

# CHAPTER I

## INTRODUCTION

### 1.1 Background

Currently, technology has transformed every aspect of industries, especially in the marketing area. Social media marketing has resulted in personalized and immersive campaigns, and the emphasis of marketing has shifted from competitive advertising to data collection and dissemination. Marketing technology has opened up hundreds of new ways to understand businesses and consumers, as well as new ways to reach them. Technology has been critical to the growth of businesses, assisting them in developing relationships, increasing company effectiveness, and raising public awareness (Emmanuel & Emmanuel, 2022). Because of significant advances in new technology, many businesses are now competing to create new marketing strategies that use new technology to promote their products and services. New technologies have a significant impact on consumer behaviour and purchasing intentions. Digital technology has had a long-term impact on consumer purchasing and decision-making online. Artificial intelligence is a critical component of digital technology that forecasts consumer behavior as they browse various websites for goods and services (Nazir et al., 2023). Because of new technology, consumers now have unlimited access to knowledge, which empowers them (Alexa, 2022).

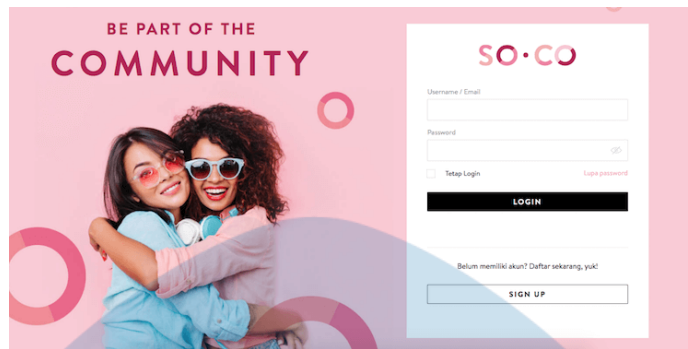
Digital marketing influences consumer interest in purchasing an item through e-commerce. Effective digital marketing encourages positive customer relationships by showing consistent outstanding results over time. A strong digital marketing company can improve the good results (Morgan and Hunt, 1994). When evaluating the company, management strengthens relationships with customers and reduces risk. Good digital marketing enhances a company's credibility, reliability, responsibility, and trustworthiness, leading to increase customers understanding.

Indonesia's beauty industry is experiencing a digital makeover, with e-commerce platforms like Sociolla witnessing a surge in demand for cosmetics and skincare products. This growth is fueled by factors like internet users with rising

disposable income, a growing middle class with increasing beauty consciousness, and the undeniable convenience offered by online shopping. According to a report by Statista on 2024, Indonesia's e-commerce sales for beauty and personal care products are expected to reach over \$6 billion USD by 2025, highlighting the sector's potential. These online beauty boosts a wider selection compared to traditional stores, often featuring international brands alongside local favorites. Additionally, e-commerce platforms frequently offer attractive deals and promotions, further enticing beauty enthusiasts. Sociolla, for example, has established itself as a leader in this space, not only offering curated product selections but also fostering a sense of community through beauty reviews and tutorials. This blend of convenience, variety, and value is propelling e-commerce to the forefront of Indonesia's beauty market, with experts predicting it to capture a significant portion of the market share in the coming years. While physical stores still hold a larger market share currently, the rapid growth of e-commerce suggests a significant shift in consumer behavior, with Indonesians increasingly turning to their smartphones and laptops to fulfill their beauty needs.

Sociolla is one of the largest beauty companies in Indonesia, with 60 stores in 35 cities in Indonesia and 4 cities in Vietnam ((Mill, 2024). Sociolla has also expanded into online platforms, by launching an application called Soco since 2015, becoming one of the e-commerce applications for beauty products that is trusted by the public. E-commerce businesses must attract both new and existing customers to their websites, this is accomplished by understanding the impact of digital marketing on purchase intention.

