follow.

8. Branded Content Ads: Businesses can collaborate with influencers and endorse influencer-generated content as advertisements. This approach fosters genuine and relatable marketing.

9. Collection Ads: Collection ads are designed for mobile shopping, enabling users to peruse a curated assortment of products with a simple tap that directs them to the brand's website.

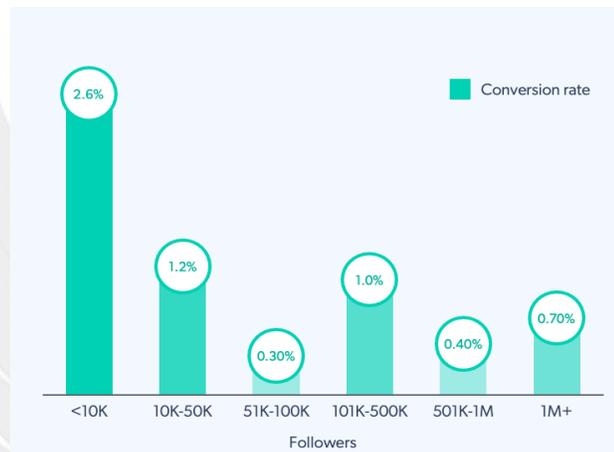


Figure 1.4 Instagram Conversion Rate
Source: Zote (2023)

According to Figure 1.4, the Instagram ads feature offers numerous benefits for online stores across various sectors, including the fashion industry. However, Instagram ads are currently experiencing some performance declines. Instagram ads have the highest cost per click (CPC), reaching \$3.56 compared to other social media platforms (Zote, 2023). In 2023, Bridge (2023) indicates a low conversion rate from Instagram, which is 2.6% for brands with less than 10,000 followers and 1% for brands with more than 10,000 followers.

According to research conducted by Rival IQ, there has been a decrease in the reach rate of Instagram Stories, from 5.4% in 2021 to 4.8% in 2022 for brands with fewer than 10,000 followers, while the reach rate of Instagram Stories experienced a decline

of 2.4% from 2021 to 1.6% in 2022 (Feehan, 2023). Currently, Instagram Reels is the type of advertisement with the highest reach rate, reaching an average of 20.59% when compared to other ad types. However, Instagram Reels tends to generate less significant engagement, with an average engagement rate of only 1.95% (Zote, 2023).

In 2023, internal Instagram data indicates that 70% of potential buyers look to Instagram for shopping inspiration and new products (Zote, 2023), including fashion products. However, the success rate of fashion brands (online shops) in converting audiences from Instagram ads into buyers on their online stores is still relatively low. Therefore, it can be stated that Instagram ads are still less effective and optimal in enhancing advertising value and driving online sales. Eggert (2023) also states that there is still limited evidence regarding consumer online shopping behavior on the Instagram platform.

Given this context, the researcher for this study has chosen to conduct a more comprehensive investigation into the online purchasing intentions of young consumers concerning fashion brand advertisements on Instagram as the social media platform. Capturing and retaining attention involves carefully planning the message to be imaginative, entertaining, and beneficial for consumers (Nur Wulandari & Rahayu Indrawati, 2023). Advertisement can become appealing and potentially impact purchasing decisions. Another study on instructional video advertising has revealed that the informational content within online video advertisements serves as a motivating factor for consumers to make purchases (Jain et al., 2018). Three

fundamental factors serve as the foundation for understanding how consumers assess advertising: informativeness, entertainment, and irritation (Cahyani & Artanti, 2020). Informativeness can be defined as the capacity to provide consumers with accurate and valuable information about marketed products, thereby enhancing overall customer satisfaction with their purchases (Asha, 2022). Entertainment based on the evaluative discourses definition can be defined as an aesthetic visualization that can facilitate human's emotional engagement, story, speed and vulgarity (Mckee, 2014). Irritation can be described for many means, however in this research irritation or irritability is a measurement to the intolerance for an individual negative emotion: anger, annoyance and impatience (Saatchi et al., 2023).

The mediating variable, advertisement value is believed to directly affects shopping behavior (Jain et al., 2018). Advertisement value is a scale used to assess the effectiveness of advertising. It represents a subjective evaluation of the relative worth or usefulness of advertising from the perspective of consumers (Asha Article, 2022). Another mediating variable called attitude towards advertisement is directly influenced by advertisement value (Jain et al., 2018). Attitude toward advertising is characterized as a learned predisposition to consistently respond favorably or unfavorably to advertising in general (Nguyen et al., 2018). Those variables affect advertisements have influenced towards the dependent variable online purchase intention.

In order to analyze further the influence of informativeness, entertainment and irritability on advertising value and online purchase intention with the mediation of

attitude towards advertisement, a mini survey is conducted out of 20 respondents as shown in Table 1.3.

Table 1.3 Preliminary Survey

Have you ever seen Instagram ads for fashion products?	Yes	20 respondents	100%
	No	0 respondents	0%
Have you ever purchased fashion products online through Instagram ads?	Yes	16 respondents	80%
	No	4 respondents	20%
Age	11-26 (Gen Z)	16 respondents	80%
	27-42 (Millennials)	4 respondents	20%
Are you attracted to make a purchase of fashion products after seeing Instagram ads?	Yes	6 respondents	30%
	No	14 respondents	70%

After the Covid-19 pandemic, do you shop for fashion products more frequently?	Yes	16 respondents	80%
	No	4 respondents	20%
After the Covid-19 pandemic, do you tend to shop for fashion products online or offline?	Online	6 respondents	30%
	Offline	14 respondents	70%
How many times a month do you purchase fashion products online?	<1 time	3 respondents	15%
	1-3 times	11 respondents	55%
	3-6 times	1 respondents	5%
	>6 times	5 respondents	25%

