

CHAPTER 1

INTRODUCTION

1.1 Background of the Study

Nowadays, the majority of firms have been innovating their ideas, strategies, and solutions continuously to create and sustain a competitive advantage, due to breakthroughs in technology and changes in customer behavior. Regarding this, social media usage has increased significantly in recent years, especially in a world where companies that want to succeed in the long run have to support internet use. Figure 1.1 below shows the number of users of the internet across the years that seems to grow constantly. This, by default, makes it of immense importance, and this is the reason every brand around the world leverages it for strengthening.

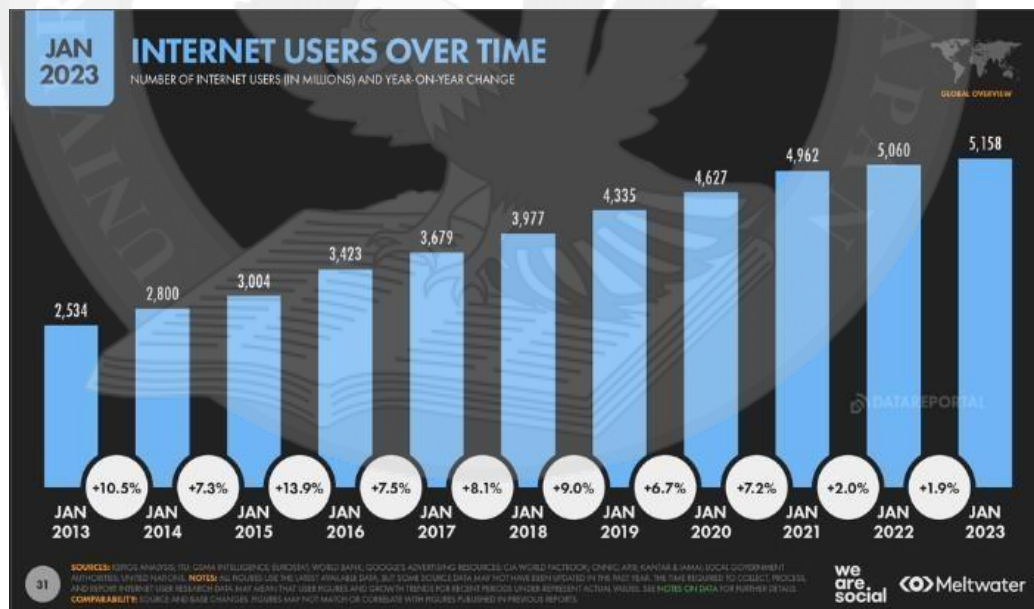


Figure 1.1 Global Number of Internet Users 2013-2023

Source: Datar Portal, 2023

Social media could be defined as internet-based digital interactive communication technology. In today's modern world, social media is now one of the most used digital marketing platforms. The popular ones include Facebook, Instagram, WhatsApp, TikTok, X (twitter) and more. Social media does well in this respect since businesses can use the various platforms to reach the target audience directly and create brand awareness of the goods and services. (Henderson, 2020). It would, therefore, have a more pronounced effect compared to single-way channels of communication such as advertisements through print media on the consumers' perception and response towards a certain brand (Oktriyanto et al., 2021).

Figure 1.2: Indonesia's Internet user population over time. The number is obtained from data showing that internet users in Indonesia grew exponentially from 70.5 million in 2013 to an astonishing 213 million in 2023. This data shows an increase among internet users almost three times in the past ten years. Of course, it relates strongly to increasing social media usage because social media operates over the internet. Within this period, Indonesian social media users also grew threefold. With almost 167 million active social media users as of February 2022, Indonesia was the largest country in Southeast Asia and third in Asia-Pacific behind China and India