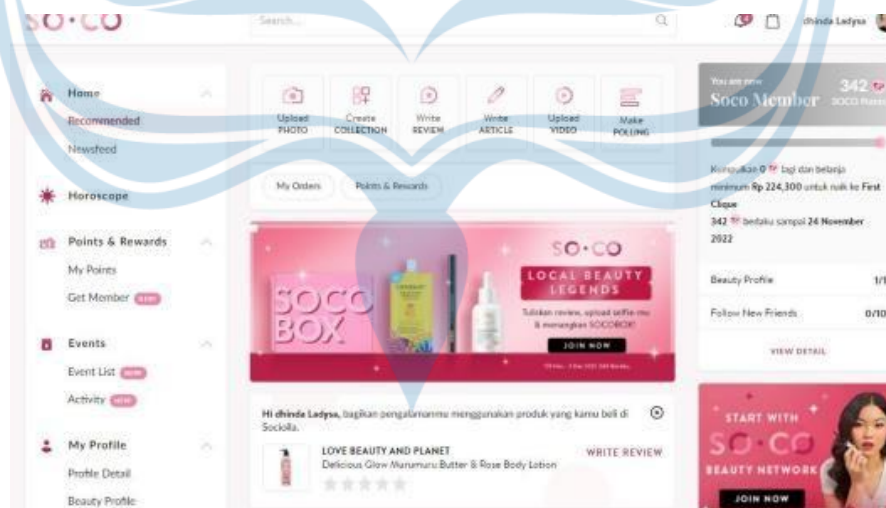
Sociolla is Indonesia's leading e-commerce platform for beauty products, including cosmetics, skincare, and perfume. Sociolla collaborates with official distributors and brand owners. Sociolla serves as an official brand partner for over 140 brands and 3000 products. Sociolla has exclusive online sales agreements with international premium brands, including Elizabeth Arden, Philosophy, Guerlain, Anna Sui, Menard, Hugo Boss, and Bvlgari. Sociolla has an online presence, accessible at [www.Sociolla.com](http://www.Sociolla.com). (Sonia & Hassanah, 2023).



**Figure 1.1 Display of Soco by Sociolla**

Source : [www.sociolla.com](http://www.sociolla.com) (accessed 7 March 2024)

Figure 1.1 shows that Sociolla has colorful backgrounds on the website. SOCO is the largest online consumer review platform for beauty products and personal care in Indonesia with more than 1.2 million product reviews. This platform provides a means for users to interact with each other. Sociolla started as an online beauty and lifestyle media become an O2O (Online to Online) marketing agent from upstream to downstream that has partnered with leading beauty company in Indonesia.



**Figure 1.2 Display of SOCO Application**

Source : [www.soco.id](http://www.soco.id) (accessed 7 March 2024)

The digital marketing that was implemented on Soco by Sociolla are Content Marketing and App Store Optimization (ASO). The first digital marketing done by Soco application is content marketing. Here are Soco Blog and Beauty Tutorials. It provides useful content in the app and on the Sociolla website educates users, Sociolla as a beauty authority, and keeps them coming back for more. Tutorials can showcase and demonstrate how to use products available on the app. The other content marketing is Personalized Beauty Recommendations. It uses user data and purchase history, and Sociolla can suggest personalized beauty products and routines within the Soco application. The second digital marketing here is App Store Optimization (ASO). It adds relevant keywords to the Soco app listing in the App Store and Google Play Store improves app discovery during searches. This includes using terms like "beauty", "cosmetics", "skincare", and "Indonesia" in the app's title, description, and keywords section.

