

CHAPTER I

INTRODUCTION

1.1 Background of the study

Over the past few years, social media has grown into one of the most powerful tools in the business environment. Before social media was increasingly being utilized by businesses, it was mainly used as a medium for social interaction among online individuals. Along with the development of technology and information in modern times, customer behavior become more complicated. Customer want to be understood and recognized, fulfilled their needs and desires, and they have greater access to information. This causes the market becoming increasingly competitive and will continues to increase.

Regardless of the business size, social media is being widely used to attract new customers, create and build online connection, advertise and promote goods and/or services and other business activities. Businesses need to understand the importance of social media as it helps them to stand out among competitors, recognized, and have wider exposure. Being stand out, recognized, and gain maximum exposure will help businesses to increase brand awareness and reach more potential customers. Moreover, business activities like advertisement, promotion, and marketing at social media is more cost-effective.

Every year, social media users around the world, especially Indonesia, increased rapidly. The overall population of the world is 4.62 billion people who utilize social media, increased by more than 10% in the last year (Kemp, 2022). Nearly 62% of Indonesia's total population are social media users in January 2021. Between 2020 and 2021, Indonesia social media users increased by 6.3% or 10 million (Kemp, 2021). In January 2021, there are around 170 million active social media users in Indonesia, which ranked Indonesia on third place in the Asia Pacific for the highest active social media users (Wolff, 2021).

73.7% of Indonesia's total population are internet users and 96.4% of the users access the internet via mobile devices (Kemp, 2021). This means businesses have the opportunity to expose their goods and/or services among three fourths of the Indonesia's population. This will encourage businesses not only to promote their products and/or services on offline-based store but also across online-based store. The shift towards a more digital world too causes many businesses to adopt online-based store which lead to more competitive market. Inability to adapt and develop on online platforms will cause businesses to lose their customers and even go out of business. For that reason, having a healthy social media business account is extremely important.

Both home property and home renovation markets have been rising in 2021. Pandemic and government restriction cause people to spend more time at home and weren't able to travel. Since people spend majority of their time at home, people feel the need for greater space for the "new normal" activities. Such as a space for workplace (for those who are having WFH or work from home). Some of

government new regulations like lower interest rate and travel restriction resulted in more saving. Some people use their “travelling” money to invest on their house. For those who are still being budget conscious due to the pandemic, they are more likely to renovate their house than buying new one (Henderson, 2021).

Besides government restrictions, government stimulus has a significant impact on property market. According to Rumah.com (2022), government stimulus and incentives helped the Indonesia Property Market Index to rise by 3.24% as of the third quarter of 2021. Example of government stimulus are zero percent down payment and VAT relaxation. Despite the fact that demand for property declined due to the PPKM pandemic-related limitations, property market continuous to rise in line with the national economy’s recovery. Rise in the property market will increase the sales of home decorations industry, business like Kito Home Gallery. Furthermore, Rumah.com also state that one in two respondent admits that home repair or renovation become more essential to them ever since they spend more time at home.

Kito Home Gallery is a family-based retail store established in 2015. Kito Home Gallery runs its business in Medan city and primarily sells tiles, home décor, furniture, lighting, sanitary ware and other home decorations. Currently Kito Home Gallery perform their business through offline and online store. For their online store, they use Shopee as e-commerce platform, WhatsApp and Instagram social media.

The researcher limit to only Instagram as the social media studied due to preliminary observations made by the researcher, Instagram is the most frequently used social media to promote and market Kito Home Gallery's products. Kemp (2021) report shows that Instagram is third most used social media platforms in Indonesia in 2021. Follow up by WhatsApp (87.7%) on second place and YouTube (93.8%) on first place. Statista.com (2021) reported there were approximately 83.5 million Instagram users in Indonesia and is forecasted to increase to 121.44 million users by 2025.

Back in third quarter of 2018, Kito Home Gallery started to focused on online platform through Instagram and WhatsApp. Although the account was created back in 2015, social media maintenance and transaction were very low. A year later, they added Shopee e-commerce to increase their exposure nationally. Kito Home Gallery is currently entering its fourth year since they started to focused on its online platforms. However, the growth of social media especially Instagram followers, does not show significant rise. Taken from the statement given by the social media manager of Kito Home Gallery regarding the growth of social media, Kito Home Gallery experiencing slow growth compared with its competitors. As seen from table 1.1, between 2019 to 2022, Kito Home Gallery experienced slow but steady growth. One of the reasons for the slow growth of social media in terms of followers may be due to unoptimized social media marketing.

Table 1. 1 Kito Home Gallery's Instagram Followers Growth Data

Date	May, 2019	Aug, 2020	Aug, 2021	Mar, 2022
Followers	2,158	6,650	9,037	11,900

Source: Prepared by the writer (2022)

Supported with the feedback in figure 1.1 from one of Kito Home Gallery's customers, it also encounters low brand awareness. Before customer decided to purchase the products, they will go through decision-making process. During this process, customer will encounter problem recognition, information search, and evaluation of several alternatives which will eventually land on either making the purchase or not. Poor social media marketing and low brand awareness will cause customer to feel unfamiliar or unable to recognize the brand. Customers will purchase on brand that they feel familiar with.

