# CHAPTER I

# INTRODUCTION

This chapter presents an overview of the entire research conducted. The introduction outlines the background of the problem, research questions, research objectives, research benefit, problem limitation and research outline.

## 1.1. Research Background

The success of a business is determined through successful attraction, maintenance and multiplication of loyal customers (Kotler and Keller, 2009). To formulate strategies in attracting a large number of customers, a business should properly study customer preferences and habits (Orzan, et al., 2017). One of the main factors which can affect the success of a business is communication (Husain, 2013). Marketing communication is very crucial in promoting the business to potential customers (Yeobah and Atakora, 2013).

According to King and Paramita (2016), marketing communication is important and should be given special attention to ensure the success of a business. However, there is no denying that in marketing communication activities, different people react differently. In other words, some people may be more sensitive toward certain words or images and that will influence their reactions (Orzan, et al., 2017). Therefore, many marketing communication methods and techniques are used to send the same message for those message to be understood by many consumers (Yeobah and Atakora, 2013).

In the last couple of years, there has been a massive increase in social media activities (Risius and Beck, 2015). About 31% (2.3 billion people) of earth population use social media platforms (Kotler, et al., 2016). People have taken more interest in social media by registering on social media platforms and using them regularly on their smartphones. Social media platforms such as Instagram, Facebook, Twitter, and even Snapchat have become a very common thing in the modern lifestyle. Not only individuals, brands also join on the trend by creating official accounts to represent their image in social media.

Social media has created new opportunities for brands to communicate with their consumers (Hajli, 2014). Social media provide perfect opportunities for brands to understand their customers' preferences to create more personalized content to better attract them into buying their products and services (Malik, et al., 2016). Currently social media has become a new star in marketing because door-to-door promotion activities has been drastically decreasing (Thomas, 2012 in Dyah, 2014). Social media can be an effective business promotion tool because everyone can easily access those contents, so that a wider promotional network can be achieved. Based on the Global Digital Report 2018, the number of internet users in 2018 has reached 4.021 billion people worldwide, an increase of 7% from the previous year (SmartInsights, 2018). Furthermore, as many as 3,196 billion of them are social media users. This number increased by 13% from the previous year as stated in SmartInsights (2018).

According to Statista (2018) YouTube is currently ranked first as the most popular social media among social media users in Indonesia, with a penetration rate

of 43% of the total population. The second and third ranks were occupied by Facebook and WhatsApp with a penetration rate of 41% and 40%, followed by Instagram ranked fourth with a population penetration rate of 37%. This data is shown by the graph in Figure 1.1.
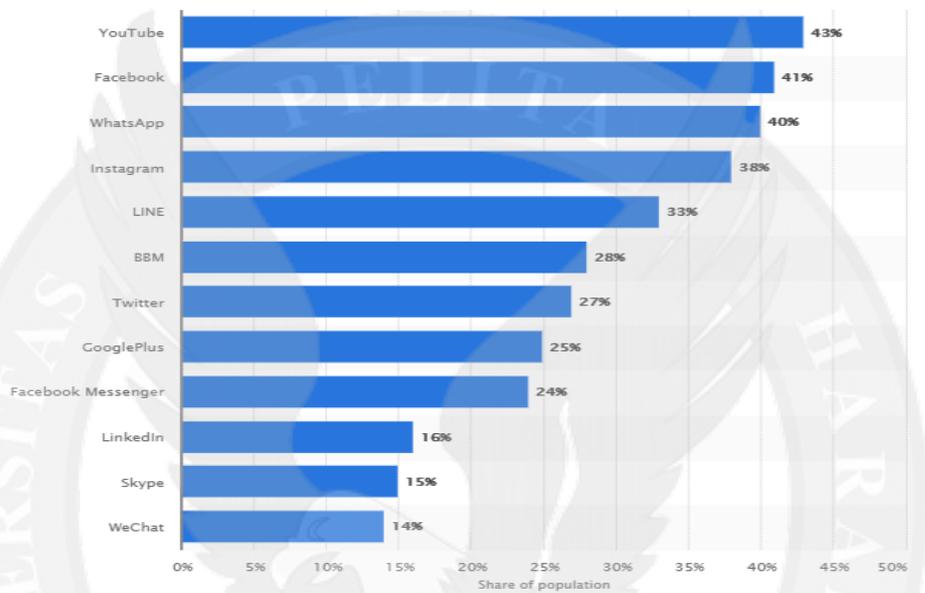


Figure 1.1 Most Popular Media Social Penetration in Indonesia in 2017
Source: Statista (2018)

Instagram is one of the best social platform for engagement with audiences, as Instagram is very simple to use, especially while doing other things. In addition, Instagram has visual nature which is considered as a good medium for visual marketing (DeMers, 2017). To date, 86% of famous brands have Instagram accounts (Our Social Times, 2018). Furthermore, the level of engagement on Instagram is 15 times higher than Facebook and Twitter (Our Social Times, 2018).