Source: Google Form (2023)

Based on the information in Table 1.3, all 20 respondents have encountered Instagram ads for fashion products. Out of these 20 respondents, 16 belong to Gen Z (ages 11-26), while 4 are from Gen Y (ages 27-42). 14 out of the 20 respondents (70%) did not find Instagram ads influential in prompting fashion product purchases. Based on the data presented in Table 1.3, it is observed that all 20 respondents have come across Instagram ads promoting fashion products. Among these respondents, 16 fall

within the Gen Z category (ages 11-26), while the remaining 4 belong to Gen Y (ages 27-42). Notably, 14 out of the 20 respondents (70%) did not perceive Instagram ads as influential in driving their decisions to purchase fashion products. However, there is an intriguing trend in their purchasing behavior, as indicated by 80% of the respondents acknowledging an increase in their fashion product purchases post-Covid-19 pandemic.

This trend is further validated by the fact that 55% of the respondents engage in frequent online purchases, ranging from 1-3 times per month, for fashion products. The notable aspect here is that the majority of respondents (70%) prefer making their fashion product purchases in offline stores. Another potential explanation for the lack of purchases through Instagram could be the preference of some customers to explore and buy fashion products on alternative social media platforms, even though they encounter fashion advertisements on Instagram.

The observed decline in the online purchase intention for fashion products through Instagram ads among younger generation customers presents an intriguing phenomenon that warrants additional research and exploration. Based on the similar revelation with previous article, "Online Video Advertisements' Effect on Purchase Intention: An Exploratory Study on Youth" (Jain et al., 2018). In designing this research, the research will be specifically targeting to analyze the changes in young people's consumer purchase intention towards fashion advertisement on Instagram platform after the pandemic COVID-19. In conclusion, this research proposal is

designed, with the title of “**The Influence of Instagram Social Media Marketing on Young People Online Consumer Purchase Intention in Fashion Industry Post COVID-19**”.

1.2 Problem Statement

Based on the previous information described briefly in the research problem statement, the researcher has come up with the following research questions:

1. Does informativeness have a positive influence on advertising value?
2. Does entertainment have a positive influence on advertising value?
3. Does invasiveness/ irritation have a negative influence on advertising value?
4. Does advertising value have a positive influence on online purchase intention?
5. Does attitude towards advertisement have a mediating influence between advertising value and online purchase intention?

1.3 Research Objectives

The research objectives as referred to the listed research questions are:

1. To examine and analyze the positive influence information has on advertising value.
2. To examine and analyze the positive influence entertainment has on advertising value.
3. To examine and analyze the negative influence invasiveness/ irritation has on advertising value.
4. To examine and analyze the positive influence advertising value has on online purchase intention.

5. To examine and analyze the mediating influence of attitude towards advertisement between advertising value and online purchase intention.

1.4 Research Purpose

1. Theoretical Purpose

This research aims to enhance the reader's understanding and broaden the insights into previously explored theories. It contributes to various topics, such as Instagram Social Media Advertising, Fashion Brands' Advertising Value, Indonesia's Y and Z Attitude towards Fashion Advertisement on Instagram and their impact on Online Purchase Intentions. The hope is that the outcomes of this study can serve as a valuable reference for future investigations in the realms of digital marketing and overall business management that uses Instagram for advertisements.

2. Practical Purpose

This study aims to offer fresh insights into the effectiveness and value of online advertising on the social media platform Instagram, including its influence on customers' online purchasing intentions. The findings from this research can pave the way for future studies on social media advertising across various platforms, different demographic groups, diverse advertising strategies, and the varying effects on consumer evaluations and intentions.

The research is anticipated to provide valuable references and insights that can be applied by fashion brands companies in the planning and execution of online advertisements on Instagram as one of the most highly used social media platforms by

Gen Z and Gen Y. Ultimately, the goal of this research is to assist businesses specifically for fashion brands in comprehending the importance of digital advertising and how consumers are impacted by exposure to such advertisements. This understanding is vital for businesses aiming to enhance their performance and drive sales.

1.5 Limitation of Problem

Examining the phenomenon within the context of a specific social media platform, consumer and product/ service, this study's findings may not directly represent advertisements from another platform besides Instagram; consumer from other generation except Gen Z and Gen Y; and in another sector besides fashion. To encompass a broader range of social media platform, target market, product/ service and brand categories, it is advisable to conduct separate studies focusing on different company advertisements or advertisements with varying content. Given that this study is centered on a specific market and a particular company within the industry, the information and insights derived from it should not be generalized for application in different research subjects, regions, or demographics.

1.6 Thesis Structure

CHAPTER I. INTRODUCTION

In the first chapter, there is the background of the research, the research problem, the objectives, the research purposes, along with the structure writing of the research.

CHAPTER II. LITERATURE REVIEW

In the second chapter, there is the theoretical basis that supports the variables underpin in this research. This chapter will elucidate theories of variables including independent, mediating and dependent variables.

CHAPTER III. RESEARCH METHODOLOGY

This chapter elaborates the research methodology, conceptual and operational definitions, data collection instrument, target population and sample, sampling techniques as well as the methods employed for data collection and analysis.

CHAPTER IV. RESEARCH FINDINGS AND DISCUSSION

This chapter compiles the research findings and conduct a detailed analysis of the data obtained from the survey participants. This comprehensive analysis allows for an in-depth discussion of the subject matter.

CHAPTER V. CONCLUSION AND RECOMMENDATIONS

The last chapter presents the conclusion of the research that consolidates all the analyses conducted in this research. Additionally, we offer recommendations for future research endeavors to contribute to the expansion of theories, concepts, models, and frameworks relevant to this subject.