# CHAPTER 1: INTRODUCTION

1.1 Background of Study

The rapid development of the internet and mobile applications has revolutionized communication, commerce, and everyday life, driving significant digital transformation globally, including in Indonesia. With over 210 million internet users as of 2023, Indonesia has emerged as one of the largest online populations worldwide, highlighting the central role that digital technologies play in the daily lives of its citizens (Nurhayati-Wolff, 2022).

Figure 1.1 Expected Number of Internet Users in Indonesia
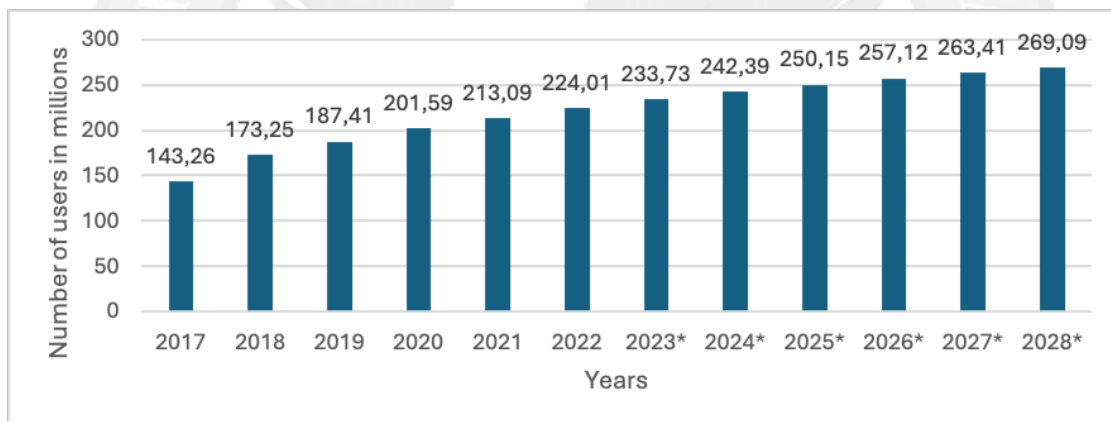
Source: Nurhayati-Wolff (2022)

As shown in Figure 1.1, the number of internet users is projected to continue increasing, reaching approximately 269 million by 2028. This growing connectivity has been fueled by the proliferation of smartphones and the rise of app stores, which have given rise to millions of mobile applications that enhance how people interact, shop, and work.

One of the clear outcomes of such digital advances is the adoption of the omni-channel retail model, which aims to integrate all customer relationship management aspects for an enhanced shopping experience. Chen et al. (2018) elaborate on this when they state that unifying all physical stores, websites, and mobile applications into one system that allows their consistent use across platforms optimizes omnichannel approaches. Other good examples will be services that let users purchase online and then collect the item from the store "buy online, pick up in-store" (BOPIS) app users browse products then purchase online and personalized emails based on what the customer viewed inside the brick-and-mortar outlet to offer products online which do more now than ever to emphasize the need for the integration of the online and physical worlds of "retail." This strategy makes use of technology in conforming with the changing trends of consumers and presents a more integrated, dynamic, and appealing shopping experience.

Since consumers have started viewing convenience as one of the columns alongside personalization, organizations have gone ahead to spend a lot of resources on mobile apps which are now seen as key components of the omnichannel landscape. Mobile apps serve as direct marketing and consumption tools and help sustain long-term relationships with clients by providing individualized services, incentives, and integrated data-driven insights. In this context, mobile apps have become a central aspect of customer engagement, loyalty, and overall satisfaction, helping brands generate additional revenue while enhancing perceived value for consumers.

Indonesia's beauty industry also experienced significant growth in recent

years, driven by both local and international trends. In 2023, the industry registered a 13.9% value growth, propelled by middle- and upper-class consumers who are increasingly investing in beauty products, including skincare, makeup, and personal care items (Fajriyani, 2023). The market is expected to grow even further, with a 9.3% compound annual growth rate (CAGR) forecasted until 2028, which will increase its value to USD 5.5 billion. The latest trends indicate that the skincare hasovertaken other beauty categories in market share which was reported to be about USD 2 billion as at 2022 and is predicted to maintain its dominant position (Indonesia Market Trends (2024-2025), 2024).

Due to the immense growth of tech savvy demographic in Indonesia, local brands have successfully embraced digital marketing. This shift towards omnichannel shopping—integrating both online and offline experiences—has significantly boosted the demand for beauty products, making them more accessible than ever. As a result, both international and local brands are eager to tap into Indonesia's expanding community of beauty enthusiasts.

