CHAPTER I

INTRODUCTION

1.1   Background

In the past twenty years, Indonesia has experienced a rapid change in the consumption of information in every aspect of everyday life which has been a milestone of achievement to this day, one of the most impacted aspect is the business area (Hagberg, Sundstrom, and Egels-Zanden, 2016). As Indonesia is one of the most active internet consumers in the world as stated International Telecommunication Union Indonesia (2017). Hence, it is reasonable that one of the most important aspect of human society, social interactions would be impacted by this digitalization and with the huge consumption of internet by Indonesian, social media would develop into a new form known today as social media.

In 2016 US Census Bureau claimed that 30% Indonesia population is an active user of social media (Bales, 2016). Social media such as: YouTube, Facebook, Instagram, Twitter has been the favourites platform across Indonesia to be used. According to cnnindonesia.com, since the used of social media have been rapidly increase across Indonesia the internet consumption is directly consumed with average per day around 8 hours 44 minutes while 3 hours 24 minutes is spent on the social media platform (Bintoro, 2018). Indonesia Internet Service Provider Association (APJII) conducted a survey in which 89% internet activity is for

chatting and the rest 87% is to access social media. The way of communication is very different before the usage of phones for chatting and message only, but with the improvement of technology nowadays the era of digitalization with the use of social media platform are society nowadays to interact, to feel self-actualization by sharing or posting on their social media platform. With the rise of social media platform, the dependence for generation of Y (millennial) and Z were influence with the changes of social habits that social media influence on them. Indonesia Internet Service Provider Association (APJII) stated age 19-34 years old were the group that heavily influence by internet users, with the era nowadays digitalization Generation Y and Z feels that social media can influence them to be expressive with the way they wanted to express, and it can be an opportunity for them to communicate with people that have the same opinions with them. Whether it is true or not, social media is the place for people to generate their opinions on and to gather insights from other people who converse by using social media.

With the rise of social media, it can be seen nowadays many people can be creative with their social media platform usage. People can post a photo or create video to be seen publicly by many people who use the same platform of social media. James Charles is a social media influencer that nowadays many generations from Y and Z knew him as a beauty vlogger. These kinds of influencers usually build their reputation using a different persona than their everyday lives to garner interest from the masses. As influencers build their persona on social media, share personal information, and get to endorse a specific brand. James Charles has shown many sides of his persona with his influencing on how to be a beauty guru. To

examine how he influence other people to be able to lives in his expectations, his public and private personas can develop into a brand which can become a powerful marketing tool for attracting consumer who have the same reference group as his personas. Social media influencers create an online identity (Goffman, n.d), which their followers or subscribers nowadays they call it to be able to portray the status which the influencer posting a pictures or a videos which they create a content for a purpose which in that content some of the product from a certain brand will be portray as "main ideas" of the whole video for a purpose that this social media influencer is consuming or using that product for a purpose.

As the research talk about the impact which social media influencer give to such brand for a specific product, in one of his main social media platforms, which is YouTube, James Charles currently has 24.6 million subscribers on his YouTube channel (YouTube, 2021). James Charles is known as a big social media influencer on his content creation about beauty and cosmetics, one of his business collaborations came with a brand named Morphe cosmetics founded in 2008 based on US, Los Angeles cosmetics and beauty manufacturer, which the company specialized in collaborating and selecting their social media influencer as one of the brand ambassador for representing their beauty product with social media influencer such as: James Charles, Madison Beer, Maddie Ziegler, etc (Morphe, 2021). In November 2, 2018 entitled "James Charles X Morphe" was revealed in his YouTube channel addressing to his back then 11 million subscribers, which in the video James reveals that he has collaborated or working together with Morphe cosmetics within the released of this statement on November 13, 2018 his collection

