CHAPTER 1

INTRODUCTION

1.1 Research Background

As a developing country, Indonesia still easily received a major influence from many other developed countries. This influence is usually derived from products developed by those countries, that has been widespread and adapted by the developing countries as a new part of their lifestyle. One of the influence commonly experienced by developing countries including Indonesia is social media. Social media is defined as "a group of internet-based applications that build on the ideological and technical foundations of Web 2.0, and that allow the creation and exchange of user generated content" (Kaplan & Haenlein, 2010). Social media allow users to connect with peers by adding them to networks of friends, which facilitates communication, particularly among peer groups (Ahuja & Galvin, 2003).

Based on the results of the Hootsuite Social Wear research released in January 2019, social media users in Indonesia has reached the number of 150 million or 56% of the total population. The number is up 20% from the previous survey. Whereas mobile social media (gadget) users reach the number of 130 million or around 48% of the population. (databoks.katadata.co.id, accessed on September 14, 2019). It is also stated that, according to Hootsuite's We Are Social Report for 2018, the most active social media platforms in Indonesia are YouTube, Facebook, WhatsApp,

Instagram, and LINE. (www.techinasia.com, accessed on September 14, 2019). The very successful and gigantic Social Media like Facebook, Instagram, or Youtube itself are originated and invented from one of the most developed country in the world, United States of America. These phenomenons happening in Indonesia has shown that, as a developing country, Indonesia is experiencing a massive influence in social media originated from those developed countries.

Figure 1.1 Indonesia's digital users

Source : (Haryanto, 2018)

According to the research conducted by IDN Research Institute, the duration of internet consumption is divided by 4 categories; the light users (those who access the internet less than 1 hour a day), the medium users (those who access the internet between 1-3 hours a day), the heavy users (those who access the internet for 4-6 hours a day), and the addicted user (those who access the internet more than 7 hours a day). The research findings presented in Figure 1.2 shows that the majority of Indonesian millennials are included in the category of heavy users and addicted users.

This shows that Indonesian Millennials have experienced addiction and dependence on the internet.

Figure 1.2 Indonesian Millennials' internet using
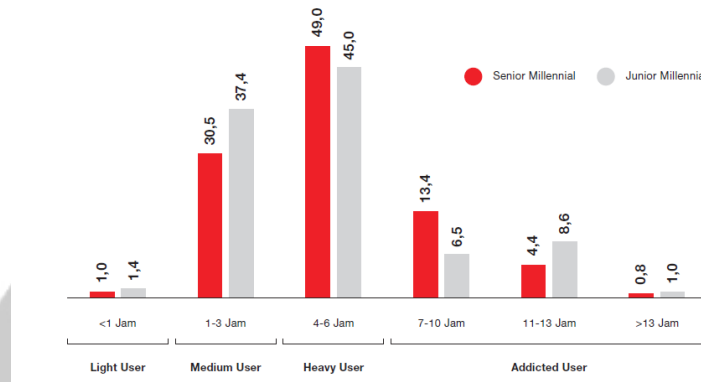
Source : (Utomo, 2019)

Badan Pusat Statistik (BPS) projects that Millennials generation will become the majority generation of demographics structure in Indonesia. The amount of Indonesian population for the next few years will continue to increase, which is from 265 million in 2018 will be 282 million in 2024 and reached 317 million in 2045. IDN Research Institute classifying millennial generations into two; Junior Millennial and Senior Millennial. Junior Millennial are those who was born in 1991-1998 and Senior Millennials are those born between year 1983-1990. According to the age group, Millennials who are aged between 20-35 years old is 24 percent, which is 63.4 million people out of 179.1 million people (67.6 percent) from the population of productive age category (age 14-64 years) . Quite a significant amount to ensure that the Millennial generation will become the foundation to determine the face of Indonesia in the future.

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The significant number of millennials population gives Indonesia a big chance to become a high-income country. Millennials are a generation of productive age and occupy various strategic positions in Indonesia. That is, they become the main players of the Indonesian economy in the demographic bonus of 2025 - 2030. In a business context, understanding the character of Millennials can be used to understand the trends of the products they interested in now. The industry can also formulate an appropriate marketing strategy to target the millennial segment.

Survey findings show that there are at least 4 goals most often done by millennials when connected to the internet. The four destinations include, chat / messaging, browsing, social networking and video streaming. Beyond these four objectives there are music, downloads, online games, e-mail and so on. Seeing the many activities carried out by Millennials shows that the internet has many meanings, because various activities are carried out through the internet.

Figure 1.3 Indonesian's millennials most searched information
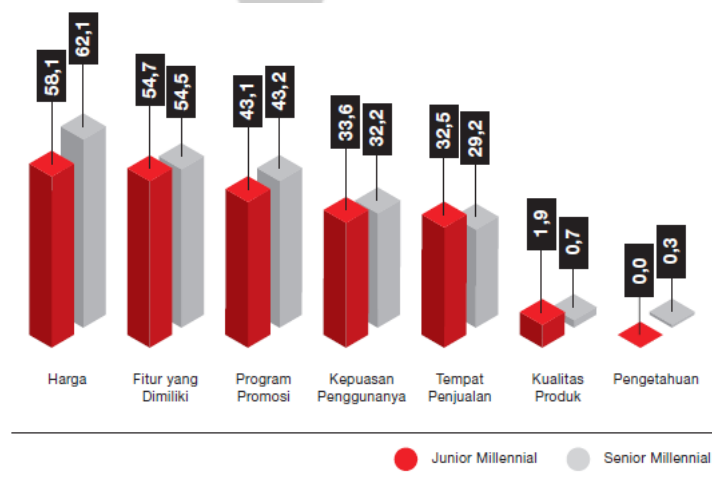
The existence of the internet has brought changes from the side of the customer journey map. Before there was the internet, consumers needed considerable effort to find out the features of a product. One must come to various outlets to compare product features. But now with the internet searching for a product is getting easier, just open the smartphone and then search for the desired product. They can easily search for information about product type and features, quality and price, as many as 5.6 percent of Indonesian millennials state that they search for information on a product via the internet before they make a product purchase, especially at Junior Millennial, which reaches 57.6 percent. (Utomo, 2019)