**Table 1.1 Number of monthly web visits on Sociolla and other e-commerces**

Number	E-commerce	Year Founded	Monthly Web visitors
1	Sociolla	2015	4.838.300
2	Sephora	1970	173.000
3	BeautyHaul	2014	21.377
4	Allthea Korea	2015	10.950
5	Allyoung Indonesia	2017	11.116

Source : IDN Times (2020)

According to data from IDN Times, Indonesia has five trusted beauty e-commerce sites: Sephora, Sociolla, BeautyHaul , Althea Korea, and All Young Indonesia. Table 1.1 shows that Sociolla is not the first beauty e-commerce site in Indonesia, but it is the most visited in 2020. According to iPrice.co.id, Sociolla is the top priority for Indonesian consumers when shopping for beauty products online in Q3 (July, August, September) 2021.



**Figure 1.5 Display of the discounted products on Sociolla websites**

Source : [www.sociolla.com](http://www.sociolla.com) (accessed 7 March 2024)

Sociolla regularly offers promotions and discounts on its website. Sociolla offers discounts up to 90% on all new and existing products. Unlike other beauty products e-commerce, Sociolla offers discounts across various categories. Sociolla promotes itself through collaborations with beauty products and media partners, offering benefits such as cashback or discounts (Sonia & Hassanah, 2023).

Sociolla offers reviews for beauty enthusiasts who are knowledgeable about products and related topics. Sociolla offers the advantage of frequently reviewed product ratings, allowing users to stay up-to-date on current trends. It also organizes journal content into categories to make it easier to find. Additionally, the reviewers were typically beauty vloggers and celebrities (Sonia & Hassanah, 2023).

Digital marketing affects purchase intention toward beauty products on Sociolla website and Soco application. Purchase intention is process that involves recognizing a problem, gathering information about a product or brand, evaluating its effectiveness in solving the problem, and making a purchase decision through online (Yunus et al., 2022). Consumers typically prioritize quality, price, and familiarity when making purchasing decisions. Consumers typically go through two stages before making a purchasing decision: recognizing the problem and searching for information. According to Kotler & Armstrong (2008) and Kotler and Keller

(2016), the buying process involves evaluating alternatives, deciding whether to buy, and engaging in purchasing behavior. Donni et al. (2018) found that a customer's online search and browsing of e-commerce websites significantly impact their purchase intention. To attract both new and existing customers, Sociolla e-commerce companies need to understand how digital marketing affects purchase intention.

There is a mediator that influences the relationship between digital marketing and purchase intention, which is Customer Relationship Management (CRM). Dastane (2020) defines CRM as a method of understanding customer behavior through communication to improve performance, including attracting, retaining, and increasing loyalty and profitability. In a broader sense, CRM, in its broadest sense, refers to the entire process of developing and maintaining profitable customer relationships by providing superior customer value and satisfaction (Yunus et al., 2022).

There are some best seller products, either local or import on both Sociolla website and Soco application, for instance Laneige, Wardah, Bioderma, Emina, and SK II. Some other featured beauty brands in Sociolla, for examples are Mediheal, Barenbliss, and Laneige from South Korea, Avoskin, Carasun, and ESQA from Indonesia, also Sukin from Australia (Intayos et al., 2021). To improve purchase intention and CRM, Sociolla companies can use digital marketing strategies that collect data through online platforms like social media, search engines, and smart products. Digital marketing combines digital technologies with traditional marketing communication to achieve goals. As the Internet has become a trading marketplace, companies are increasingly adopting digital marketing to ensure a smooth and efficient trading experience (Dastane, 2020).

Sociolla utilizes various Customer Relationship Management (CRM) strategies to maintain relationships with its customers, such as giving personalized email updates. Welcome Emails: Upon signing up, new users receive a welcome email with information about the Soco app, loyalty program benefits, and exclusive offers. Sociolla sends personalized emails suggesting products that might interest the customer. If a customer adds items to their cart but doesn't complete the purchase,



Sociolla might send a gentle reminder email with a special discount or free shipping offer to entice them to finalize the purchase. Soco by Sociolla also sends personalized birthday or anniversary emails with special discount codes or early access to show customers that they are valued and creates a sense of exclusivity. For highly anticipated product launches, Sociolla allows customers to pre-order through the Soco app. They can then receive email notifications confirming the pre-order and informing them when the product is ready for shipment. Sociolla provides various channels for customers to gather complaints, including email, phone calls, and a live chat option within the Soco app. This ensures customer convenience and allows them to choose their preferred method of communication.