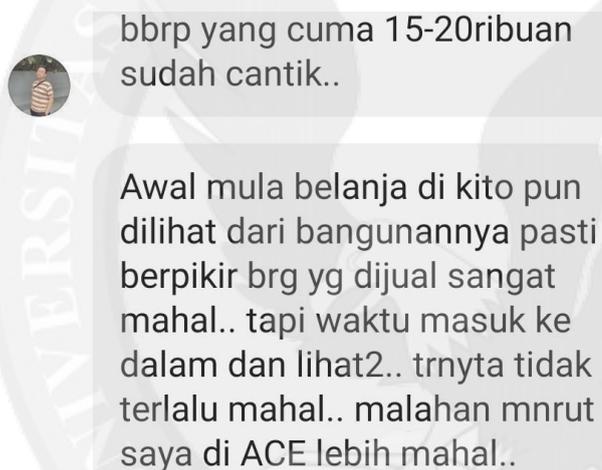


Figure 1. 1 Customer Feedback of Kito Home Gallery

Source: Prepared by the writer (2022)

From table 1.2, sales data from one of Kito Home Gallery's best-selling artificial flowers also shows a decline in sales. The decline in sales from year 2019 to mid-2022 indicates that some of Kito Home Gallery's customers purchased from other stores or its competitors. According to the sales SPV of Kito Home Gallery, the drastic drop in sales in year 2020 is due to the covid-19 pandemic.

Table 1. 2 Kito Home Gallery Sales Data

Date	2019	2020	2021	Mid-2022
Repeat Order	500	500	800	800
No. of Product Sold	500	270	760	350
Percentage	100%	54%	73.7%	32.7%

Source: Kito Home Gallery (2022)

Those problems lead to the researcher's interest to do the research with the title **THE IMPACT OF SOCIAL MEDIA MARKETING ON CUSTOMER PURCHASE DECISION WITH BRAND AWARENESS AS MEDIATION AT KITO HOME GALLERY MEDAN.**

1.2 Problem Limitation

The researcher only focuses on one social media marketing, namely Instagram, with brand awareness as the mediator variable and its impact towards customer purchase decision at Kito Home Gallery. The indicators of social media marketing are using Maulani (2019) namely content creation, content activity, and community building. For customer purchase decision will be using indicators from Kotler & Keller (2007) in Harahap & Amanah (2018) namely recognition, information search, evaluating various alternatives, decision to purchase, and post purchase judgement. The indicators of brand awareness are using Ladha (2007) in Anita (2019) namely unaware brand, brand recognition, brand recall, and top of mind awareness.

1.3 Problem Formulation

There are several problem formulations to be studied:

1. Does social media marketing (X) influence Kito Home Gallery's brand awareness (M)?
2. Direct influence: Does social media marketing (X) influence Kito Home Gallery's customer purchase decision (Y)?
3. Does brand awareness (M) influence Kito Home Gallery's customer purchase decision (Y)?
4. Indirect influence: Does social media marketing (X) indirectly influence Kito Home Gallery's customer purchase decision (Y) with brand awareness (M) as mediator?

1.4 Objective of the Research

The purpose of writing this study is to identify the effect of social media marketing and brand awareness toward customer purchase decision. The objectives of the research are as follows:

1. To identify whether social media marketing (X) influence Kito Home Gallery's brand awareness (M)
2. Direct influence: To identify whether social media marketing (X) influence Kito Home Gallery's customer purchase decision (Y)
3. To identify whether brand awareness (M) influence Kito Home Gallery's customer purchase decision (Y)

4. Indirect influence: To identify whether social media marketing (X) influence customer purchase decision (Y) through brand awareness (M) at Kito Home Gallery

1.5 Benefit of the Research

The result of this study is expected to give further explanation regarding the topic discussed and therefore, help other writers and associate business to see in which ways businesses can further developed and implement their social media marketing strategy.

1.5.1 Theoretical Benefit

May this study regarding the effect of social media marketing and brand awareness as mediation towards customer purchase decision, help businesses to get the ideas in which ways the company can further improve their social media marketing and enhance brand awareness. Also, the study is expected to give brief insights of the relationship and be used as a reference for future writers.

1.5.2 Practical Benefit

The practical benefits of this research as follows:

1. For the researcher, the result of this research is expected to contribute to the existing theories relevant with the impact of social media marketing and brand awareness towards customer purchase decision.
2. For Kito Home Gallery, the research as information to improve the company's strategy to increase brand awareness and social media

marketing activities.

3. For other researchers, to give better understanding and be a guide in leading the researcher to do other research that is compatible with this research.

