

# CHAPTER I

## INTRODUCTION

### 1.1 Background of The Study

Years after the talk of Industrial Revolution 4.0 first surfaced, the world is experiencing swift digitalization evolution given the number of internet users worldwide has rocketed from 3.42 billion users in 2016 to 4.66 billion users by January 2021 (Kemp, 2016, 2021a). This explains why digital marketing has been growing rapidly nowadays. As technologies and online platforms are embedded in our daily activities, especially ever since the outbreak of pandemic in the beginning of 2020, businesses adjust communication strategies to better reach the market. As a result, business marketing begins to embrace digital techniques and approaches. This implies that instead of the conventional print advertising (e.g., magazines and newspapers) or direct mails (e.g., brochures and radio advertisements), companies are now opting for online advertising.

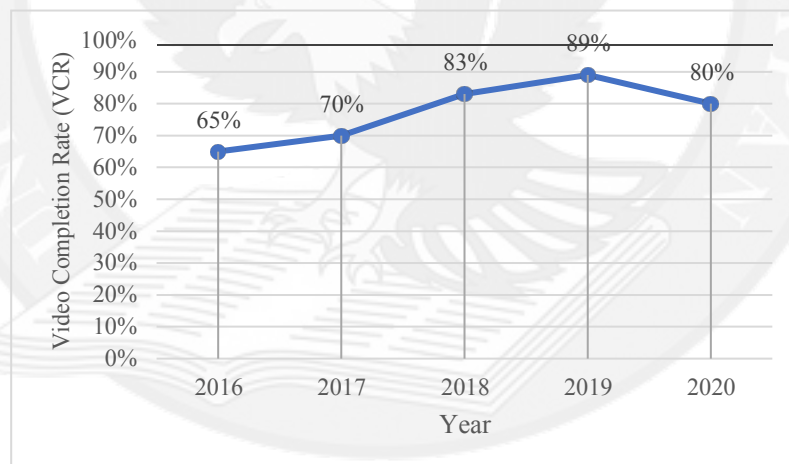
This trend is supported by the emergence of social media platforms. As of January 2021, the entire world consists of 4.2 billion social media users and 170 million are Indonesian (Kemp, 2021b). This figure is the highest among Southeast Asian countries. Among a list of rising social media platforms in Indonesia, Kemp (2021) reported that YouTube is leading with 93.8% of penetration rate among social media users aged 16-64 years old. With these statistics, marketers are certainly migrating to social media platforms, specifically YouTube, to stay connected with their audiences.

In addition to a significant penetration rate in Indonesia, YouTube also offers extensive variety of video advertisement format, making the social media to be an ideal platform for marketers in performing their advertising strategies. YouTube offers marketers with five different advertising options which can be categorized into video and non-video ads. YouTube video ads are: (1) Skippable video ads, (2) Non-skippable video ads, along with (3) Bumper ads. On the other hand, YouTube non-video ads includes: (1) Display ads, as well as (2) Overlay ads. With different ad options come different features and, thus, different effectiveness. Marketers should be able to pick the right YouTube ad format considering the nature of business as well as target segment. In regards with this, Statista had conducted a survey among marketing professionals all around the world during mid-2019 and concluded that YouTube 15-seconds pre-roll skippable ads were the most effective ad format on the platform (*Most Effective YouTube Ad Formats Worldwide 2019* | Statista, 2021). As a result, this YouTube ad option is the most commonly encountered during YouTube watching experience.

However, there is a downside to this occurrence. As more marketers are present in social medias—YouTube in this case—consumers are exposed to massive amount of information. This means competition for consumer's attention is getting even more intense. As a response, some advertisers intensify their ads exposure to increase consumer's brand recall. In fact, this only leads to negative attitude among audiences (Sabuncuoğlu-Inanç et al., 2020). Others are using various means to stand out more, even if it involves exaggerated, misleading (Sim, 2016), or

even daring contents (Ferreira et al., 2017) without knowing that these may actually lead to a boomerang effect. These happenings provide major contribution in shaping negative attitude among consumers towards advertisements. Since consumer's attitude is one major predictor in and advertisement's effectiveness (Sabuncuoğlu-Inanç et al., 2020), consumer's tendency to avoid online ads (Ferreira et al., 2017) becomes a proof that online advertisements nowadays are becoming less effective.

