

CHAPTER I

INTRODUCTION

1.1 Research Background

Indonesia's e-commerce sector has experienced rapid growth, driven by the strategic use of social media as a key marketing (Alalwan, Rana, Dwivedi, & Algharabat, 2017). Due to platforms like YouTube, businesses can now effectively communicate their brand to consumers by creating visually appealing and interactive content (Ashley & Tuten, 2015). Tokopedia, one of Indonesia's leading e-commerce sites, has discovered that effectively utilizing YouTube advertising has aided in raising brand awareness, fostering a favorable brand image, and promoting purchase intention, particularly among Generation Z.

YouTube stands out as the most used platform in the global social media landscape for July 2024, with an index of 100 and approximately 2.49 billion monthly active users, as shown in Figure 1.1. WhatsApp ranks second, followed by Facebook in third place, with Facebook having fewer active users than WhatsApp. Instagram holds the fourth position, with its active user base comprising over 70% of YouTube's. Facebook Messenger comes in fifth with an index of 50.1, making it the only platform besides YouTube with more than half of YouTube's active app users. TikTok ranks sixth, with its active user base representing 44.7% of YouTube's.

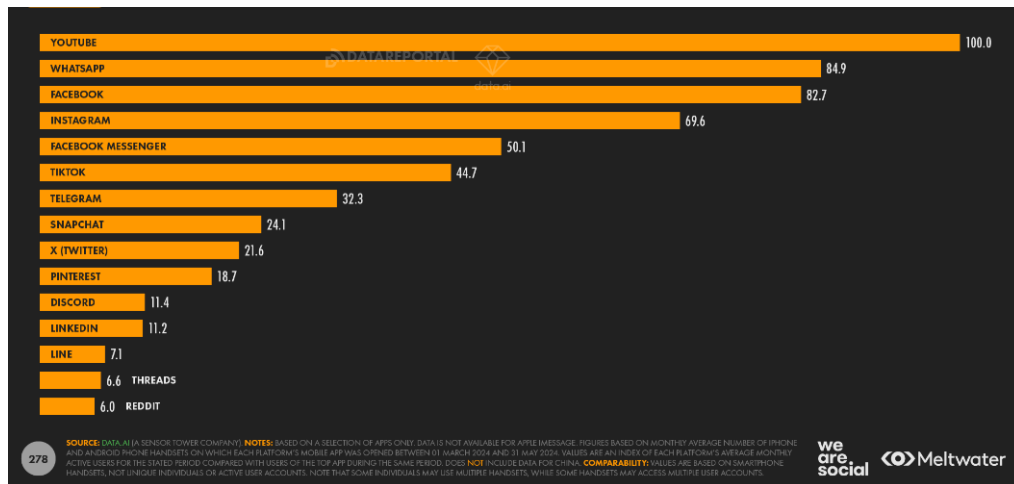


Figure 1.1 Social Media Apps: Active User Index (July 2024)

Source: (DataReportal, 2024)

YouTube's role in brand discovery is significant, with 72% of Indonesian video users reporting that they discover new brands on the platform, underscoring its importance for e-commerce businesses aiming to increase brand awareness and reach a wider audience (Mrinmai & Yulianto, 2022). This highlights how advertisements on YouTube leverage their effectiveness as a powerful tool for showcasing product commercials. YouTube offers two primary ad formats: non-skippable and skippable, each with its own advantages and disadvantages. Non-skippable ads ensure that viewers watch the entire commercial, enhancing message retention and brand recall. Conversely, skippable ads allow viewers to skip after five seconds, providing a more viewer-friendly experience but with the risk of the message being missed. The effectiveness of these ad formats depends on how audiences perceive and interact with

them, with factors such as demographics, ad length, and creative content playing a significant role in engagement and retention (Wojdynski & Evans, 2016).

Figure 1.2 illustrates data from the world's top platforms, revealing that YouTube has the largest social media advertising audience. As of July 2024, YouTube advertisements reach 2.50 billion viewers monthly, which is more than 10% higher than Meta's estimated 2.24 billion users for Facebook. Instagram ranks third, with 1.68 billion users viewing paid media placements on the platform, followed by TikTok, which reaches 1.60 billion users aged 18 and above monthly. LinkedIn, while claiming a global ad reach of 1.10 billion users, bases this figure on registered users rather than monthly active participants.