Sociolla intends to provide a wide range of beauty products that are rarely available to people in Indonesia. Their dedication to ensuring customer satisfaction and providing premium products resulted in significant popularity among beauty lovers. In 2019, Sociolla extended its thriving online platform into physical retail stores, necessitating a strengthened omnichannel strategy. Since that time, the company has launched more than 60 outlets in almost 40 cities in Indonesia and has also ventured internationally into Vietnam with 12 locations. This expansion

showcases Sociolla's awareness of contemporary consumers' inclinations towards convenience by blending digital and in-store shopping experiences.

Moreover, Sociolla launched a community platform known as SOCO. SOCO is an app that enables users to buy beauty items, share feedback, discover trends, and engage with fellow beauty lovers. These attributes enhance customer involvement and encourage a feeling of belonging.

The study of the SOCO app in Indonesia holds significant importance as it provides valuable insights into how digital platforms enhance consumer experiences in the growing e-commerce landscape. This knowledge empowers consumers to make more informed decisions when purchasing beauty and personal care products, fostering a sense of confidence and trust in digital platforms. Additionally, the findings can contribute to a better understanding of how mobile apps like SOCO facilitate access to quality products, promote transparency through reviews and recommendations, and create an inclusive online community. As digital transformation continues to shape consumer behavior in Indonesia, such a study highlights the app's role in improving convenience and accessibility for the public, ultimately enriching their shopping experiences and digital literacy.

1.2 Problem Statement

While the SOCO app has played a crucial role in Sociolla's success, it struggles with sustaining user engagement over the long term. Studies indicate that numerous mobile applications face challenges in retaining users, with a substantial portion of users leaving soon after installation (T. H. Hsu & Tang, 2020). This presents a significant challenge for companies since app usage is essential for fostering brand loyalty and developing customer connections. Providing a uniform

brand experience and favorable user interactions is essential, particularly because loyalty plays a crucial role in the retail environment. This guarantees that users will not only install the app but also keep interacting with it frequently.

In response to these limitations, the current study uses Technology Acceptance Model to assess how consumers' satisfaction and usage of mobile apps are sustained over time. Considering the fierce competition in Indonesia's beauty industry and growing demand for mobile apps, research conducted by Jiang et al. (2024) discerns core determinants, including perceived consistency, perceived
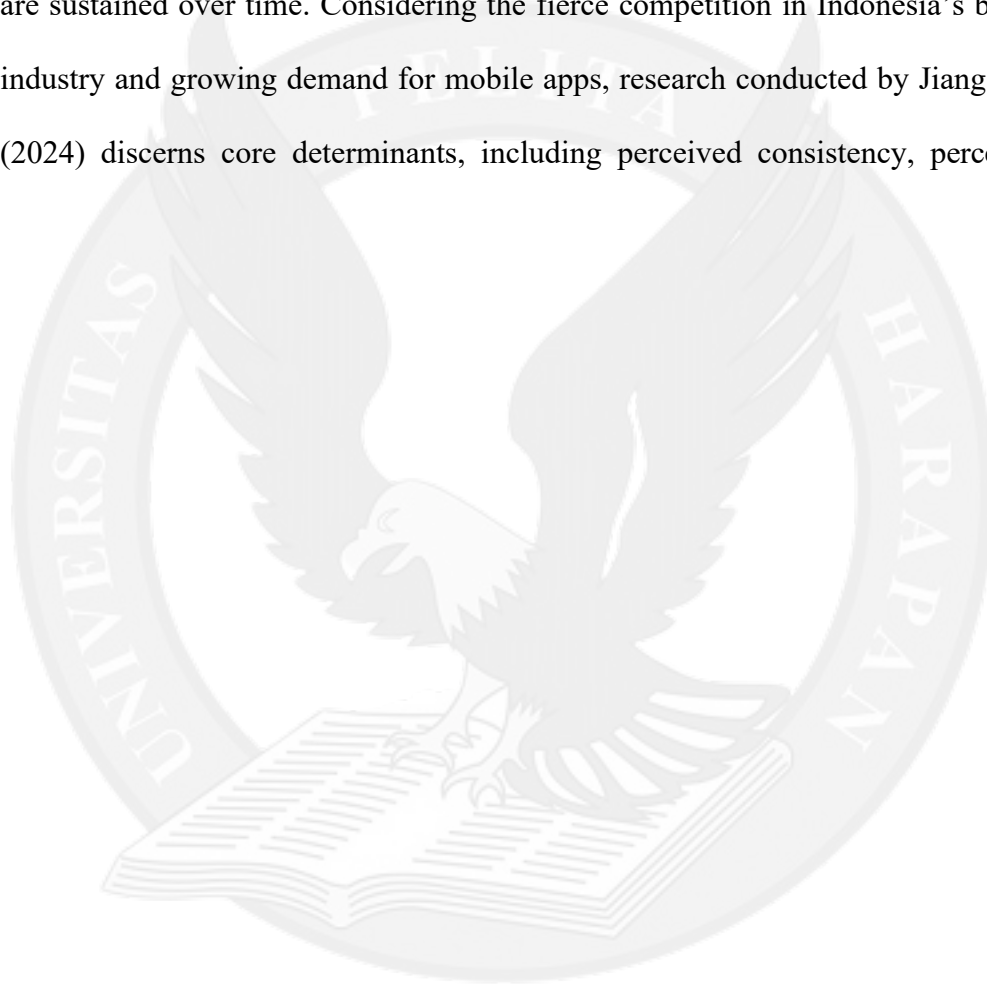
complementarity, perceived usefulness, perceived ease of use and consumer satisfaction to be some of the determining factors for continuous usage of the app.