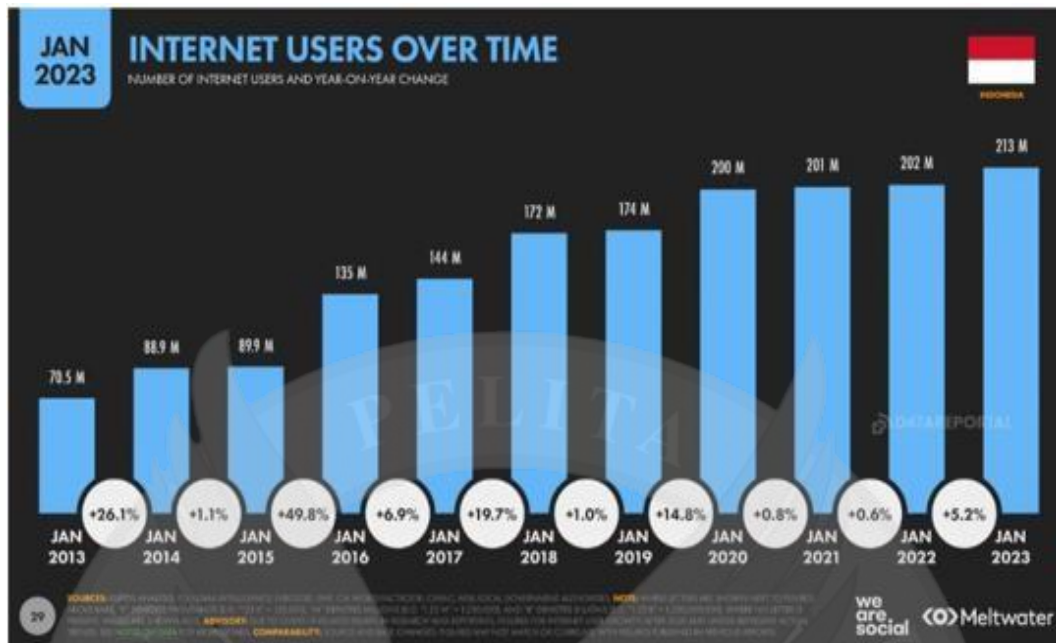


Figure 1. 2 Number of Internet Users in Indonesia

Source: Howe, S. (2023)

Figure 1.3 Shows Indonesia’s most popular social media sites. These social media platforms enable users to post videos, images, memories, and other social activities with worldwide audiences. The graph indicates that the highest level of popularity among social media networks in Indonesia is WhatsApp, at 90.9%. The succeeding figures are the percentage of active Internet users aged 16-64 years using each platform every month. Instagram has the highest rating in the category of most popular social media platform after WhatsApp, with 85.3% usage. Then comes Facebook with 81.6%, and TikTok is in the fourth position with 73.5%. Next in sequence come the following: the fifth, sixth, and seventh-most used social media in Indonesia are Telegram with 61.3%, X, which is Twitter, with 57.5%, and Facebook Messenger with 47.9% respectively.