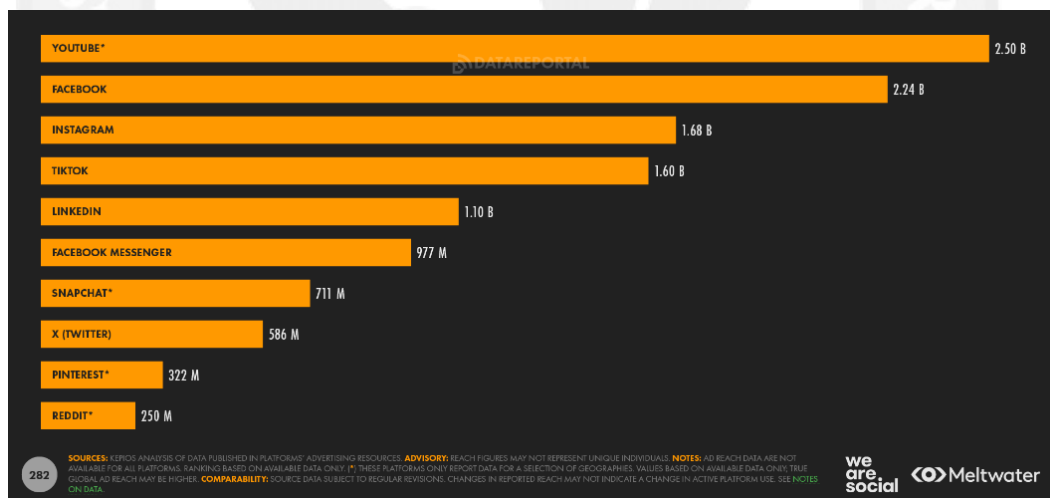


Figure 1.2 Social Media Ad Audiences: Total Reported (July 2024)

Source: (DataReportal, 2024)

Research highlights that well-designed YouTube ads can positively influence consumer attitudes, build brand awareness, and shape brand perceptions, highlighting their critical role in driving purchase intention (Duffett, Edu, & Negricea, 2019). Similarly, (Firat, 2019) investigated factors influencing YouTube advertising value and its effect on purchase intention. The study found that informativeness and entertainment positively impact the perceived value of YouTube ads, while irritation has a negative effect. Importantly, the perceived value of YouTube ads was shown to significantly enhance consumers' purchase intentions. This study examines how YouTube ads impact purchase intention, brand awareness, and brand image, providing insights into their effectiveness as a digital advertising tool.

In early 2022, as shown in Figure 1.3, Tokopedia led Indonesia's e-commerce sector with approximately 158 million monthly visits. By strategically leveraging marketing channels like YouTube and showcasing its extensive product range, Tokopedia successfully strengthened its market position. This peak in market presence highlighted Tokopedia's ability to engage consumers effectively and drive substantial traffic to its platform, underscoring its appeal and influence within Indonesia's competitive e-commerce landscape.

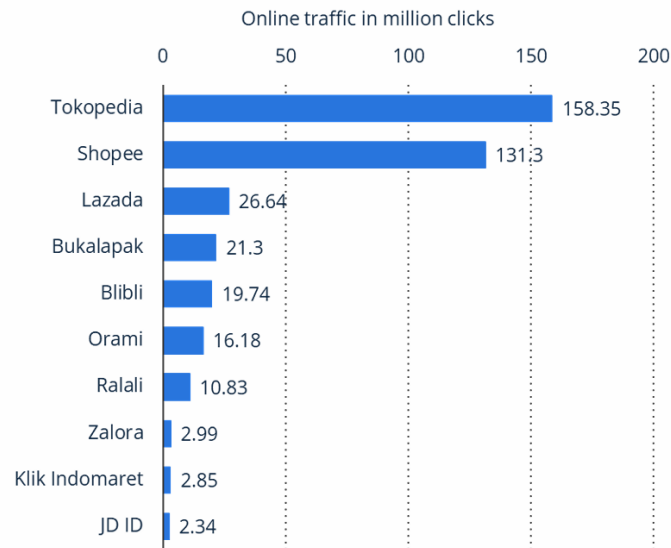


Figure 1.3 E-commerce Website Visits in Indonesia for the Period of The First Quarter Of 2022

Source: Pusat Data dan Sistem Informasi, Sekretariat Jenderal, & Kementerian Perdagangan (2024)

However, in February 2024, Tokopedia received only 95 million clicks, compared to Shopee ID's 227 million clicks, which diminished Tokopedia's lead, as shown in Figure 1.4. This change demonstrates the fierce rivalry in Indonesia's quickly developing e-commerce market, where platforms like Shopee have adapted quickly to changing consumer preferences, aggressive promotional strategies, and enhanced user experience features. The task at hand for Tokopedia is to reestablish its competitive advantage in this dynamic industry.

