

# CHAPTER I

## INTRODUCTION

### 1.1 Research Background

The retail industry has experienced significant growth and innovation in recent years, driven by factors such as increased shopping volumes, rising customer expectations, and technological advancements (Mostaghel et al., 2022). The retail industry has experienced significant growth and expansion on a global scale over the past decade. Total global retail sales have steadily increased, reaching 24.78 trillion USD in 2019, and are projected to further grow to 26.69 trillion USD in 2022. Retail sales in emerging markets are expected to continue expanding at a significant rate, reaching over \$17.8 trillion by 2030 (Gupta & Ramachandran, 2021). The retail sector is a major contributor to the national economy and provides employment opportunities at local, regional, and national levels (Lutfi et al., 2023). Retail stores, as one of the oldest business models, is a very crucial sector to maintain as they bridge the gap between producers and consumers by providing a convenient and direct way to acquire necessary goods (Timotius et al., 2022)

Moreover, according to (Andi Ayu Frihatni, 2020), since the 1980s, the retail industry has played a significant role in the Indonesian economy, providing essential goods and services to consumers. The retail sector in Indonesia has experienced significant growth, with retail sales increasing by 20% annually since the year 2000 and reaching 40% in 2007 (Pramono et al., 2020). The number of retail outlets in Indonesia has grown significantly, reaching 40,000 outlets in 2018,

and the value of retail sales in Indonesia has also surpassed that of other Southeast Asian countries, reaching US\$350 billion in 2017 (SOELTON et al., 2021). These statistics highlight the importance of the retail sector in the Indonesian economy. The rapid development has transformed the retail landscape in Indonesia, making it a major economic force. In addition, It contributes substantially to the Gross Domestic Product (GDP) and provides employment opportunities (SOELTON et al., 2021).

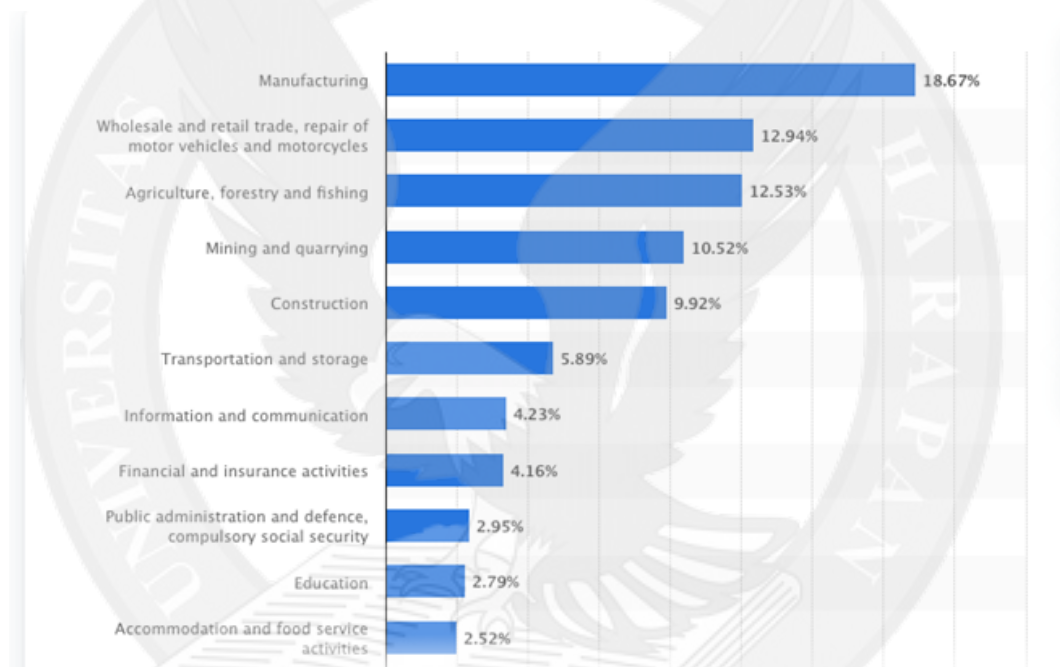


Figure 1.1 Indonesia's share of Gross domestic product (GDP) in 2023 by sector

Source: (Siahaan, 2024)