As a result, consumers began to develop negative attitude towards online video ads despite the interactive and personalized nature. Video advertisements which allow audiences to control the amount of ad exposure, like YouTube skippable ads, may suffer the most from this occurrence. A study revealed that 59% millennials only watch YouTube ads until the skip option is available (Kirkpatrick, 2017). The trend of skipping video ads appears to be true with the declining of average advertisement Video Completion Rate (VCR) shown in the graph below.



**Figure 1.1 Annual Average VCR from 2016 – 2020 Worldwide**  
Source: Extreme Reach (2020)

The graph above (Figure 1.1) reflects how VCR gradually rise from 2016 through 2019, when it reached its peak at 89%, before dropping in 2020 to 80%.

While there may be a list of triggering factors, one undeniable reason is consumer's tendency of refraining themselves from being further involved with ads. This statement is actually supported by a segmented study focusing on Generation X, Y and Z conducted Kantar Millward Brown (Sterling, 2017). The report describes each generation's attitude towards various formats of advertising as shown below:

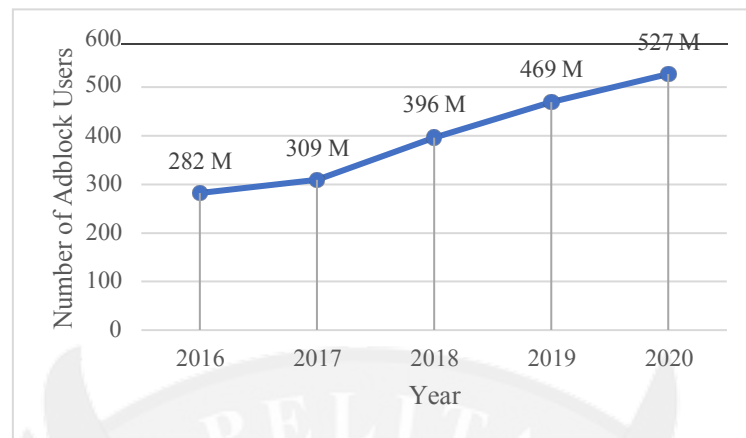
**Table 1.1 Percentage of Positive Attitude Towards Different Advertising Format by Generation X, Y, and Z Worldwide**

<b>Advertising Format</b>	<b>Gen Z</b>	<b>Gen Y</b>	<b>Gen X</b>
Cinema ads	62%	61%	48%
Billboard/Outdoor ads	43%	46%	44%
Magazine ads	43%	55%	52%
Newspaper ads	38%	50%	47%
Placements in movie or shows	39%	47%	40%
TV ads	40%	51%	47%
Radio ads	27%	44%	44%
Direct mail (postal)	29%	41%	41%
Online display ads (laptop or PC)	29%	41%	32%
Online search ads	<b>25%</b>	42%	34%
Online display ads (mobile)	<b>22%</b>	37%	29%
Video ads (laptop or PC)	<b>23%</b>	39%	30%
Video ads (mobile)	<b>21%</b>	39%	26%

Source: Sterling (2017)

Table 1.1 clearly shows how the three generations generally resist advertisements. Compared to the other two segments, however, Generation Z exhibits the most negative attitude. This segment is indeed a difficult audience for marketers. Remembering how Gen Z contributes to a large population size all around the world, the issue concerning this generation's attitude towards advertisement should be further studied.

Especially with the introduction of technologies like premium accounts or ad-blocking software, things become harder for marketers. A graph showing the growth of worldwide ad-blocking users can be observed from Figure 1.2 below.



