

CHAPTER I

INTRODUCTION

1.1 Research Background

Nowadays, many company promote the products through social media which influence marketing activities because of technology development. Social media gives wide opportunity to introduce the products in order to gain consumers interest. People who are looking for products can easily get the products from every area in social media. Social media enables the users to sharing information, comment, likes and follow the product updates. Increasing of users on social media enables company to give improvements on social media for gain more consumers.

According to Kaplan and Haenlein (2010), social media described as a group of internet-based applications that builds on the ideological and technological foundation that allow the creation and exchange of user-generated content. Various types of social media enable company to work more effective such as share information, promote the products, and get feedback to consumers. In other hand, consumers can receive the information of products, compare the products, and buy the products easily. It makes consumers can know a lot of brands in society.

Consumers have their own perception for choosing the brands exist on the society. One of the consideration on consumers is brand consciousness. According to previous study by Siddique and Rashidi (2015), brand consciousness refers to consumers' orientation towards the purchase of expensive and well-known brands. Consumers with brand consciousness pay attention about status and prestige of the

brand in society. For example, well-known brands in consumers' mind provides the good quality, less of risk and durable than other brands. It can encourage consumers to buy well-known brands.

In marketing activities, the more well-known brands give a lot of contribution for sustainability of the company. Brand consciousness may help the company to add new potential consumers in social media. Consumers will only look for the brands, follow the brands activities and become active consumers in purchase the product brands. Consumers will always remember if consumers want to buy a product.

Company can advertise the products in popular social media to increase brand consciousness towards consumers. The example is if company have lot of consumers who owned Instagram account, company can use Instagram to post pictures, video relate with the products. Consumers able to search and identify the brand easily if company use popular social media. Besides, company can share information about specialty of products than other competitors which helps company to gain competitive advantage and differ from others products.

Consumers with brand consciousness really concern of brand name appear in the society. It is because consumers concern about the security, reputation, and risk of when company deliver the products. Consumers will leave and find other brands if company can not handle this problem and take wrong steps in decide strategy for brand conscious consumers.

Another variables that consumer would loyal toward company is value consciousness. Value consciousness gives other ways to identify the brands. Based on

Jin and Suh (2005), value consciousness implies consideration of quality not in absolute terms but in relation to the price of a particular brand. It means that consumers who have value consciousness are sensitive towards the price, quality and value of the products that company offers. For example, consumers will choose products which bring more value and equal to what consumers spend for the products and quality provided.

Value consciousness become attention for market the products. People with high value conscious will strict to choose the products. Moreover, high value conscious consumer would always loyal to brand which gives benefit for them. According to Pillai and Kumar (2012), value consciousness related with the enduring involvement, which increase motivation to undertake systematic process. Consumers can get lot of information and filter the information which is fit with their preferences towards the products and purchase the products that give high value.

Company need to know each characters from consumers in decision making process for gain more consumers. The company should able to elaborate the products to the consumers' perception and understand how to satisfy the consumers towards the brands with ways their ways such as improving quality, product, discount and service for consumers. The consumers who have high value conscious will consider about the benefit the consumers get from the company.

This research examines perceived social media marketing activities, brand consciousness, value consciousness and brand loyalty. According to Lee and Kang (2012) define brand loyalty as degree of consumer's attachment to a specific brand.

Brand loyalty build by the commitment of the company to the consumers. Consumers will choose only that brand although there are several brands appears. Successful company will have lot of loyal consumers for expanding the profit in the company and win the competition from other competitors.

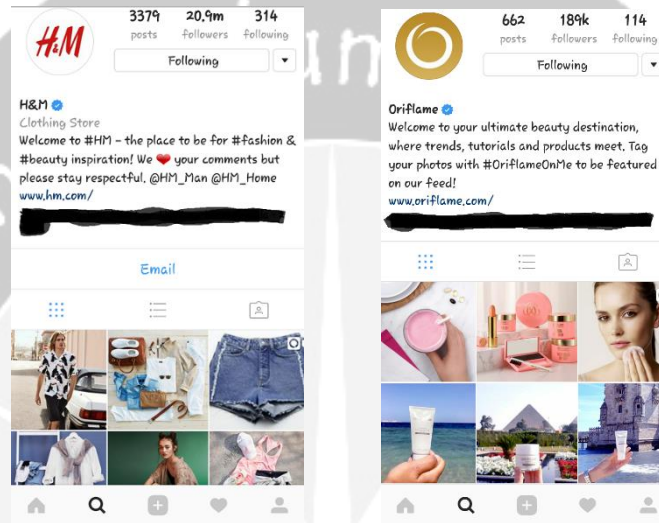
Brand loyalty enables company to growth from the other competitors. Eventhough in Indonesia, brand loyalty is difficult to maintain by the company. Survey by Snapcart (2017) showed from 150.000 shoppers users in Indonesia, 32% loyal to only one source and the others 68% loyal to more than two source. This become issues for company to build commitment and attract loyal consumer to keep loyal to their products. This shows that improvement toward brand in the company still questionable and ineffective.