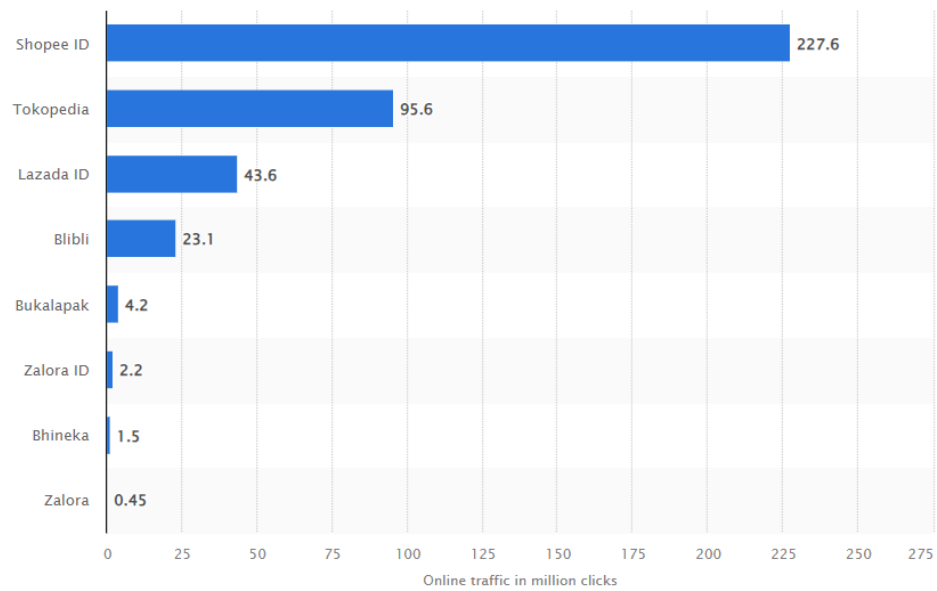


Figure 1.4 Leading e-commerce sites in Indonesia in February 2024, by monthly traffic

Source: Statista (2024)

Tokopedia has mostly depended on YouTube as a major marketing tool to stay relevant despite this competition. The digitally native generation known as Generation Z is very involved on YouTube and consumes a lot of online information. According to research, this audience may be effectively reached via interactive and engaging YouTube advertisements, which also improve brand image and purchase intention (Kemp, 2022). Furthermore, (Alalwan, Rana, Dwivedi, & Algharabat, 2017b) claim that YouTube and other platforms offer tailored and targeted digital advertising that

may significantly influence consumers' decision-making processes. This is crucial for maintaining brand loyalty in highly competitive markets.

However, Tokopedia needs to do more with its YouTube marketing than just increase visibility and reach. Tokopedia must improve its YouTube advertising in order to strengthen its brand image and create stronger relationships with its customers to compete with the increasing competition from platforms like Shopee and Lazada. To increase brand awareness and build trust, especially with younger consumers, personalized and authentic advertising experiences are crucial (Dehghani, Niaki, Ramezani, & Sali, 2016). Research indicates that relatable and well-targeted content can greatly impact consumer perceptions and purchase intention, making this an essential tactic for Tokopedia in its competitive industry (Kumar & Gupta, 2016).

In addition to building brand awareness, YouTube ads play an essential role in influencing brand image, which in turn drives purchase intention. Brand image is a key factor in determining consumer behavior, according to a study by (Balakrishnan, Dahnil, & Yi, 2014). A positive perception of a brand increases the likelihood of a purchase.