**Figure 1.2 Worldwide Adblock Users from 2016-2020**

Source: Blockthrough Team (2021)

In the past 5 years, the graph above portrays significant increase of ad-blocking usage among mobile users worldwide. It was 282 million users by 2016 and has almost doubled in 2020, reaching 527 million users. This significant growth in ad-blocking tools usage is also experienced by Indonesia. In 2018, the country ranked the third globally with half of the social media users aged 16-64 years old population are ad-blocking users (Kemp, 2018). Indonesia then ranked the first with 65% of ad-blocking tools usage in 2020, the highest all around the world (Kemp, 2021b). These statistics confirm consumer's development of negative attitude towards online advertisements.

This is a challenge marketer from every company encounter, one of which that experiences this situation is Lokalate—an instant coffee brand under the parent company of Nutrifood Indonesia—who targets the younger market. Nutrifood has been catering Indonesian market with healthy food and drinks for over 40 years. Established in 1979, the company is well known for a list of health-inspired premium brands which includes Tropicana Slim, NutriSari, WRP, L-Men and HiLo and W'Dank and, lastly, Lokalate. Upon achieving Indonesia Best Brand Award in

2015, Nutrifood shared that the secret lies in their branding strategy which focuses on website and social media platforms (Prahadi, 2016).

Lokalate's marketing strategy involves YouTube as one of their marketing channels. This is not only due to the fact that YouTube is a leading social media in Indonesia, but also due to the fact that YouTube offers various advertisement formats along with algorithm that boosts ads effectiveness and efficiency. To achieve an optimum impact, Lokalate utilizes several YouTube advertisements formats, including 15 seconds YouTube skippable ads, 30 seconds YouTube skippable ads and display ads. These advertisements are targeted to Lokalate's focused segments for an efficient and effective marketing strategy. With its eccentric look and innovative flavors, Lokalate is specifically focuses on the younger segment such like Millennials and Generation Z. This is because instant coffee is a product popular among the young adults given their lifestyle and preferences. Aside from young adults, Lokalate also targets coffee enthusiasts—this includes those who often view coffee, café, or beverage related videos in YouTube. These are the criteria used for algorithm purposes so that YouTube can reach Lokalate's target market.

Aside from these considerations in creating an advertisement, attitude towards YouTube skippable ads will be majorly shaped by consumer's perception towards the advertisement content itself. In other words, how YouTube users responds and act towards a video ad depends on how they think (cognitive) and feel (affective) about it. There are several factors affecting this attitude namely informativeness, entertainment, irritation and credibility (Adidarma & Putri, 2017;

Boon et al., 2019; Qousa & Wady, 2018; Sabuncuoğlu-Inanç et al., 2020; Setiawan & Briliana, 2021; Sim, 2016; Wiliyastuti et al., 2018). Informativeness evaluates whether an ad is equipped with relevant knowledge regarding a certain product or service being marketed. As for credibility, it concerns the integrity of the ad itself. This explains why both informativeness and credibility determine ad value cognitively. On the other hand, entertainment and irritation is related to the affective aspect. Entertainment assesses the enjoyment an ad exhibit towards the viewers, whereas irritation specifies the displeasure developed due to the ad itself. Therefore, marketers must ensure that YouTube skippable ads are informative, entertaining, not irritating but still credible to develop an effective and also attention-stealer video advertisement.

In relation to these factors, there are still some issues present in Lokalate's YouTube skippable ads, specifically the brand's 15 seconds skippable video ads titled "BUY 1 GET 1: LOKALATE KOPI ALPUKAT!". These was discovered by the writer after conducting a preliminary test on a bunch of Generation Z. The issue mainly lies on the informativeness, entertaining and credibility aspect of the advertisement. Given this phenomenon, the writer will particularly use the mentioned Lokalate YouTube skippable ads in this research.

Consumer's attitude towards advertisement should never be overlooked, especially by marketers. Reason is because these attitudes majorly determine and predict effectiveness of the advertisement itself. Understanding what are the variables that may influence consumer's attitude towards YouTube skippable ads is essential in order for companies to create efficient ads; especially for Generation Z consumers,

the most resistant towards advertisements. Provided the concerning consumer attitude, research should be conducted to examine these issues. Hence, the topic of this study which is “The Effect of Informativeness, Entertainment, Irritation and Credibility of YouTube Skippable Ads on Generation Z Attitude (A Case Study of Buy 1 Get 1 Lokalate *Kopi Alpukat*)”.