Figure 1.1 shows that In 2023, Indonesia's manufacturing sector is the driving force of its economy, contributing approximately 18.67% of GDP. It is followed by wholesale and retail trade repair of motorcycles and motor vehicles, contributing 12,94% of GDP, indicating the significance of domestic consumption and distribution in the economy. Agriculture, forestry, and fishing sectors occupy

the third position, contributing a significant 12.53% to the GDP. The fourth and fifth positions are occupied by the mining and quarrying sector and construction sector, which hold a notable share of 10.52% and 9,92%, respectively. These sectors propel Indonesia's position as one of the world's largest economies. The provided figure highlights the significance of the retail sector in Indonesia's economy; this underscores the importance of studying the retail sector in Indonesia. Therefore, this study will narrow its focus on the retail industry.



Figure 1.2 Indonesia's Real Sales Index 2019-2023  
Source: (Ahdiat, 2023)

According to the data of Bank Indonesia shown in Figure 1.2, the Real Sales Index (IPR) of retail sales reached 242.9 points in April 2023, the highest level since the start of the COVID-19 pandemic in 2020. An increase in IPR value corresponds to an increase in retail sales and public consumption. The value of IPR is expected to rise further once the COVID-19 pandemic ends and the country's economic stability improves. IPR increased in the product categories of information and communication equipment, food and beverages, and tobacco (Ahdiat, 2023). Convenience stores are one of the most common types of retail businesses in Indonesia. In July 2023, the United States Department of Agriculture published a

report on Retail Foods in Indonesia, stating that convenience stores are the largest segment in the modern retail market and are expected to rise in number of outlets. This is because the sales value of convenience stores reached USD 91 billion in 2022 and continues to rise as Indonesians' prosperity grows, particularly in metropolitan areas (Naurah, 2023).

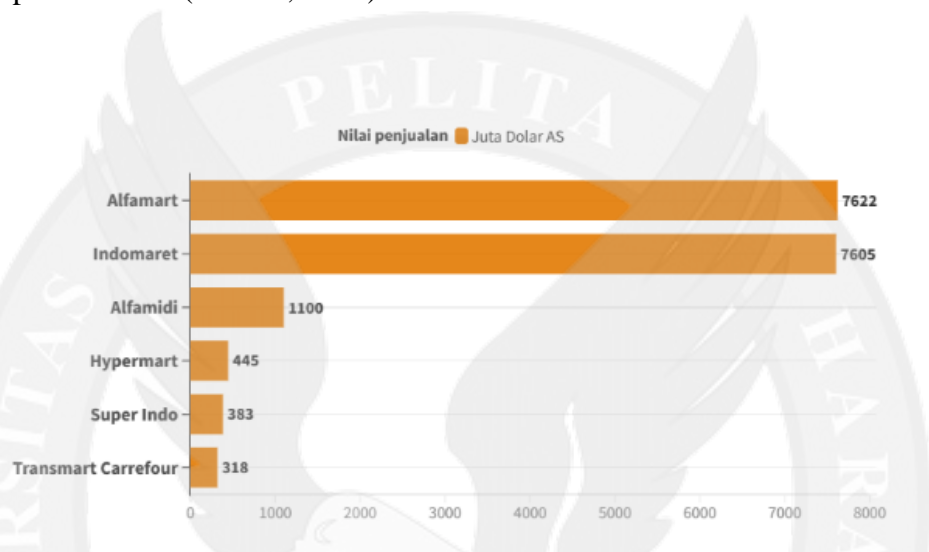


Figure 1.3 Sales Value of Indonesia's Convenience Store 2022  
Source: (Naurah, 2023)

Minimarkets dominate the convenience store sector in Indonesia. Figure 1.3 shows that In 2022, the USDA reported that Alfamart and Indomaret accounted for 92% of convenience shop sales in Indonesia (Naurah, 2023). Minimarket is a convenience store that comprises small modern retail businesses. It provides consumer goods products to meet the household needs of consumers (Kuraesin & Prasetyowati, 2018) Minimarkets won the competition for a variety of reasons, including reaching all customer categories, having a large number of stores, being spread out in places adjacent to housing and economic centers, and having effective management. Minimarkets outperform supermarkets and hypermarkets in terms of

efficiency, although having less products. The only significant competition for minimarkets was home-based stalls or small-scale grocery businesses that were communal in nature. The minimarket format accounted for 21% of the sales value of the consumer goods industry (Katadata, 2023).