Based on Atilgan *et al.* (2005), benefit of brand loyalty for company such as gaining high market share and new customers, supporting brand extensions, reducing marketing costs and strengthening brand to competitive threat. Loyal customers will share their experience towards the brands to the influence people. It is become positive feedback to company so the company able to have new consumers. In social media, loyal consumer will give like, positive comment, share the brands and keep buy the products which can leverage the market of the company.

Brands provides the identity of the company and products or services that company offers to consumers which differ from the competitors. Some business enlarges the market by register the brands into Instagram account. It is makes brands to be well-known for the consumers and expand the market of the company. The

example of brands on Instagram such as Nike, H&M, Oriflame, Starbucks, Etude, and etc.

Figure 1.1 The Example of Brands on Instagram



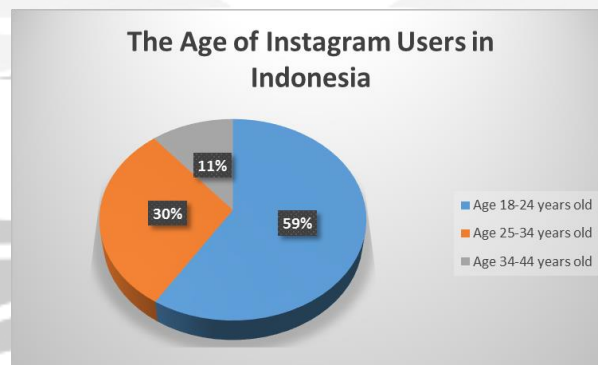
Source : Researcher Instagram account (2017)

Based on Ting *et al* (2016), Instagram founded by Kevin Systrom and Mike Krieger since 2010, Instagram is relatively new friends and connecting with others as well as searching for and disseminating information. In fact, research by Kusyati and Safitri (2016) stated that approximately 400 million activities on Instagram every month and 3.5 billion likes a day with average of photo upload more than 80 million. This shows the possibility for Instagram to growth every year. From Instagram, consumers can see the information updates includes promotion of the products. Instagram considered as new social media application which bring high potential to sales of company.

Instagram provides opportunity for the successful and well-known brand. Some of well-known brands account that registered on Instagram had differentiation. Instagram gives appreciation for the brands by issuing verified badge on brand account. Verified badge accounts with blue sign check of brands on Instagram accounts prove that brands are famous brands and have high influence of the business area.

Instagram used as the object in this research. To use this application, users only need to create account and password. The company who already registered on Instagram able to upload the photo for sell their products, put detail description of the products and consumers able to see the activities of the company by following on Instagram. In Indonesia, most of Instagram users shows below.

Figure 1.2 The Age of Instagram Users in Indonesia



Source : Parikesit (2016)

From the data, most of Instagram users in Indonesia dominantly from the age of 18-24 years old with 59%. On the second position is 25-34 years old with 30% and on the third position is 34-44 years old with 11 %. It is because Instagram are popular and still trend with easy and simple usage for 18-24 years old. Moreover, Instagram success to enables connecting users even for marketing purposes. People can search

information towards brands, comment, like and share the brands. Thus, company who join Instagram will be beneficial for selling and marketing the products.

The usage of social media especially Instagram contributes to marketing activities. These phenomena also happen in Yogyakarta as part of Indonesia. Users who are satisfied with a brand will stick to the brand in social media especially Instagram which influences the marketing activities in the company. On the other hand, variety of consumers' considerations creates challenges for a company in order to fit the consumers' choice.

The disadvantages for a company if they cannot maintain social media such as fail to promote their products, harm reputation of the brand in the company, loss of opportunity in leveraging the market, loss of potential consumers and bankruptcy. Actions that consumers take influence the company. Bad reviews on the brands and loss of loyal consumers may decrease the flow of market in brands. A company should pay attention in managing the social media to overcome the disadvantages. Moreover, successful companies who already use social media marketing still concern for survival in the market with tough competition.

This paper will examine the effect of social media marketing activities on brand loyalty with the mediation effect of brand and value consciousness. The main object in social media to be discussed in this research is Instagram because Instagram is the most popular and familiar social media to follow and promote the products in Indonesia especially in Yogyakarta. People still consider Instagram as a trend and choose Instagram as a well-known application for buying the products.