## 1.2 Problem Limitation

This research is to fill the knowledge gap regarding how consumer’s perception towards advertisement value—particularly YouTube Skippable Ads—may shape their attitudes towards it. YouTube appears to be the second most used social media following Facebook, with roughly 2.3 billion of users as of January 2021 (Kemp, 2021b). With this massive population, the scope of this research will be narrowed down to a several limitations as follows:

1. The research will focus on the perceived Informativeness (INF), Entertainment (ENT), Irritation (IRR) and Credibility (CRE) of one of Lokalate’s YouTube Skippable Ads as independent variables along with Generation Z Attitude towards Advertisement (ATA) as dependent variable.
2. The research will only involve Lokalate’s potential consumers with the criteria of being Medan YouTube users from the Generation Z—born between 1996 and 2010—who became the largest generation in 2019 accounting to 2.47 billion individuals that year (Spitznagel, 2020). Due to



the uncanny population size, marketers should be able to understand and cater the needs of this specific demographic segment.

3. The research is conducted by gathering data from online distributed questionnaires to respondent.
4. Indicators for perceived informativeness are based on how good an advertisement is as a source of information, relevant as well as up to date (Wiliyastuti et al., 2018).
5. Indicators for perceived entertainment involve the degree to which advertisement is entertaining, attractive, and enjoyable (Pratama & Mayangsari, 2021).
6. Indicators for perceived irritation are based on the level of annoyance, deception, and confusion of advertisement (Wiliyastuti et al., 2018).
7. Indicators for perceived credibility are advertisement's ability to be a reference, trusted and credible (Ramadhani et al., 2020).
8. Indicators for Generation Z attitude towards advertisement involves the perception, emotions or feelings and behavior (Wiliyastuti et al., 2018) of the ad viewer.

### **1.3 Problem Formulation**

Based on the background study above, the following are the research problems that this study aims to answer:

1. Does informativeness of Lokalate YouTube skippable ads affect Generation Z attitude?

2. Does entertainment of Lokalate YouTube skippable ads affect generation Z attitude?
3. Does irritation of Lokalate YouTube skippable ads affect Generation Z attitude?
4. Does credibility of Lokalate YouTube skippable ads affect Generation Z attitude?
5. Do informativeness, entertainment, irritation, and credibility of Lokalate YouTube skippable ads simultaneously affect Generation Z attitude?

#### **1.4 Objective of Research**

Based on the research problem, this research aims to achieve the following objectives:

1. To examine the effect of informativeness of Lokalate YouTube skippable ads towards Generation Z attitude.
2. To identify the effect of entertainment of Lokalate YouTube skippable ads on Generation Z attitude.
3. To determine the effect of irritation of Lokalate YouTube skippable ads on Generation Z attitude.
4. To find out the effect of credibility of Lokalate YouTube skippable ads on Generation Z attitude
5. To examine the effect of informativeness, entertainment, irritation, and credibility of Lokalate YouTube skippable ads simultaneously on Generation Z attitude.

## **1.5 Benefit of Research**

Through this study, researcher wishes to provide both theoretical and practical benefits for relevant parties.

### **1.5.1 Theoretical Benefit**

Results of this study is expected to fill the knowledge gap regarding consumer's attitude towards YouTube skippable advertisement among Generation Z in Medan. Hence, it could serve as an additional reference and source of knowledge for the marketing industry in understanding the antecedents of consumer's attitude towards YouTube skippable ads.

### **1.5.2 Practical Benefit**

The practical benefits expected from this research are:

1. Facilitating writer in gaining knowledge and insights regarding factors within YouTube skippable ads that influences consumer's attitude. Besides, this research is also aimed to help writer in achieving a broader and comprehensive understanding regarding marketing concepts in real-life situation.
2. Providing marketers and advertisers with additional insights about the elements that should be considered to create an effective advertisement, particularly in the form of YouTube skippable ads. Thus,

marketers will no longer waste companies' dollars, in addition to bothering users, due to their ineffective advertisements.