The advanced level of internet technology has transformed marketing practices. One approach is to use social media marketing. Social media marketing (SMM) is the practice of communicating with customers and brands via social media platforms such as Facebook, YouTube, Instagram, WhatsApp, X, LinkedIn, and others (Md. Hafez, 2022). Social media is an effective marketing tool for increasing brand awareness, providing accurate information about the brand, reducing misunderstandings or rumors about the brand, and ultimately increasing brand value through information exchange, interaction, collaboration, and content sharing between brands and consumers (Adikari et al., 2021). SMM enables consumers to freely and openly convey their brand experiences to a large number of potential customers, which benefits brands by encouraging purchase intentions (Hanaysha, 2022).

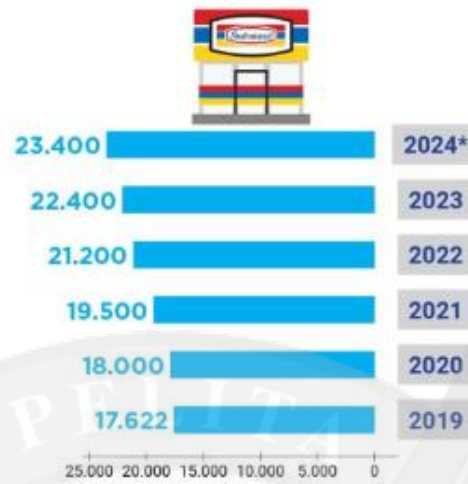


Figure 1.4 The number of Indomaret stores 2019-2024\*  
Source: (Pambudi, 2024)

Indomaret is Indonesia's first minimarket. Indomaret is a modern retail company in Indonesia that specializes in minimarkets. Indomaret was founded by Pepito Widjaja in 1988. Indomaret's vision is to "to become a national asset in the form of a franchise retail network that excels in global competition," and its slogan is "easy and economical." Indomaret sells a wide range of household products at low prices, with a welcoming store environment and store locations that spread throughout Indonesia. Based on the number of stores, Indomaret is the minimarket with the largest number of stores in Indonesia. Figure 1.4 shows that the number of Indomaret stores has steadily increased over the last five years. By 2023, Indomaret already owned 22,400 stores and offered over 5,000 products (Indomaret, 2024; Pambudi, 2024). By the end of 2024, Indomaret aims to open another 1,000 stores and is projected to have 23,4000 stores in total (Pambudi, 2024).

Indomaret seeks to preserve its competitive advantage and brand value, to maintain its position as the leading company in the convenience store sector. Intense

competition in the minimarket business forces Indomaret to constantly update their marketing strategies, not only depending on traditional marketing but also adjusting to consumer tastes and implementing digital marketing. Currently, the primary approach being executed by Indomaret is the use of technology in operations and services. Indomaret has undertaken various digital initiatives, including foraying into the online shopping market and conducting various marketing activities on social media (Pambudi, 2024). Prior to the Covid-19 epidemic, Indomaret began digitizing and conducting marketing activities on numerous social media platforms such as Facebook, Instagram, YouTube, X, Whatsapp, and TikTok. Indomaret has also created several mobile apps, including KlikIndomaret, Indomaret Poinku, i. saku, and Indo Paket (Indomaret, 2024).