Based on a report released by We Are Social (2018), the total number of active monthly Instagram users reaches 800 million users, or 11% of the total population worldwide. This data is shown in Figure 1.2.
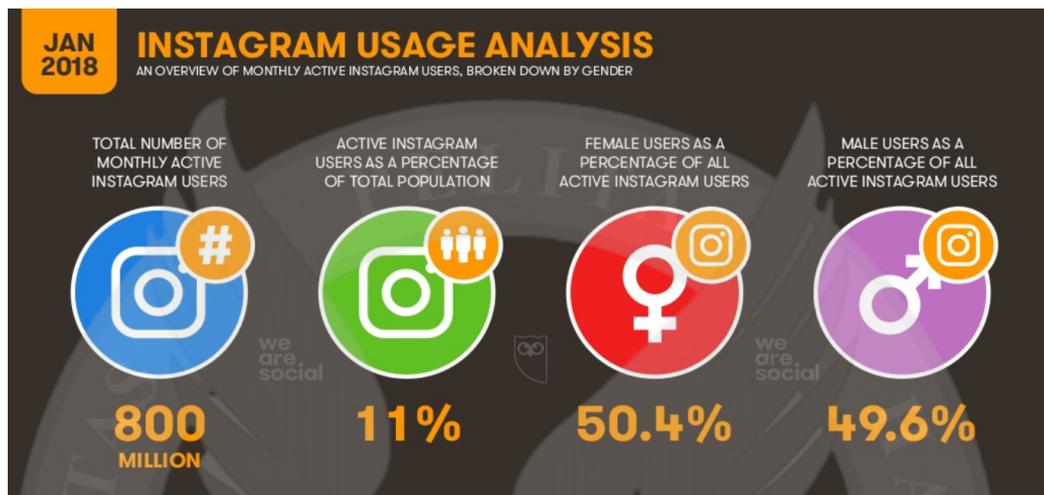


Figure 1.2 Instagram Usage Analysis
Source: SmartInsights (2018)

As the social media continue to be more popular, brands are expected to adjust and set a new goal to gain visibility among the millennial audiences. Usually, brands use social media platforms as a method to target the millennials audience. The very rapid increase number of social media users, especially Instagram in Indonesia, makes Instagram one of the media that has the potential to be used in marketing strategies. Businesses can upload photos or videos to promote their products and / or services in Instagram.

However, this step requires a new marketing strategy. A popular tactic in order to gain more visibility is through endorsement. Endorsement can be defined as a form of advertising which utilize an actual expert, celebrity, and even consumer to express supports towards particular products or services provided by a brand

(Saeed, et al., 2014). According to Freberg, et al. (2010), the people which are chosen to do the endorsement are known as *Social Media Influencer* (SMI). SMIs can be considered as third-party endorsers which can influence audience through their posting on their own social media accounts (Freberg, et al., 2010). SMIs usually have a large number of followers on their social media accounts. SMI controls the perception of their followers towards a particular brand.

Because of that, not everyone with lots of followers can become SMI. A good brand will only collaborate with credible and reputable SMI. Most of the times, those SMIs will receive free products or services to be given honest reviews on their social media accounts. Some of the more popular SMI charge the brands different rate for their posts.

The recent marketing trend is to collaborate with public figures which can be considered as SMI, to promote a product or service on Instagram. Usually, the people chosen to do endorsement via Instagram are celebrities or athletes or other public figures, as well as from ordinary people who have a large number of followers (Freberg, et al., 2010). This is because the more number of followers they have, the wider the range of promotions can be obtained.

An example of a company that typically promote its brand using endorsement method is Nike, which is said to be the company with the biggest expenditure in terms of endorsement compared to all companies in the world, cooperating with sports teams and many famous athletes (Christou, 2018). Nike, Inc. also managed to become the world's largest supplier and manufacturer of sports

products with brand value that continue to increase as well as global revenues of more than USD $ 34 billion in 2017 (Statista, 2018). This shows the importance of endorsement in a business.