James Charles's Morphe Palette has sold out within 10 minutes after going sale in Los Angeles and sold out fully in Europe less than 6 minutes and which in UK only takes around 5 minutes (Curtin, 2018). As Paul Fischer (n.d), stated the characteristics which branding have nowadays which the likes children around 3 years old can associate with a respective logo or brand which such as social media influencer like James Charles is known for his influence in the generation Y and Z in which the companies or organization who already well-known in the beauty industry will be more successful in their marketing if the collaboration with an influencer with a well-known persona in the beauty industry.
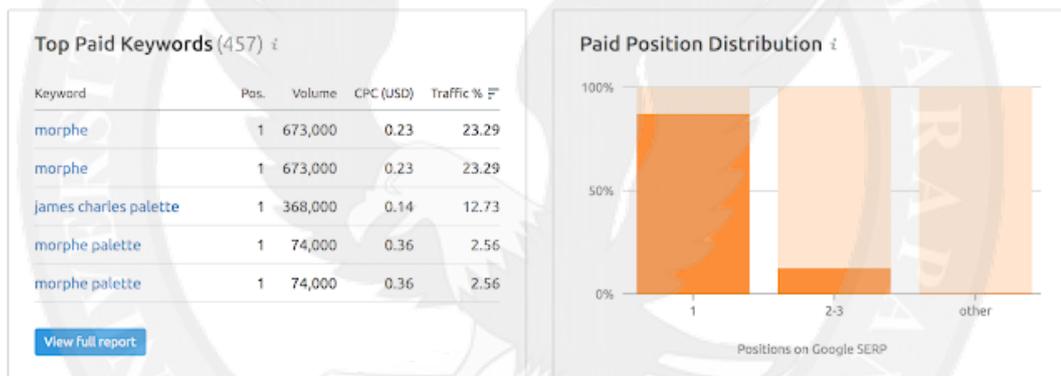
Figure 1.1.1 Morphe Paid Keywords

Source: https://www.semrush.com/analytics/overview/?q=morphe.com&date=20191124.

As seen in the Figure 1.1.1, it is shown that since the collaboration between Morphe and James Charles is known well by the beauty community is not surprised with Morphe has 457 paid keywords to be generate across the Google platform over 80% of the time, which the top ones being Morphe, James Charles Palette, and Morphe palette.
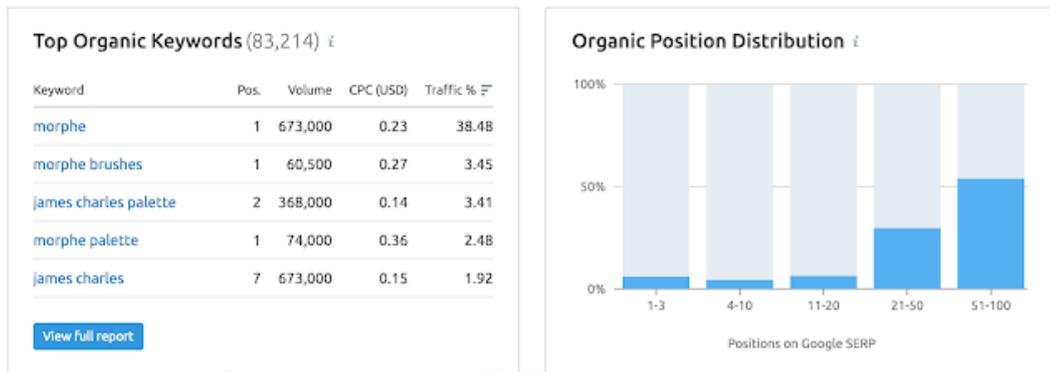
Figure 1.1.2 Morphe Organic Keywords

Source: https://www.semrush.com/analytics/overview/?q=morphe.com&date=20191124.