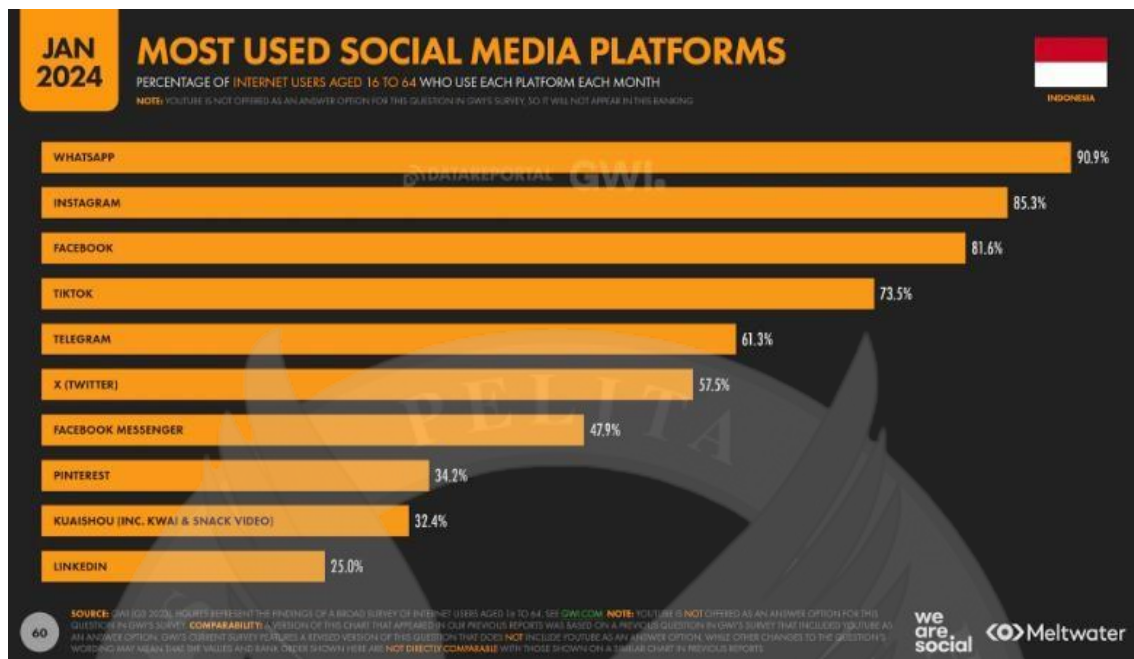


Figure 1. 3 Top Social Media Platforms

Source: Meltwater, 2024

Nowadays, a lot of businesses utilize social media platforms for marketing purposes. Lestari et al., (2024) argued that the effect of social media marketing towards yearly sales statistics was significant, ranging from 10% to 30 %. Most firms have redeveloped and increased their investment in social media marketing as a form of increasing client purchase intent in response to the emergence of these social media platforms. Based on the technology analyst Duncan's report, since 2017, brands have spent incredibly large sums amounting to \$ 930 billion on social media advertisement. (Duncan, 2024)

Through a variety of locations, social media marketing enhances communication capabilities to facilitate customer interaction and provide useful information across extensive geographical and population scales (Dolega et al., 2021). Based on Oktriyanto et al., (2021) Word of Mouth, Trendiness

Entertainment, Interaction, and customization simultaneously influence social media marketing.

Shareef, (2017) mentions that entertainment in social media creates emotional responses that motivate users to follow, like, or share content, boosting the likelihood that they will engage with a brand.

In social media marketing, interaction describes a two-way communication process that lets both brands and customers communicate actively with each other through different platforms. Interaction is the core level of engagement where brands and users can share information ideas, and feedback (Ali et al., 2024)

Also, Shareef et al., (2021) defined trendiness as content that reflects “timely culturally relevant, and fashionable elements, increasing its appeal to users who want to stay connected with the latest happenings.”

Ali et al., (2024) claimed that a main essential component of social media marketing tactics is customization, which enables companies to provide customers with more engaging and customized experiences.

Regarding social media marketing, “word of mouth” refers to the unofficial distribution of thoughts and implications in relation to items, brands, or services among consumers through social media (Santini et al., 2020). This user-generated content tends to have huge credibility among consumers because people are more likely to believe a recommendation from their peers or other users over traditional advertising (Ali et al., 2024).

One business that makes good use of social media marketing is FILA. As one of the big suppliers of athletic shoes and apparel, FILA has utilized a range of

social media marketing to advertise its goods. The brand maintains multiple Instagram accounts targeting different regions, including Global, Europe, the UK, Indonesia, Singapore, Korea, Australia, and more. One of FILA's Instagram accounts (@filausa) has over 2.4 million followers, while its Facebook and X (formerly Twitter) accounts have over 307K and 68.8K followers, respectively (as of August 2024). According to the Media Rader website, FILA has spent under \$100 million on online advertising across more than 50 different properties.

Even though FILA has made an attempt to spend money on social media marketing to elevate customer repurchase intent, brand recognition, and brand image, Figure 1.4 shows that FILA ranks the lowest in several categories compared to competitors, such as Puma, Vans, Reebok, Adidas, and Brook Running. Additionally, FILA ranked 81st in the fashion and Beauty category in 2022, while competitors like Nike, Vans, Puma, Adidas, and other competitors secured spots in the top 20, and ranked 4th of its competitors. Furthermore, FILA's total score is 56/100, while all its competitors scored above 70/100. From figure 1.4, we can see that Fila's customer services, and product quality are in 6th place, Fila's brand image, brand awareness, and customer intention to repurchase can all have an impact on this.