This study fills a gap in the literature by focusing on CRM-mediated purchase intention in digital marketing, a relevant topic for many researchers. based on the research background above, researchers are interested in conducting research on "Exploring The Impact Of Digital Marketing On Purchase Intention With Customer Relationship Management as An Intervening Variable The Study Of Sociolla Online Website And Soco Application". Given the facts that previous research conducted by Dastane (2020) into the influence of digital marketing has had a significant impact on e-commerce in Malaysia. Meanwhile, this study will investigate the correlation between digital marketing and customer relationship management toward purchase intention on beauty e-commerce website and application in Indonesia.

## **1.2 Problem Statement**

Based on the explanation and previous study mentioned in the introduction part above, this research questions are formulated as follows:

1. Does digital marketing have positive influence toward purchase intention on Sociolla website and Soco application?
2. Does digital marketing have positive influence toward customer relationship management on Sociolla website and Soco application?
3. Does customer relationship management have positive influence toward purchase intention on Sociolla website and Soco application?

4. Does customer relationship management mediate the effect of digital marketing toward purchase intention on Sociolla website and Soco application?

### **1.3 Research Objective**

Based on the problem identification above, the objectives of this research include:

1. To analyze digital marketing effects on purchase intention of Sociolla website and Soco application.
2. To analyze digital marketing effects on customer relationship management of Sociolla website and Soco application.
3. To analyze customer relationship management effects on purchase intention of Sociolla website and Soco application.
4. To analyze customer relationship management mediates the effects of digital marketing toward purchase intention of Sociolla website and Soco application.

### **1.4 Research Benefits**

#### **a. Theoretical Benefit**

It is expected that it will provide benefits for the development of knowledge in the field of marketing, can become reference material, references, increase insight and knowledge about Digital Marketing and Customer Relationship Management (CRM) toward Purchase Intention of beauty products on Sociolla website and Soco application.

#### **b. Practical Benefit**

By understanding this research, skincare companies can create unique and effective formulations that differentiate them from competitors. This not only aids in the development of a distinct brand image, but also allows for ongoing improvement and growth. It will bring benefits itself for Sociolla such as



improvement for their features in websites and Soco application.

## **1.5 Writing Systematic**

To provide context for this research, this study divides the research proposal into five chapters, which are as follows:

### **CHAPTER I: INTRODUCTION**

This chapter includes the research background, problem identification, benefits of the research, research scope, and writing systematics. In research background, the author usually summarizes the historical developments in the literature that led to the current research topic. In the research scope, it refers to the limits and scope of a study, defining its specific objectives, target population, variables, and methods.

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

This chapter consists of a literature review, the previous studies, hypothesis, and conceptual framework. For the literature review, it's a section to discuss previous research on the subject. Hypothesis helps to provide the researcher with a wealth of information about the study's topic to assist him in fully comprehending it. Conceptual framework defines the relevant objectives for the research process.

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

This chapter covers research types, data types, data sources, sample research methods, research subjects and objects, location and time research, data collection and measurement methods, face validity, research samples, and operational definitions.

### **CHAPTER IV: RESULT AND DISCUSSION**

This chapter consists of the result of this research as well as the discussion related to the research. This chapter presents and discusses the

study's results in relation to its aim.

## **CHAPTER V: CONCLUSION**

This chapter consists of the conclusion of this research, managerial implications, limitations, and suggestions. Managerial implications summarize what the findings mean in terms of actions. Conclusions should be logical and clearly explained, and they should account for any limitations in the data or analysis. Here are the specific actions that can be taken in response to the findings and conclusions.