Perceived consistency refers to how the features, performance, and design of an app can reliably meet users' expectations at all times. A stable experience builds trust and reliability and so it will be more likely for users to engage with the app regularly.

Perceived Complementarity refers to the extent to which the app fits well into users' existing routines or other digital tools. It should improve the user's experience by adding value with minimal disruption, ensuring the app fits seamlessly into their daily activities

Perceived usefulness describes how well an application helps an individual achieve their specific goals or tasks. A useful app provides practical solutions that add real value, encouraging users to return frequently. When an app is perceived as highly useful, it contributes to a sense of purpose and satisfaction in its continued use.

Perceived Ease of Use refers to how intuitive and simple the app is for users to navigate and operate. A user-friendly app minimizes the learning curve, allowing users to achieve their desired outcomes with minimal effort. Apps that are easy to use contribute to a positive overall user experience, which directly influences long-term adoption.

Consumer satisfaction relates to how well the app meets or exceeds users' expectations, resulting in feelings of contentment. A high level of satisfaction increases the likelihood of users remaining loyal to the app and recommending it to others. Ultimately, consumer satisfaction drives retention and engagement by fostering positive emotional responses to the app. All of these factors contribute to the continuous use intention, where users develop an ongoing commitment to utilizing the app regularly, driven by its reliability, value, and seamless experience.

A pilot test was conducted and shows that all respondents agree that all five determinants influence consumer satisfaction, which then increases the SOCO App's continuous use intention. However, reviews in the App Store, as shown in Figures 1.2.2 and 1.2.3, show that users have experienced issues that are not reflected in the pilot test results. Hence, the researcher assumes that the pilot test questions may have been too general and could be explored further through the questionnaire.
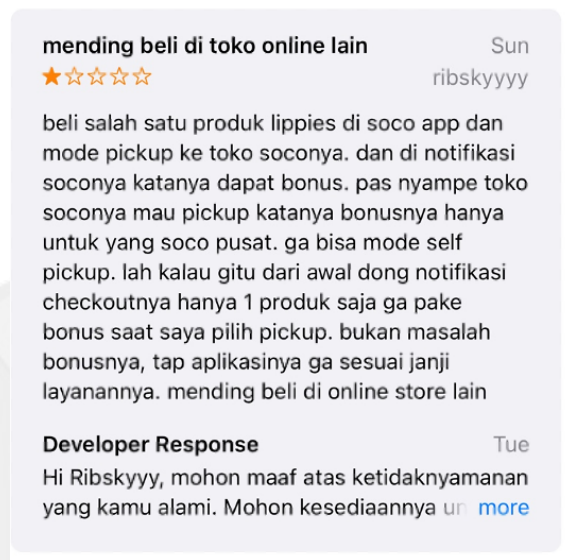
Figure 1.2 SOCO Review 1 on App Store

Figure 1.3 SOCO Review 2 on App Store

To bridge the gap in understanding Sociolla's mobile platform's continuous usage and its sustained market presence, it is crucial to examine the specific factors contributing to these achievements. Despite its industry-leading position, the SOCO app has received a 3.4/5 rating, which is comparatively lower than other beauty apps such as Sephora (4.9/5) and community-driven platforms like Female Daily –

Beauty Review and Lemon8, both with an average rating of 4.8/5. This discrepancy in ratings suggests potential challenges in customer satisfaction that could impact users' intention to continue using the SOCO app.