Fila Competitors

Fila competitors include Vans, Reebok, adidas, PUMA and Brooks Running. Fila ranks 5th in Employee Net Promoter Score on Comparably vs its competitors. See below how Fila compares to its competitors with CEO Rankings, Product & Services, NPS, Pricing, Customer Services, Overall Culture Score, eNPS, Gender and Diversity Scores.

See Fila Culture vs Competitors:

CEO Rank	6th	eNPS Rank	5th
Gender Rank	6th	Diversity Rank	6th
Product Quality	6th	NPS Rank	6th
Pricing Rank	6th	Customer Service	6th

1st	 PUMA	78 / 100
2nd	 Vans	74 / 100
3rd	 Reebok	72 / 100
4th	 adidas	70 / 100
5th	 Brooks Running	70 / 100
6th	 Fila	56 / 100



Figure 1. 4 FILA's Competitor

Source: Comparably,2024

Based on Santini et al., (2020), brand Awareness explains the degree to which customers realize and recall a brand after seeing its name, logo, or messaging on social media. The activity of social media marketing through elevating brand awareness will significantly contribute to the behavior of consumers since better brand recognition leads to better consumer involvement (Ebrahim, 2020).

Brand image encompasses how customers feel about the brand after interaction and experience; besides the content they go through on social media

platforms (Ali et al., 2024). A very positive brand image would be created when consumers consistently relate a brand with desirable attributes, which might be a sign of quality, trustworthiness, or innovation (Santini et al., 2020).

A key component of the company and the brand is the intention of customers to repurchase. To put it simply, repurchase intention refers to the probability that a consumer will make another purchase from a similar brand after his very first experience (Santini et al., 2020). This factor is strongly related to customer satisfaction, brand loyalty, and positive brand experiences that can hugely be influenced by means of social media interactions

Based on Figure 1.5, it shows FILA's Consolidated Income Statement from 2020 to 2023, the data was taken from their official financial website. From 2020 to 2022, the data shows that each year has a growth in their net income, operational profit, gross profit and total revenue. Total revenue increased in 2020 to 2021 by 21.3%, and 2021 to 2022 increased 11.3%, then in 2023 it decreased 5.1%. Along with the decrease in total revenues, there was a decline in gross profit, operating profit, and net income by 3%, 30.2% and 67.3%, respectively. What is more, as Figure 1.5 reflects, while revenues and profit improve in Q2 compared to Q1, they continuously decline in Q3 and Q4 each year, it shows that FILA has poorer financial performance toward the end of each year.

2020	1Q	2Q	3Q	4Q	Total
Revenue	789,901	625,011	917,431	796,463	3,128,806
Gross Profit	381,699	326,569	446,324	390,050	1,544,642
Operating Profit	67,142	50,281	155,583	68,073	341,079
Net Income	39,500	45,520	95,115	17,604	197,739
2021	1Q	2Q	3Q	4Q	Total
Revenue	988,281	1,019,354	927,065	859,259	3,793,959
Gross Profit	498,541	522,427	453,165	406,117	1,880,250
Operating Profit	183,569	173,786	110,311	25,185	492,851
Net Income	134,201	135,750	75,924	(8,066)	337,809
2022	1Q	2Q	3Q	4Q	Total
Revenue	1,073,563	1,171,903	1,079,544	896,740	4,221,750
Gross Profit	529,941	565,318	519,738	414,309	2,029,305
Operating Profit	168,794	152,390	121,804	(7,915)	435,072
Net Income	123,092	114,442	93,846	136,164	467,544
2023	1Q	2Q	3Q	4Q	Total
Revenue	1,108,599	1,147,006	990,192	760,830	4,006,627
Gross Profit	556,897	534,986	489,800	388,539	1,970,222
Operating Profit	160,379	91,943	92,563	(41,391)	303,494
Net Income	118,257	37,197	57,743	(60,140)	153,057

Figure 1. 5 Consolidated Income Statement of FILA from 2010 ~ 2023

Source: FILA Holdings. Corp, 2024

Figure 1.6 presents the history of FILA's annual earnings growth in the period from 2020 to 2024 and corresponding year-over-year percentage changes that reveal changes in performance. Over the five years between 2015 and 2019,

FILA managed to improve its growth progressively. However, in 2020, the company's earnings shrunk by -27.78% compared to the prior year, amounting to €0.26 billion. For 2021, the growth of earnings was 53.03%, and the value of earnings reached €0.40 billion. Unfortunately, it fell again in 2022 by -21.6% to reach €0.31 billion, while in 2023, earnings plunged deep by 40.15% to € 0.18 billion. Although 2021 marked a peak for the company in terms of earnings, the company has not been able to record such earnings for the remaining years. From the above Phenomena, the researcher has chosen to explore the impacts and power of social media marketing on FILA’s consumer repurchase intention, brand image, and brand awareness.