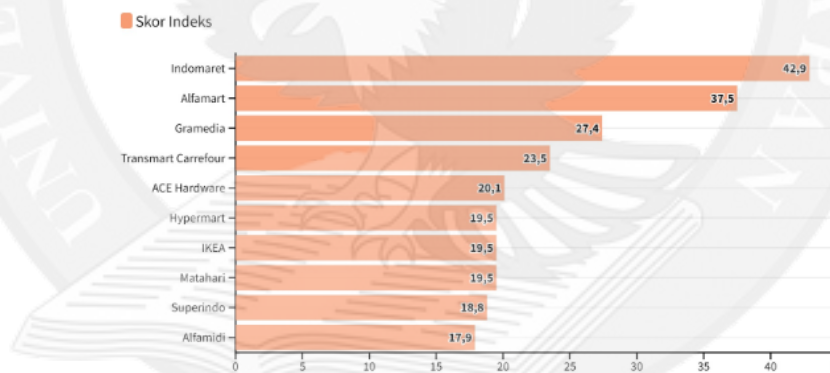


Figure 1.5 Retailers with the Highest Consumer Value in Indonesia 2021.  
Source: (Angelia, 2022)

The value that consumers place on a brand can determine business success. Brand equity is a collection of assets and liabilities associated with a brand's name and symbol that can increase or decrease the value of products or services (Md. Hafez, 2022). Brand equity is obtained by comparing the value or benefits received



by consumers to their costs. Brand equity, which includes components such as brand awareness, brand association, quality perception, and brand loyalty, is the foundation for consumers to continue to repurchase products or services from the same brand, making customers unwilling to switch to other brands (Md. Hafez, 2022). According to YouGov's Retail Rankings 2021 in Figure 1.5, Indomaret received the highest consumer score in Indonesia in the retail company category, achieving 42.9 points. Prior research by (Missy Bremila et al., 2022), who conducted research to compare the brand equity of several minimarket brands in Indonesia, found that Indomaret has the highest brand equity according to Indonesian Consumers.

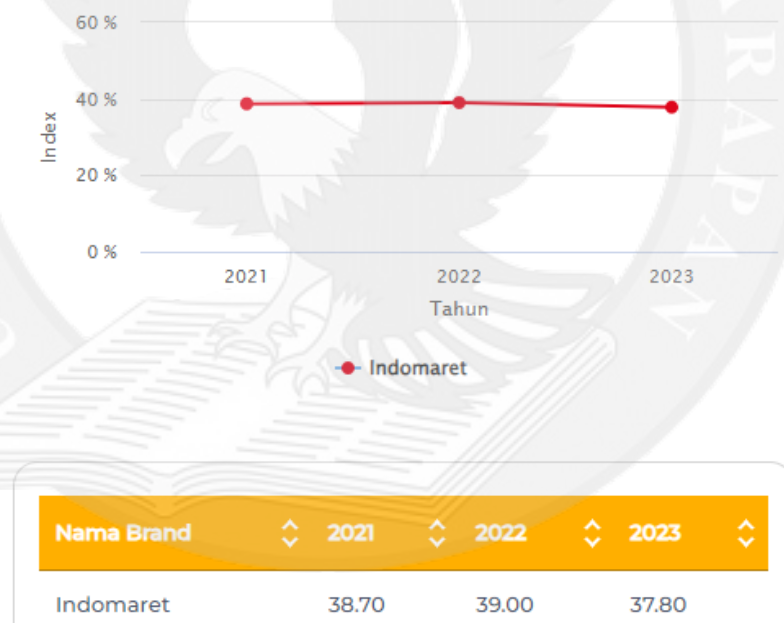


Figure 1.6 Indomaret Top Brand Index 2021-2023  
Source: (Top Brand Award, 2024)

Figure 1.6 shows the Top Brand Index score for Indomaret from 2021 to 2023 based on Top Brand Award. Top Brand Award pioneers in brand valuation



based on the branding performance of companies in Indonesia. Top Brand employs a survey methodology that is carried out three times a year in 15 major Indonesian cities. Top Brand Index is calculated using three assessment parameters: Top of Mind, Last Usage, and Future Intention for a brand in a certain product category. Then, determine the percentage of brand frequency relative to total brand frequency. The Top Brand Index (TBI) is then calculated by taking the weighted average of each parameter. The Top Brand Award is then given to a brand if the brand fulfil the two requirement criteria, first the brand must obtain Top Brand Index of at least 10 points, second the survey result of the brand is in the top three positions in the product category. (Top Brand Award, 2024). In 2021, Indomaret obtained a TBI value of 38.70, the value increased to 39.00 in 2022. The results of the data show that from 2021 to 2022, Indomaret experienced an increase in brand value. However, in 2023, Indomaret's brand value decreased by 3.08% to 37.8, this is lower than the industry average of 41.7 in 2023. This shows a decrease in brand value which also reflects a decrease in the company's brand equity (Top Brand Award, 2024).