In the Figure 1.1.2, the organic keywords which Morphe receive around 1.4 million and around 135 thousand paid search traffic. With the top organic search is same as the paid ones Morphe, James Charles Pallete and Morphe Pallete. Between the position 51-100 their organic position which distribute is around 50%.
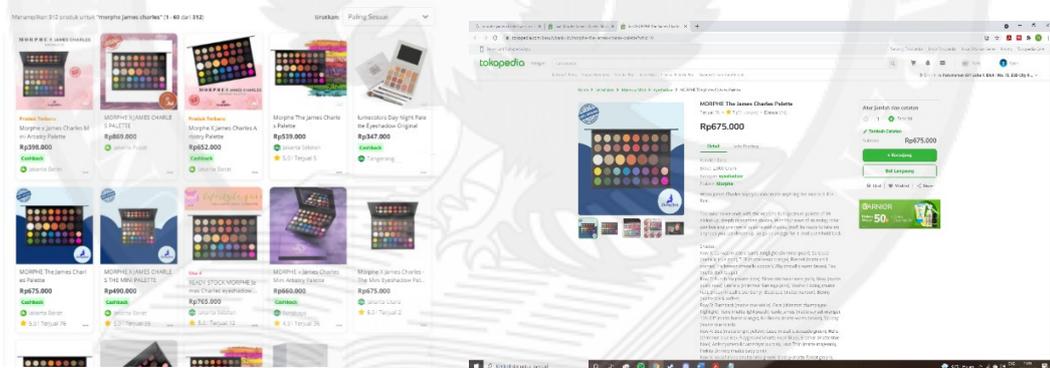
Figure 1.1.3 Morphe James Charles Palette Product being sell on Tokopedia platform

Source: https://www.tokopedia.com/find/morphe-james-charles

Due to the lack of presence of the brand in Indonesia directly, Morphe can be bought through an e-commerce platform in Indonesia via resellers through: Tokopedia, Shopee, Lazada, etc, the only problem Morphe still does not have official store in e-commerce platform either, so the resellers online store is the one

who sell the Morphe James Charles Palette products with a various price as you can see in the Figure 1.1.3, one of the reseller store name BeautyBank (Tokopedia, 2021) that sold the product with reasonable price around Rp 675.000 Rupiah within its Morphe official website store they sold the product around $20 (Morphe, 2021) almost the twice of the price in Indonesia but since the resellers need to buy the products through the website store it's no surprise with the tax and courier price to delivered the product into Indonesia, it will be almost have the same price like the resellers has been put through their online store.

This research will mainly focus on the specific chosen social media influencer which is, James Charles and the beauty product, which is Morphe cosmetics, the reason why the researcher choose this kind of topic as his literary research so to gain more knowledge about the insight of the brand awareness, brand image, brand loyalty and which the social media influencer given to the product which him collaborating or chosen as the face of the brand product.

For the preliminary research based on the concept theories that have been researched by the previous authors, the new research will be developed into more detailed and remodelled research by the author who is doing the research right now. The new research is mainly focus about the variable research which are the *social media influencer* James Charles acts as the subject in which effecting the aspects of *brand awareness*, *brand image* and *brand loyalty* towards the brand named Morphe.

Table 1.1.1 Previous Preliminary Research

NO	RESEARCHERS	SOCIAL MEDIA INFLUENCER	BRAND AWARENESS	BRAND IMAGE	BRAND LOYALTY
1.	Bilgin, Y., (2018)	v	v	v	v
2.	Nurhandayani, A., Syarief, R & Najib, M., (2019)	v		v	
3.	Yapa, U.A.S., (2017)	v	v		
4.	Hermanda, A., Sumarwan, U., & Tinaprillla, N., (2019)	v		v	
5.	Saini, D., Sharma, M., Gupta, S & Verma, H., (2021)	v			v
6.	Upamannyu, N.K & Sankpal, S., (2014)			v	v

Source: Preliminary research by Bilgin, (2018); Nurhandayani, Syarief & Najib (2019); Yapa (2017); Hermanda, Sumarwan & Tinaprilla, (2019); Saini, Sharma, Gupta & Verma (2021); Upamannyu & Sankpal, (2014)

Based on the background of the research on top, this research is to know the relationship of *social media influencer* James Charles in the role affecting the aspects of *brand awareness*, *brand image* and *brand loyalty* towards the brand named Morphe. Other than that, this research will be remodelled and modify into a thesis named "The effects of social media influencer on Brand Awareness, Brand

Image and Brand Loyalty in the perspective of James Charles X Morphe". Towards the response of Indonesian people knowledge in recognizing the influencer's reputation and the brand exposure on the cosmetic industrial market in Indonesia. The modification of the two research will be divided into several variable which will be consisting of the independent variable in this case the *social media influencer*, dependent variable which will be consisting of *brand awareness*, *brand image* and *brand loyalty*.