1.2 Problem statement

Through the background of this research above, writer is interest on writing research about the effect of perceived social media marketing activities on brand loyalty : the mediation effect of brand and value consciousness. The research questions of this thesis topic are :

1. Does perceived social media marketing activities effect on brand loyalty?
2. Does perceived social media marketing activities effect on brand consciousness?
3. Does brand consciousness effect on brand loyalty?
4. Does perceived social media marketing activities effect on value consciousness?
5. Does value consciousness effect on brand loyalty?
6. Does perceived social media marketing activities through brand consciousness as intervening variable effect on brand loyalty?
7. Does perceived social media marketing activities through value consciousness as intervening variable effect on brand loyalty?

1.3 Purpose of the Research

Every research had the purpose of the research to ensure the purpose of research in line with the research held. The purpose of this research are :

1. To examine the effect of perceived social media marketing activities on brand loyalty.

2. To examine the effect of perceived social media marketing activities on brand consciousness.
3. To examine the effect of brand consciousness on brand loyalty.
4. To examine the effect of perceived social media marketing activities on value consciousness.
5. To examine the effect of value consciousness on brand loyalty.
6. To examine the effect of perceived social media marketing activities through brand consciousness as intervening variable on brand loyalty.
7. To examine the effect of perceived social media marketing activities through value consciousness as intervening variable on brand loyalty.

1.4 Scope of Research

The scope of research are:

1. This research was adapted article of Ismail, A.R. (2017). The influence of perceived social media marketing activities on brand loyalty: The mediation effect of brand and value consciousness. *Asian Pacific Journal of Marketing and Logistics*, Vol. 29 No. 1, pp. 129-144. In previous research, the researcher analyzed social media in general towards brand community of students in University of Northern Malaysia used structural equation modeling as the method to prove the hypothesis. Meanwhile, in this research examine students of Faculty of Economy who follow a brand account on Instagram in Universitas Atma Jaya Yogyakarta used path analysis as the method analysis.

2. The research used the students of Universitas Atma Jaya Yogyakarta in Faculty of Economy who have account in Instagram and follow one of a brand account in Instagram and buy the product from that brand at least 2 times on last 6 months through online and offline as the research object.
3. The variables consist of perceived social media marketing activities, brand loyalty, brand consciousness and value consciousness.

1.5 Benefit of the Research

1. Academic contribution

This research will give better understanding about how perceived social media marketing activities on brand loyalty with mediation effect of brand consciousness and value consciousness in the case of Instagram. This may help the students to improve the knowledge and direction for future research.

2. Managerial contribution

In the managerial perspective, it is important for those with authority to focus in market the product through social media towards consumers to gain loyalty in order to increase profit of the company. Managers should know to handle the situation of modern social media such as Instagram to introduce the product and receive competitive advantages. This research will help managers in deciding the strategy for the consumers in the social media to keep follow their brands and to be loyal consumers of the company.

1.6 Research Structure

This research follows the systematic writing structure which consists of five chapters. There are :

Chapter I : Introduction

In the first chapter stated about the background of the research, along with the problem statement, purpose of the research, scope of the research, benefit of the research and research structure. This chapter explain the reason of the research held and the importance of the research to be discussed which in line with the research purpose titled the effects of social media marketing activities on brand loyalty : mediation effect of brand and value consciousness.

Chapter II : Literature Review, Research Framework and Hypothesis Development

This chapter describes about the previous research held based on theories, journals and trustworthy source that related with the research about the effects of perceived social media marketing activities on brand loyalty : mediation effect of brand and value consciousness. It is strengthening with the framework and the hypothesis to be proved in this research.

Chapter III : Research Methodology

In this chapter explains about the population and sample in this research, operational definition, data collection methods and data analysis techniques. This chapter will explain in detail procedures and exact techniques for analyze the data and hypothesis to achieve appropriate result based on the purpose of the research.

Chapter IV : Data Analysis and Discussion

In this chapter tells about the result of the analysis collected in the form of questionnaires that had been develop and based on respondents' answers. This chapter will answer the research questions about the effects of perceived social media marketing activities on brand loyalty : the mediation effect of brand and value consciousness. The findings will be discuss in detail based on the data in this chapter.

Chapter V : Conclusion

The fifth chapter is the last chapter of the research. It consists of the sum of the previous chapter which is in the first chapter until the fourth chapter. In this chapter conclude from the analysis of this research connected with the purpose of the research. This chapter consists of conclusion, managerial implication, limitation and suggestion of future research. It will tell about how the marketers can apply in real life according to the findings and improvement for next research.