Furthermore, the effect of the endorsement will be even greater if the company uses a name that is familiar to influence its audience. Therefore, usually the people chosen to do the endorsement come from celebrities or famous people known to the public. They are called as endorsers. Endorsers should also have several important characteristics such as *visibility, credibility, attractiveness and power* (Hargiyanto, et al., 2017).

The characteristic of *visibility* is associated with fame, achievement or big name owned by a celebrity or famous person (Gunawan and Dhamayanti, 2014). *Credibility* is related to the expertise and honesty possessed by an individual (Shimp, 2014). Meanwhile, *attractiveness* is usually associated with the attraction possessed by an individual, for example physical attractiveness, lifestyle, intellectual, expertise in the field, all the things that can give a positive impression and image (Malik and Sudhakar, 2014). *Power* reflects the power of the charisma of an individual that can influence people's attitudes, thoughts, and behavior (Astuti, 2012, in King and Paramita, 2016). These characteristics play an important role in the endorsement market.

The potential positive outcome of the endorsement on product sales cannot be underestimated. According to the reports from Guided Selling (2016), studies show that consumers show a stronger memory of products that have been endorsed

by public figures, regardless of whether they are fans of the public figures or not. This is because the human brain recognizes public figures in a manner similar to how to recognize people they truly know (Roll, 2006). As a result, if the consumer were a fan of a public figure, then the consumer would see the product in a more positive way, as if suggested by a friend. Endorsements can promote a product or brand, increase trust and familiarity, which is important in the decision making process for purchasing (Sokolovska, 2016). Olenski (2016) also mentioned that the results of research conducted by Social Media Week shows that an endorsement can drive an increase in sales of at least 4%.

Considering that Instagram has become one of the most widely used social media and through it has become an endorsement platform, Instagram became the social media discussed in this study.

As mentioned before, endorsements made through Instagram can also be done by ordinary people with large number of followers, not just celebrities or public figures, which can be categorized as non-celebrity endorsers. Nowadays, with endorsement has become a trend of promotion, it is such a common thing for restaurants and cafés around Jakarta to boost up their popularity by engaging with Foodstagram accounts, such as doing endorsement. Foodstagram account basically acts as the endorser to promote its clients (restaurants and cafés) through Instagram post. The post can be in a form of photo or video, it depends on the client's request. Foodstagram endorsement is one example of endorsement that is carried out through ordinary people who have a lot of followers. The following table 1.1 shows the data of several Indonesian Foodstagramers and the number of followers.

**Table 1.1 Jakarta Foodstagram Account and Number of Followers**

| Foodstagram Accounts Username | Numbers of Followers |
|---|---|
| JKTFoodDestination | ± 814.000 followers |
| JKTfoodbang | ± 641.000 followers |
| AnakJajan | ± 308.000 followers |
| EatandTreats | ± 211.000 followers |
| SeparuhAkuLemak | ± 180.000 followers |

Source: Instagram (2018)

Table 1.1 shows five famous Indonesian Foodstagram accounts on Instagram. The most famous account according to table 1.1 is "JKTFoodDestination" by having approximately 814.000 followers on its page. Followed by "JKTfoodbang", "AnakJajan", "EatandTreats", and "SeparuhAkuLemak". Essentially, what a Foodstagram account does is sharing their own thoughts about foods and beverages and give guidance for its followers about restaurants and cafés in their represented area. The Foodstagram accounts mentioned above, are all based on Jakarta. This means that they are only focusing on giving reviews on restaurants and cafés around Jakarta area.

As a result, Foodstagram accounts have been playing a very crucial part for restaurants and cafés in Jakarta to promote their specialties. Endorser like Foodstagram accounts can be categorized as an important key of promotion since restaurants and cafés might get more acknowledgement after being promoted on their page and might increase of customers through promotion in the Instagram page with lots of followers.

To be able to win the trust of its followers, a good Foodstagram account must possess all of the fundamental components as an endorser. These components are *Visibility, Credibility, Attractiveness, and Power*. Those four major components are vital because they determine how effective an endorser may be able to attract its followers based on a single post on Instagram. Those components are essential in attracting *Customer Buying Interest* towards the restaurants and cafés promoted.