1.2 Problem Statement

Based on the background above, it can be concluded several problem statements such as:

1. Does social media influencer effect on the product brand awareness?
2. Does social media influencer effect on the product brand image?
3. Does social media influencer effect on the product brand loyalty?
4. Does brand awareness affect brand image?
5. Does brand image affect brand loyalty?

1.3 Research Purpose

The Purpose of this research is to:

1. Understanding the relationship between social media influencer and brand awareness.
2. Understanding the relationship between social media influencer and brand image.

3. Understanding the relationship between social media influencer and brand loyalty.

4. Understanding the relation between social media influencer brand awareness and its effect on their brand image.

5. Understanding the relation between social media influencer brand image and its effect on brand loyalty.

6. Understanding the relation between social media influencer brand image and its effect.

1.4 Research Benefit

The benefit of this research is to:

1. For academic

The researcher hopes that this literary research can be a source for academic in helping other to know more about this kind of topic. The researcher also thinks this kind of research can be a new data input of variable that the researcher is now researching about the social media influencer on brand awareness, brand image and brand loyalty.

2. For company/organization

This research hopes to be a helping hand and a solution that happens to be about the effect of social media influencer on the brand awareness, brand image and brand loyalty for a company/organization that happens to be in the market who is wanting to collaborate or even making a brand ambassador for social media influencer as the face of their brand.

1.5   Research Limitation

There are also several limitations for this research, such as:

1. This research only encompasses testing base on topic of the influence of social media influencer on brand awareness, brand image and brand loyalty.

2. This research has a limiting variable that only effects on brand awareness, brand image and brand loyalty.

3. This research only encompasses respondent in Indonesia who domiciled in Jakarta and Tangerang area due to time constraints and difficulty in obtaining data from the whole region and islands of Indonesia.

1.6   Thesis Outline

To give a clear insight what this research are meant for, therefore this research will be divided into five chapters which are:

CHAPTER I: INTRODUCTION

On this chapter of introduction are the recap of all the author study which consists of background of the study, problem statement, research purpose, research benefit, research limitation and thesis outline.

CHAPTER II: LITERATURE REVIEW

On this chapter the theories and support concept in which the author gains all the study from the previous researcher will be discussed into more detailed and precise for the purpose of creating theoretical framework, research variables used, hypothesis of the variables and research model.

CHAPTER III: RESEARCH METHODOLOGY

On this chapter of the research methodology of the author study pretest for the data collection method which will consist of the theories and data from preliminary test of the study research the likes: research objects, unit of analysis, types of research, operationalizations of research variables, population and sample, data collection technique, measurement scale, data analysis method (SmartPLS), model evaluation, hypothesis test and preliminary test results.

CHAPTER IV: ANALYSIS AND DISCUSSION

On this chapter the author research study analysis the actual test from the result that have been collected and gained through a data of respondents and then making a discussion of the whole data analysis into a hypothesis test that will shows the result of the data in based of Evaluation in inner and outer model, Coefficient determination R^2 and Q^2, Multicollinearity test, Goodness of Fit, Descriptive and Inferential statistic, characteristic respondents and discussion of the whole analysis.

CHAPTER V: CONCLUSSION AND RECOMMENDATION

On this chapter the author research study gives its final thought about the research study in conclusion and the analysis based on the managerial implications of the whole study, give its limitations about the research and suggestions for future research of the study.