According to (APJII, 2024), as illustrated in Figure 1.5, the gender distribution of internet users reveals that 50.8% are male, while 49.1% are female. In terms of age, 34.40% of internet users fall under the Generation Z category, which comprises individuals born between 1997 and 2012 (Dimock, 2019), the key demographic of this study. These statistics highlight the significant role that digital engagement plays in

daily life, as well as the potential it holds for both social and economic growth. Businesses that effectively utilize digital marketing strategies, such as YouTube advertisements, can streamline their marketing efforts, reaching a broader audience while adapting to evolving consumer preferences. For instance, employing cutting-edge technologies to promote brands and products on social media platforms like YouTube, Twitter, Instagram, and Facebook can be an essential tactic to capture market share (Febriyantoro & Arisandi, 2019).

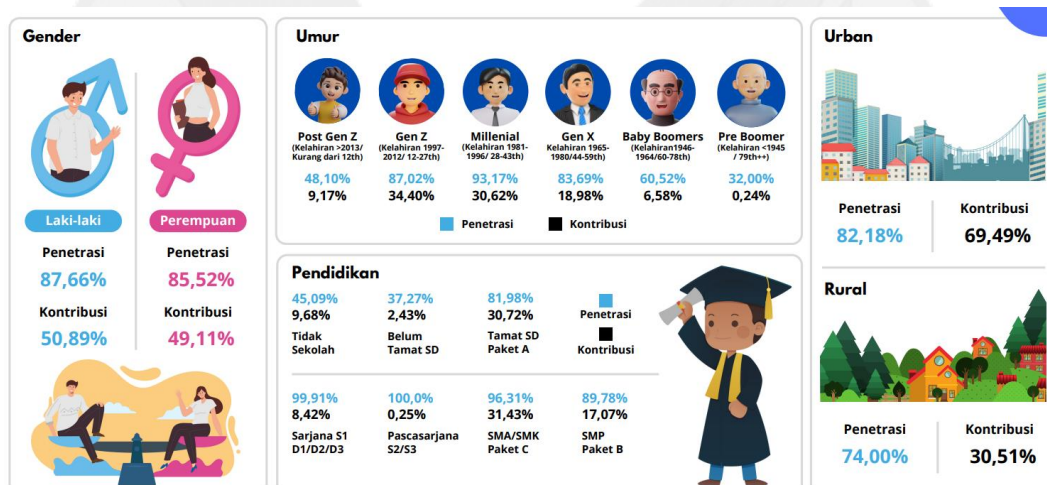


Figure 1.5 Internet Penetration Rate in Indonesia (Indonesia Internet Survey 2024)

Source: APJII (2024)

With the rapid rise of e-commerce and social media penetration in Indonesia (APJII, 2024), there is a growing need to understand the nuanced impact of YouTube advertising on consumer behavior. This study aims to explore how YouTube advertisements impact Generation Z's brand awareness, brand image, and purchase

intention toward Tokopedia in the Jabodetabek area. By focusing on this tech-savvy demographic in a crucial region for e-commerce, the study aims to provide valuable insights into how Tokopedia can refine its marketing strategies to maintain a competitive edge in Indonesia's fast-evolving e-commerce landscape.

Additionally, this research seeks to address the limitations of previous studies, such as (Febriyantoro, 2020) "Exploring YouTube Marketing Communication: Brand Awareness, Brand Image, and Purchase Intention in the Millennial Generation," which focused solely on the Batam region. By expanding the geographic scope and focusing on Generation Z, this study contributes to a broader understanding of YouTube's influence on consumer behavior in Indonesia.

1.2 Research Question

1. Do YouTube ads have a positive effect on brand awareness?
2. Do YouTube ads have a positive effect on brand image?
3. Do YouTube ads have a positive effect on purchase intention?
4. Does brand awareness have a positive effect on purchase intention?
5. Does brand image have a positive effect on purchase intention?
6. Do YouTube ads have a positive effect on purchase intention mediated by brand awareness?
7. Do YouTube ads have a positive effect on purchase intention mediated by brand image?

1.3 Research Objectives

According to the research, the study's declared purpose is as follows:

1. To evaluate whether YouTube ads have a positive effect on brand awareness.
2. To evaluate whether YouTube ads have a positive effect on brand image.
3. To evaluate whether YouTube ads have a positive effect on purchase intention.
4. To evaluate whether brand awareness has a positive effect on purchase intention.
5. To evaluate whether brand image has a positive effect on purchase intention.
6. To evaluate whether YouTube Ads have a positive effect on purchase intention, mediated by brand awareness.
7. To evaluate whether YouTube Ads have a positive effect on purchase intention, mediated by brand image.