Low app reviews for the SOCO app can negatively impact Sociolla's physical store performance by damaging brand trust and weakening its omnichannel strategy. Customers often view the app as an extension of the brand, and poor reviews can create a negative perception of Sociolla's overall quality, including its physical stores. The app plays a critical role in driving foot traffic through features like location-based promotions, loyalty programs, and in-store event notifications. If users abandon the app due to poor ratings, Sociolla risks reduced customer engagement, fewer store visits, and lower repeat purchases.

1.3 Research Questions

Based on the mentioned issues discussed above, this paper aims to answer the research questions as follows:

1. Does perceived consistency of branded mobile apps have a positive relationship with perceived usefulness of branded mobile apps?

2. Does perceived complementarity of branded mobile apps have a positive relationship with perceived usefulness of branded mobile apps?

3. Does perceived ease of use of branded mobile apps have a positive relationship with perceived usefulness of branded mobile apps?

4. Does perceived ease of use of branded mobile apps have a positive relationship with consumer satisfaction?

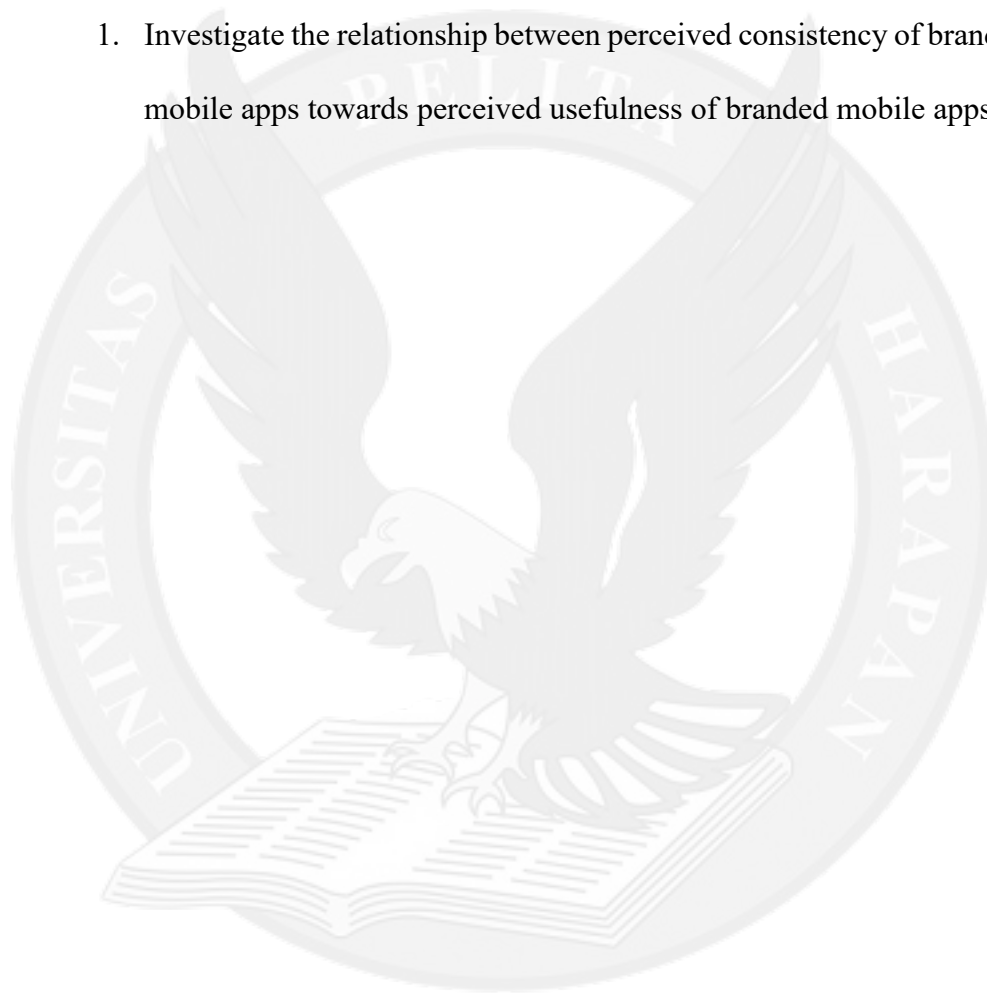5. Does perceived usefulness of branded mobile apps have a positive

relationship with consumer satisfaction?

6.   Does consumer satisfaction of branded mobile apps have a positive

relationship with continuous use intention?

1.4 Research Objective

The research objective are as follows:

1.   Investigate the relationship between perceived consistency of branded

mobile apps towards perceived usefulness of branded mobile apps.