This thesis will focus on the study of the Foodstagram Endorsement's effectivity affecting consumers buying interest towards restaurants and cafés in Jakarta. This research study is a replication from previous study titled "*Foodstagram Endorsement and Buying Interest in Café / Restaurant*" which was written by King and Paramita (2016).

## 1.2. Research Questions

Based on the background of the problems above, the research questions can be formulated as follows:

1. Does the ***Visibility*** of *Foodstagram* have a positive influence towards ***Customer Buying Interest***?

2. Does the ***Credibility*** of *Foodstagram* have a positive influence towards ***Customer Buying Interest***?

3. Does the ***Attractiveness*** of *Foodstagram* have a positive influence towards ***Customer Buying Interest***?

*4.* Does the **Power** of *Foodstagram* have a positive influence towards *Customer Buying Interest?*

## 1.3. Research Objectives

Based on the research questions of the background study above, the objectives to be achieved in this study are:

1. To find out the positive influence between *Foodstagram's* **Visibility** towards **Customer Buying Interest**.

2. To find out the positive influence between *Foodstagram's* **Credibility** towards **Customer Buying Interest**.

3. To find out the positive influence between *Foodstagram's* **Attractiveness** towards **Customer Buying Interest**.

4. To find out the positive influence between *Foodstagram's* **Power** towards **Customer Buying Interest**.

## 1.4. Research Benefit

This research is expected to be able to provide benefits to every party involved, as well as for the author, which include:

a. **Business Owners on Instagram**

The results of this research are expected to give contribution and benefits to business owners on Instagram, specifically Foodstagram accounts. Therefore, they are able to provide a better endorsement service for their clients and a better content for their followers.

**b. Followers of Foodstagram Accounts**

The results of this research are expected to give a clear justification towards the followers of Foodstagram accounts around Jakarta about the relationship between each variable *Visibility, Credibility, Attractiveness, and Power* towards *Customer Buying Interest*.

**c. Author**

The results of this research are used as the final paper to complete the author Bachelor's Degree.

**d. Upcoming Research**

The results of this research are expected to give contribution for the upcoming research regarding this topic. This research can hopefully be used as a reference and give useful information both theoretically and empirically.

## 1.5. Problem Limitation

The limitation of the problem in this study is made considering the large scope that exists in this field and the limited time, cost, and other resources which may affect the author. In addition, limitation of the problem is also done so that this research is more focused and detailed.

a. The author uses quantitative method which requires the help of the followers of Foodstagram accounts around Jakarta as the respondents to fill in the questionnaire.

b. The variables discussed on this research include *Visibility, Credibility, Attractiveness, Power, and Customer Buying Interest*.

c.  The targeted respondents are people who have been following Foodstagram accounts around Jakarta on Instagram and reside in Jakarta.

Hence, this study has been narrowed down to the discussion related to *Visibility, Credibility, Attractiveness, Power, and Customer Buying Interests* based on Foodstagram accounts endorsement posts.

## 1.6. Research Outline

To provide a clearer and more detailed picture, this research is arranged based on systematic presented in five chapters in the following order of decomposition:

**CHAPTER I:**    **INTRODUCTION**

This chapter outlines the background that underline the research, research questions, research objectives, research benefit, problem limitation, and writing systematics to provide clearer outline for the readers for the following chapters in this study.

**CHAPTER II:**    **LITERATURE REVIEW**

This chapter describes the theories that support the research, so as to help solve research problems and test hypotheses. Theoretical foundations are important aspects which will be discussed and elaborated thoroughly in this chapter as the foundations to solve the problems stated in Chapter 1.

**CHAPTER III:**    **RESEARCH METHODOLOGY**

This chapter describes the methodology used in carrying out the research such as research approach, research design, research object and subject, unit of analysis, conceptual and operational definition, data collection method and technique, data analysis method, and pre-test study.

**CHAPTER IV:**    **ANALYSIS AND DISCUSSION**

This chapter describes the results of data analysis obtained through statistical testing of the results of the questionnaire and discussed of the results of the data processing. At the end of this chapter, further discussion of the hypothesis testing would be carried out.

**CHAPTER V:**    **CONCLUSIONS AND IMPLICATIONS**

This chapter outlines conclusions that can be drawn from the discussion in the previous chapters. In addition, this chapter outlines the conclusions of this research, managerial implications, limitations of research and recommendations for further research related to this study.