**LABA USAHA**  
Profit from Operations

dalam juta Rp | in million Rp

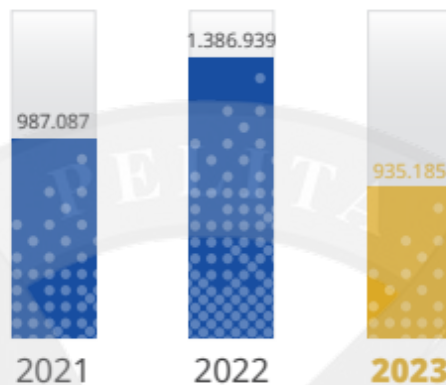


Figure 1.7 Profit of Indomaret 2021-2023  
Source: (Indoritel, 2024)

Figure 1.7 shows the financial performance of Indomaret from 2021 to 2023. Indomaret's earnings in 2021 was IDR 987 billion, which climbed by 40.51% in 2022 to IDR 1.386 trillion. Consistent with the decline of Indomaret's brand equity in 2023, Indomaret recorded a decrease in operating profit of 32.57% to IDR 935 billion in 2023 (Indoritel, 2024). In the first quarter of 2024, Indomaret recorded a profit of IDR 150.65 billion, a decrease of 48.39% (YoY) when compared to the same period last year (Khadafi, 2024). This evidenced that brand equity is a vital factor for sustaining a company's financial performance because it affects customer preferences, loyalty, and emotional connections with a brand (Kataria & Saini, 2019). Maintaining high brand equity is essential for long-term financial performance and business success (J. Lee & Park, 2022).

The fall in Indomaret's brand equity has an impact on the company's financial performance, as Indomaret's profitability declined consistently with the decline of its brand equity based on the TBI valuation. According to previous studies, brand equity is required to gain a competitive edge, achieve long-term success, and develop overall business performance and profitability (Votto et al., 2021). This can be achieved through consistent delivery of high-quality products or services, effective marketing strategies, and fostering positive brand experiences. Creating a great brand experience for current and potential customers is one of the major factors in encouraging brand equity. This is because a favorable brand experience improves the company's brand awareness, image, loyalty, and perceived quality, which enhances brand equity (H. Ali & Alquda, 2022).

Prior research by (2022) evidenced that social media marketing (SMM) significantly plays a role in the formation of brand equity. Perceived uniqueness towards a brand is also proven to play a role in strengthening the influence between SMM on brand experience (Ramdan et al., 2021). While previous studies have explored that brand equity is particularly influenced by the role of social media marketing (SMM) and brand experience (Adikari et al., 2021; H. Ali & Alquda, 2022; Md. Hafez, 2022), there is limited research regarding the influence of SMM on brand equity mediated by brand experience and moderated by perceived uniqueness of Indomaret. Moreover, there is limited research that examines how social media strategies, brand experience, and perceived uniqueness interact to influence Indomaret's brand equity. In addition, with their reputation as Indonesian metropolitan cities (Wahab et al., 2024), Jabodetabek offers a wealth of information

to robustly support research hypotheses and thoroughly explore research questions and objectives. Consequently, the study is focused on the Jabodetabek region to represent Indonesia to capitalize on this data-rich environment. As a result, this study seeks to investigate whether there is a positive influence of SMM on brand equity of Indomaret, specifically in Jabodetabek, mediated by brand experience and moderated by perceived uniqueness. This study replicates research by (Md. Hafez, 2022).