The social media network link millions of users from all over the world with same interests, views and hobbies. Electronic media have transformed consumers, societies, and corporations with wide spread access to information, better social networking and enhanced communication abilities (Kucuk & Krishnamurthy, 2007). Blogs, YouTube, MySpace, Facebook are examples of social media that are popular among all level of consumers. (Sin, Noor, & Al-Agaga, 2012) Users are using several online formats to communicate, (e.g., blogs, podcasts, social networks, bulletin boards, and wikis) to share ideas about a given product, service, or brand and contact other consumers.

The unique aspects of social media and its immense popularity have revolutionized marketing practices such as advertising and promotion (Hanna, Rohm, & Crittenden, 2011). Social media has also influenced consumer behavior from information acquisition to postpurchase behavior such as dissatisfaction statements or behaviors about a product or a company (Mangold & Faulds, 2009). Globally, more than 50 percent of social media users follow brands on social media (Belleghem, Eenhuizen, & Veris, 2011) and 29 percent follow trends and find product reviews and information, and 20 percent comment on what is hot or new or to review products (Gallup, 2014).

Many marketers believe that the organizations should aggressively promote only one advantage in the market concerned (Moise, 2011) and social networks in the online environment allows them to appear more attractive to consumers. The much higher level of efficiency of social media compared to other traditional communication channels prompted industry leaders to state that companies must participate in Facebook, Twitter, Myspace, and others, in order to succeed in online environments (Kaplan & Haenlein, 2010).

We can see that the appearance of social media has successfully facilitates consumers decision making in purchasing particular brand. Therefore nowadays, company should be more concern by how they presenting their brand on social media in addition to gain more consumer's interest for choosing their brand over the others. Some of the factors that

must be considered impacting the consumers' loyalty toward specific brands are brand consciousness and value 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. 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. The other variables that affecting consumer's loyalty toward particular brand or company is value consciousness. 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 value conscious consumer are sensitive towards the price, quality and value of the products that company offers.

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.

Although many brands and companies begin to be aware and joining the social media as a marketing tool, it is still important for the company to know how to strengthen brand loyalty, especially for value and brand conscious customer, through the social media. The current study is attempting to address this knowledge gap and the mediating effect of value and brand consciousness by developing a research model with the title **"The Impacts of Social Media Marketing Activities on Brand Loyalty, Value Consciousness, and Brand Consciousness among Indonesian Millennial".**

1.2 Research Problems

Based on the previous explanation and previous study, the researchers formulated the research problem as follows:

1. Does perceived Social Media marketing have a positive effect on brand loyalty?

2. Does perceived Social Media marketing have a positive effect on brand consciousness?

3. Does perceived Social Media marketing have a positive effect on value consciousness?

4. Does brand consciousness have a positive effect on brand loyalty?

5. Does value consciousness have a positive effect on brand loyalty?

6. Does perceived social media marketing activities have a significant effect to brand loyalty through value consciousness as mediating variable?

7. Does perceived social media marketing activities have a significant effect to brand loyalty through brand consciousness as mediating variable?

1.3 Scope of research

The scope of research created to avoid digression in this research is as follows :

1. This research is an article adaptation from 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. The variables studied in this research are, perceived social media marketing activities, brand loyalty, brand consciousness and value consciousness.

2. The subjects or respondents for this research are Universitas Atma Jaya Yogyakarta students that included in Indonesian Millennials generation, born between year 1990-1998, and have been actively engaged in social media usage in their daily life.

1.4 Research Objective

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 on brand loyalty.

2. To examine the effect of perceived social media marketing on brand consciousness.

3. To examine the effect of perceived social media marketing on value consciousness.

4. To examine the effect of brand consciousness on brand loyalty.

5. To examine the effect of value consciousness on brand loyalty.

6. To examine the effect of perceived social media marketing activities on brand loyalty through value consciousness as mediating variable.

7. To examine the effect of perceived social media marketing activities on brand loyalty through brand consciousness as mediating variable.

1.5 Research Contribution

1. For Organization

This research will provide calculative results with analysis that can be useful for successing product marketing through social media, especially among Indonesian millennials.

2. **For Author**

This research will improve the author's knowledge and experience to research this study especially about marketing aspect.

3. **For Other Parties**

This may help the next party who are interested in conducting a similar study to improve the knowledge and direction for future research.

1.6. Research Structure

According the systematic writing structure, this research will be consist of 5 chapters. Those chapters are :

Chapter 1   Introduction

This chapter consist of background of the research, the research problem, the research objectives, the research contribution and the research structure.

Chapter 2   Literature Review

This chapter consist of the basic theory, the related previous research and study, definition and explanation of terms, the research framework and the hypothesis development.

Chapter 3   Research Design

This chapter consist of the method explanation, the research sampling, the data sources, the variable, the data collection and the analysis method.

Chapter 4   Data Analysis & Discussion

This chapter consist of the explanation of data analysis and the discussion of the research result.

Chapter 5   Conclusion and Suggestion

This chapter consist of the conclusion, the limitation and the suggestion.