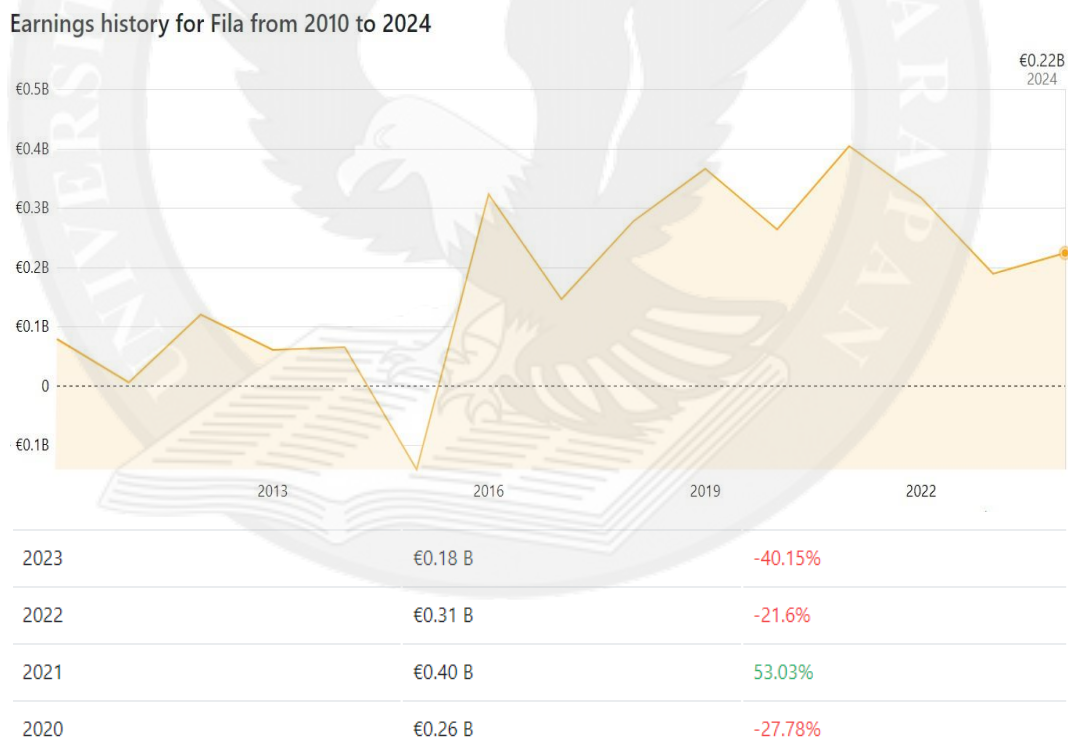


Figure 1. 6 Annual Earnings History from FILA 2010~2024

Source: Companiesmarketcap, 2024

1.2 Problem Statement

The increasing growth of internet and social media users worldwide has significantly influenced marketing strategies, especially in Indonesia, where social media platforms have become crucial for brand promotion. Social media marketing enables companies to approach more deeply with clients by offering interactive and entertaining content, while celebrity endorsements can boost brand credibility and appeal (Henderson, 2020; Al., 2021). FILA, a global athletic apparel brand, has leveraged these strategies to strengthen its market presence, investing in social media marketing and collaborating with popular celebrity endorsers, such as K-pop stars and athletes (Karimi & Naghibi, 2015; N. Ahmed et al., 2014).