## **1.2 Research Questions**

This study proposes the following research questions based on the previously given background:

1. Do social media marketing activities positively and significantly influence brand equity?
2. Do social media marketing activities positively and significantly influence brand experience?
3. Does brand experience positively and significantly influence brand equity?
4. Does social media marketing activities positively and significantly influence brand equity mediated by brand experience?
5. Does perceived uniqueness positively and significantly strengthens the association between social media marketing activities and brand?

### **1.3 Research Objective**

After developing research questions, the following stage is to establish study objectives. The purpose of this study is to investigate the existence of each hypothesized relationship:

1. To describe the positive influence between social media marketing activities and brand equity.
2. To describe the positive influence between social media marketing activities and brand experience.
3. To describe the positive influence between brand experience and brand equity.
4. To describe the mediating effect of brand experience in the positive association between social media marketing activities and brand equity.
5. To describe the positive moderating effect of perceived uniqueness between social media marketing activities and brand experience.

### **1.4 Research Contribution**

This research was carried out with the intention of contributing to two major areas: theoretical contribution and practical contribution. The theoretical contribution refers to the distinctive contribution of this study to the growth of theory in the academic setting. Meanwhile, the practical contribution refers to the practical application of research results to the research subject, in this case Indomaret.

#### **1.4.1 Theoretical Contribution**

According to (Crane et al., 2016), a theoretical contribution would demonstrate how the theory improves our understanding and explanation of the phenomenon compared to previous approaches. This research is intended to provide new knowledge and information to help individuals better understand the determinants of brand equity. This research is expected to help people learn more about analyzing brand equity in the business sector.

#### **1.4.2 Practical Contribution**

According to (Lim & Bowman, 2023), the term "practical contribution" refers to the actual, real-world impact of research findings on business operations, decision-making, and policy formulation. It entails delivering actionable information, tools, or frameworks that can directly impact corporate operations, strategy, or performance. A practical contribution goes beyond theoretical implications by addressing existing industrial difficulties, improving processes, or helping organizations to increase efficiency, competitiveness, and innovation. It assures that research findings are not only academically important, but also useful and applicable to real-world commercial concerns.

This research aims to provide insights and recommendations for social media marketing activity. Organizations, particularly the marketing department, can gain deeper understanding whether social media marketing activities can improve brand experience through moderation of perceived uniqueness, as thus, increase brand equity. As a result, the findings of this study can be utilized to

evaluate and assess the applicability and efficacy of the social media marketing plan used.

## **1.5 Research Outline**

The researcher organized the study's chapters into five sections to provide a thorough explanation. The first chapter is an introduction, the second is a literature review, the third is research methods, the fourth is research results and discussions, and the fifth is the research conclusion and recommendations for future study. The research outline is as follows:

### **CHAPTER I: INTRODUCTION**

The first chapter is an introduction to the research. This chapter covers the research background, research questions, research aims, research contributions (both theoretical and practical), research scope, and research overview.

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

The second chapter is a literature review that discusses the variables tested in the study. This chapter is divided into sub-chapters that explain the literature for each variable in the research model, discuss the relationship between variables, develop hypotheses based on supporting studies, and include a picture of the research model.

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

The third describes the methodology utilized in this study to collect, examine, and evaluate data, as well as to test the research hypotheses. This chapter covers data collecting and analysis methods, research design, study type, as well as research operationalization and conceptualization.



#### **CHAPTER IV: RESULTS AND DISCUSSIONS**

The fourth chapter will focus on the research results. This chapter presents data from questionnaires and tests on each variable, along with a discussion. This chapter explains specific statistical analysis of the data to confirm the research hypothesis, which hypotheses are proven correct and which are not, along with their explanations. This chapter also includes many data verification checks to ensure that the data is suitable for the next level of analysis.

#### **CHAPTER V: CONCLUSION AND RECOMMENDATION**

The last chapter, Chapter Five, provides the research conclusion and recommendations for future research. This study's conclusion is based on the results and discussion described in the previous chapter, which focuses on the research hypothesis. This chapter will also detail the study's shortcomings as well as the suggestions made, which should be valuable for future research.