2. Investigate the relationship between perceived complementarity of mobile apps towards perceived usefulness of branded mobile apps

3. Investigate the relationship between perceived ease of use of branded mobile apps towards perceived usefulness of branded mobile apps

4. Investigate the relationship between perceived ease of use of branded mobile apps towards consumer satisfaction

5. Investigate the relationship between perceived usefulness of branded mobile apps towards consumer satisfaction

6. Investigate the relationship between consumer satisfaction of branded mobile apps towards continuous use intention

1.5 Research Implications

1.5.1 Theoretical Contribution

The research on determinants of continuous usage of branded mobile apps, such as those of Sociolla, provides important theoretical implications for business theory, particularly in consumer behavior, digital marketing, and strategic management. It extends consumer behavior theories by highlighting the significance of factors like perceived consistency, perceived complementarity, perceived usefulness, perceived ease of use, and consumer satisfaction in driving customer engagement and loyalty. This knowledge extends the existing business theories focused on the psychological and emotional aspects that lead to repeated use of apps, emphasizing the importance of personalized experiences and branding continuity from digital to physical touchpoints.

Additionally, this study also adds to theories in digital marketing since branded mobile apps are established as some of the strategic tools for improving customer retention and brand loyalty.

1.5.2 Managerial Implications

The managerial implications of researching the determinants of continuous usage of branded mobile apps is to provide insights to boost user retention and engagement. Understanding factors like perceived ease of use, perceived value, and perceived consistency allows managers to design targeted improvements that align with user preferences and expectations. For instance, if SOCO can ensure consistency and complementarity across online and offline channels can significantly improve customer satisfaction, encouraging continuous app usage.

Insights from this study allows managers to prioritize factors that drives seamless omnichannel features and develop relevant strategies to enhance user experience, increase competitive advantage among the e-commerce industry.

The continuous use of the app will boost traffic, leading to higher conversion rates and improved company performance. By ensuring consistent user engagement, Sociolla can leverage the app as a tool to drive repeat purchases, promote new product launches, and enhance customer satisfaction. Active users are more likely to convert into loyal customers, resulting in increased lifetime value and reduced churn rates. Moreover, data collected from frequent app interactions can provide valuable insights into consumer behavior, enabling the company to personalize user experiences and optimize marketing strategies. This combination of improved engagement, traffic growth, and targeted conversions positions the app as a cornerstone for long-term business success.

1.6 Scope of the Study

The scope of the research will include respondents up to 420 individuals living in the Jabodetabek area, which includes Jakarta, Bogor, Depok, Tangerang, and Bekasi. The respondents are Sociolla consumers. This research will examine the variables perceived consistency, perceived complementarity, perceived usefulness, perceived ease of use, consumer satisfaction and continuous use intention.

1.7 Chapter Outline

This research will consist of five main chapters as outlined below:

1.7.1 CHAPTER I INTRODUCTION

The first chapter lays the foundation for the research, covering the research background, problem statement, research questions, research aim and objectives, and the significance of the study. This chapter also includes an outline of the research's structure.

1.7.2 CHAPTER II LITERATURE REVIEW

The second chapter delves into the relevant literature, examining key variables, theories, and the theoretical framework that underpins this research. Technology Acceptance Model (TAM) to Indonesian consumers' intention to use mobile branded apps. Additionally, the researcher discusses the impact of customer satisfaction towards continuance use intention for mobile branded apps.

1.7.3 CHAPTER III RESEARCH METHODOLOGY

The third chapter outlines the methodology employed in this study, detailing the research paradigm, type of research, and research strategy. It will cover the measurement tools, study setting, scope of the study, unit of analysis, time horizon, data collection methods, sampling techniques, and data analysis procedures used to conduct the research.

1.7.4 CHAPTER IV RESEARCH FINDINGS AND DISCUSSION

The fourth chapter presents and analyzes the research findings. This section will include a discussion of the results obtained through various analytical methods,

such as validity testing, reliability testing, descriptive analysis, PLS-SEM analysis, inner model analysis, outer model analysis, multicollinearity testing, and hypothesis testing.

1.7.5 CHAPTER V CONCLUSION AND RECOMMENDATIONS

The final chapter of this research will conclude the key insights on the factors influencing continuous usage intentions SOCO within the omni-channel retail environment. The chapter will also address the study's limitations, such as data constraints and scope, and suggest future research areas. Lastly, it will suggest and offer solutions that can be implemented by Indonesian branded apps to strengthen their brand's omni-channel experience and gain a competitive position in the e-commerce market.