1.4 Research Contribution

The effect of YouTube advertisements on brand awareness, brand image, and purchase intention among the Generation Z population in Jabodetabek include the following significant contributions:

1. Theoretical Contribution:

By offering actual data on YouTube's effectiveness as a marketing tool, this study contributes to the body of knowledge already available in the fields of digital

marketing and consumer behavior. It contributes to our understanding of how social media platforms affect important marketing outcomes including purchase intention, brand awareness, and brand image.

2. Practical Contribution:

The results provide useful understanding of the efficacy of YouTube marketing tactics for companies and marketers. It offers helpful advice on how to use YouTube content to improve brand awareness and perception, which will eventually encourage Generation Z to make purchases.

The study also helps marketers to improve their campaigns and content for increased engagement and conversion by highlighting important aspects of YouTube advertisements that have a substantial impact on the intended marketing outcomes.

1.5 Research Limitation

There are several limitations to this study on the influence of YouTube advertisements on brand awareness, brand image, and purchase intention among the Jabodetabek Generation Z population.

1. Geographical Limitation:

The Jabodetabek region is the sole focus of research. As a result, the results might not apply to other nations or areas with distinct social, cultural, and economic dynamics.

2. Demographic Limitation:

This study only looks at Generation Z. The results may not apply to other age groups, such as Millennials or Baby Boomers, who may have distinct media consumption habits and reactions to marketing methods, even if this demographic is very relevant for digital marketing.

3. Platform-Specific Limitation:

The main social media channel for advertisements in this study is YouTube. Given that Facebook, Instagram, and TikTok have distinct user interaction patterns and content formats than other social media platforms, the insights acquired might not be immediately applicable to these platforms.

4. Temporal Limitation

The information gathered is limited to a single moment in time. Without continued study and updates, the findings can lose their relevance over time because social media trends and consumer behavior can change quickly.

5. Methodological Limitation:

The study uses self-reported data from questionnaires, which is prone to biases like false self-evaluation or social desirability bias. Furthermore, the study's

cross-sectional design makes it impossible to investigate the long-term consequences of YouTube marketing or causation.

6. Scope of Variables:

The study considers particular factors including purchasing intention, brand awareness, and brand image. The study did not account for other important variables that might have influenced the outcome of YouTube marketing, such as emotional involvement, brand loyalty, or perceived authenticity.

7. Sample Limitation:

This study is limited by a minimum sample size of 280 variables, which may affect the robustness of the findings.

1.6 Research Outline

There are five chapters in this research paper; the specifics are as follows:

Chapter 1: Introduction

The research background, research questions, objectives, and limitations as well as theoretical and practical contributions will all be covered in Chapter 1.

Chapter 2: Literature Review

The theories, concepts, and prior research findings described in Chapter 2 will serve as the theoretical foundation and guidelines for this research.

Chapter 3: Research Methodology

This chapter outlines the methodology employed in this research, detailing the procedures for data collection and handling. This chapter includes discussions on the research object, unit of analysis, and research type, as well as the conceptual and operational definitions of variables. It also covers the population and sample, including sampling method and sample size determination. Additionally, the chapter addresses the data collection method and the methods of data analysis, focusing on multivariate analysis and model analysis using PLS-SEM.

Chapter 4: Results and Discussions

The results presented in Chapter 4 encompass several key areas, beginning with the respondent demographic profile and an analysis of their behavior. This is followed by a descriptive analysis of the main variables: YouTube Ads, Brand Awareness, Brand Image, and Purchase Intention. The inferential analysis then explores several aspects, including the outer model, outer loading, construct reliability and validity, convergent and discriminant validity, and the inner model. Additionally, analyses such as Inner VIF, coefficient of determination (R^2), and predictive relevance (Q^2) are presented, along with hypothesis testing. The chapter also includes an Importance-Performance Map Analysis (IPMA), which provides further insights. Finally, it offers a comprehensive discussion at the end of the chapter.

Chapter 5: Conclusion and Recommendations

The research's conclusion, theoretical implication, managerial implications, limitations of research, and recommendations for future studies are included in Chapter 5.