Despite these efforts, FILA has experienced fluctuating financial performance and lower competitive ranking compared to other businesses like Nike, Puma, and Adidas (Comparably, 2024). These challenges suggest possible gaps in how FILA's marketing strategies resonate with consumers. Therefore, it is critical to examine how effectively FILA's social media marketing particularly its focus on customer repurchase intention, brand awareness, and brand image is influenced by entertainment, customization, trendiness, interaction, and word of mouth. (Ehrenberg & Goodhardt, 2001; Kumar et al., 2010).

1.3 Research Questions

1. Does Entertainment positively effects on Brand Awareness?
2. Does Customization positively effects on Brand Awareness?
3. Does Trendiness positively effects on Brand Awareness?
4. Does Interaction positively effects on Brand Awareness?

5. Does Word or Mouth positively effects on Brand Awareness?
6. Does Entertainment positively affect Brand Image?
7. Does Customization positively affect Brand Image?
8. Does Trendiness positively affect Brand Image?
9. Does Interaction positively affect Brand Image?
10. Does Word of Mouth positively affect Brand Image?
11. Does Brand Awareness positively affect Repurchase Intention?
12. Does Brand Image positively affect Repurchase Intention?

1.4 Research Objectives

1. To determine whether Entertainment contribute a positive effect towards Brand Awareness
2. To determine whether Customization contribute a positive effect towards Brand Awareness
3. To determine whether Trendiness contribute a positive effect towards Brand Awareness
4. To determine whether Interaction contribute a positive effect towards Brand Awareness
5. To determine whether Word of Mouth contribute a positive effect towards Brand Awareness
6. To determine whether Entertainment contribute a positive effect towards Brand Image
7. To determine whether Customization contribute a positive effect towards Brand Image

8. To determine whether Trendiness contribute a positive effect towards Brand Image
9. To determine whether Interaction contribute a positive effect towards Brand Image
10. To determine whether Word of Mouth contribute a positive effect towards Brand Image
11. To determine whether Brand awareness contribute a positive effect towards Repurchase Intention
12. To determine whether Brand Image contribute a positive effect towards Repurchase Intention

1.5 Benefit of the Study

This study will provide several parties in practical and theoretical aspect, including:

1.5.1 Practical Contribution

According to Saunders, (2021) defined that practical contribution refers to the application of research findings that lead to real-world improvement or spoliations in practice, emphasizing the utility of research in addressing specific issues, enhancing processes, or informing decision-making within a given field. This study aims to present a comprehensive overview of clothes and shoe brands about the factors that affect consumers repurchase intention to buy those products. This study is also expected to be a future reference in decision-making or policy closely linked to the social media marketing of clothes and shoe brands.

1.5.2 Theoretical Contribution

Theoretical contributions refer to the advancement of existing theories or the development of new conceptual frameworks that enhance our understanding of a specific phenomenon (Saunders, 2021). In this research a replication study based on Yang et al., (2022) aims to predict Repurchase Intention using social media indicators such as Entertainment, Customization, Trendiness, Interaction, and Word of Mouth, which are expected to positively impact Brand Awareness and Brand Image. The finding of this study may be utilized to evaluate and assess the applicability and effectiveness of the social media marketing strategies employed.

1.6 Research Outline

The outline of this research proposal consists of five chapter which contain:

Chapter 1: Introduction

The first chapter will discuss the background of the research, problem statement, research problem, research questions, the scope of the study, the benefit of the study, and research outline.

Chapter 2: Literature Review

The second chapter discusses the underlying theories for this research, the variables of studies, conceptual framework, and the hypothesis development other related concepts to the research topic.

Chapter 3: Research Methodology

The Third chapter discuss the design and method for the research. Using a quantitative approach, this part of the study explains the methods of data collection.

Chapter 4: Data, Result, Analysis and Discussions

The fourth chapter will focus on the research findings. It provides data from the questionnaires and tests for each variable, accompanied by a discussion. This chapter details the statistical analysis conducted to validate the research hypothesis, identifying which hypothesis were confirmed and which were not, along with explanations. Additionally, it includes several data verification processes to ensure the data's suitability for further analysis.

Chapter 5: Conclusion and Recommendation

Chapter 5 will be the research conclusion and recommendation for future studies. The conclusions are drawn from the findings and discussions in the previous chapter, focusing on the research hypotheses. This chapter will also show the limitations of the study, and to offer suggestions that can contribute to future research efforts.