

# CHAPTER I

## INTRODUCTION

### 1.1 Research Background

Internet user growth in Indonesia is surging, evident from the ongoing increase in their numbers. By January 2023, Indonesia had reached 212.9 million internet users, representing approximately 77% of the population. This figure marks a 3.85% rise from the previous year's 205 million users in January 2022. This expanding internet user base is driving an increase in social media participation as well. According to the We Are Social report, there were 167 million active social media users in Indonesia by January 2023, accounting for 60.4% of the country's population. Social media has become integral to daily life across all age groups in Indonesia, with individuals spending an average of 3 to 4 hours on platforms like Facebook, Instagram, Youtube, Whatsapp, Line, and Twitter, primarily through mobile devices.

Social media is a tool that brands and retailers can leverage to engage and influence their customers. (Mersey et al., 2010; Colliander & Dahlen, 2011). Social media advertising involves consumers' present-day activities of searching and browsing the internet for desired products. Social media platforms serve as new arenas where individuals, organizations, and even governments can engage commercially, socially, politically, and educationally, facilitating the exchange of information, ideas, products, and services. This has prompted organizations worldwide to explore how these platforms can attract customers and establish profitable marketing relationships. Companies can employ various marketing

strategies through social media platforms, including advertising, electronic Word of Mouth (e-WOM), customer relationship management, and branding. Researchers and practitioners show significant interest in social media marketing, particularly in advertising. Social media advertising can help companies achieve many marketing goals, such as creating customer awareness, building customer knowledge, shaping customer perceptions, and motivating customers to actually buy products (Alalwan et al., 2017). Social media advertising is a form of internet advertising, but because they are Web 2.0, customers may have a different perception and experience of interacting with social media advertising. This is also due to the nature of social media advertising as they empower customers to have more engagement (i.e., liking, re-sharing, commenting, posting and learning) with targeted ads (Laroche, Habibi, & Richard, 2013; Tuten & Sulaiman, 2017).

Electronic Word of Mouth (e-WOM) is a social media platform that functions as a communication process from individual to individual or group to individual with the aim of providing recommendations for a product or service that aims to provide personal information (Kotler & Keller, 2012). The rapid development of the internet and information has made consumers have space to be able to express and obtain information on various available platforms and easily disseminate it throughout the world. The existence of the internet caused a shift from traditional word of mouth to electronic word of mouth. E-WOM not only provides facilities for giving opinions about products but also becomes a marketing tool and channel for companies (Chan & Ngai, 2011). Consumers tend to trust recommendations



from people who have directly tried the product they want to buy compared to advertisements (Brown et al., 2005). Communication in eWOM can be in the form of positive, neutral, or negative statements from potential, actual, and former consumers regarding products, services, brands, or companies that are available to many people and institutions via the internet (Henning-Thurau et al., 2004).

Electronic word of mouth has higher credibility, understanding, and relevance to consumers than commercial information sources issued directly by companies in online media (Bickart & Schindler, 2001). e-WOM is considered as one of the most useful information sources by consumers as it consists of peer opinions and experiences instead of company-generated information. The Internet has facilitated e-WOM communication between customers through a variety of platforms (Cheung & Thadani, 2012). However, there is one major difference between social media and other eWOM platforms; social media allows Internet users to communicate with people who they already know, while other platforms enable users to communicate anonymously.

As a result, consumers are increasingly using social media platforms to learn about brands they are unfamiliar with. Additionally, previous research has shown that electronic Word of Mouth (e-WOM) on social media significantly influences consumers' purchasing decisions. Similarly, other e-WOM platforms such as consumer review websites, discussion forums, and blogs have also been found to impact consumers' buying intentions.

With the widespread adoption of social media, various consumer groups utilize electronic Word of Mouth (e-WOM) to seek reliable product

recommendations, with platforms like Shopee serving as popular marketplaces for online purchases ranging from daily necessities to fashion and food. The escalating value of global e-commerce transactions, especially in Indonesia, continues to rise annually, making e-commerce a compelling area of research. The Indonesian government's support for e-commerce growth includes developing logistics, infrastructure, and financial institutions sustainably. The shift from offline to online shopping behavior is primarily driven by the convenience offered by digital stores, although concerns such as payment security, fraud, and product quality also influence consumer decisions, emphasizing the need for sellers to cultivate buyer satisfaction and trust.

Research conducted by Ginee on online shopping trends by gender reveals that 63% of e-commerce users in Indonesia are women, compared to 37% who are men. Shopee leads with a notable awareness score of 77%, followed by Tokopedia at 39% and Lazada at 25%. Fashion products emerged as the most popular category on Shopee in 2022, with 56 million transactions, followed by electronic devices and household goods.

The choice to conduct this research project in West Pasaman was primarily motivated by its accessibility to the target audience and the prevalent phenomenon of online advertisements, particularly those from Shopee, appearing frequently across various platforms used by the local population. This unique situation offers a compelling opportunity to study how these advertisements influence consumer behavior and shape societal trends within the community.



## 1.2 Problem Statement

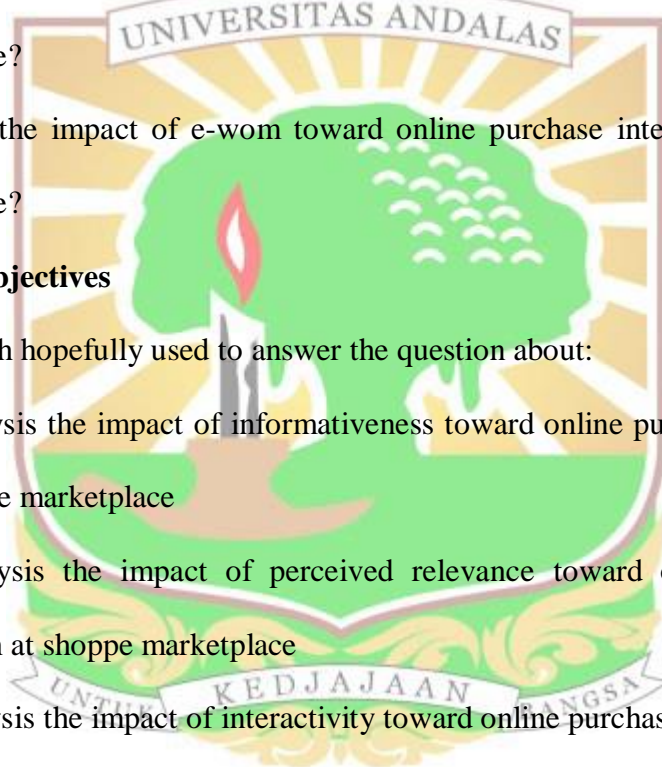
The problem can be based on explanations on the background such as:

1. How does the impact of informativeness toward online purchase intention at shoppe marketplace?
2. How does the impact of perceived relevance toward online purchase intention at shoppe marketplace?
3. How does the impact of interactivity toward online purchase intention at shoppe marketplace?
4. How does the impact of e-wom toward online purchase intention at shoppe marketplace?

## 1.3 Research Objectives

The research hopefully used to answer the question about:

1. To analysis the impact of informativeness toward online purchase intention at shoppe marketplace
2. To analysis the impact of perceived relevance toward online purchase intention at shoppe marketplace
3. To analysis the impact of interactivity toward online purchase intention
4. To analysis the impact of e-WOM toward online purchase intention



## 1.4 Research Contribution

From this research, researcher try to give contribution for the parties namely:

### 1. For the academic

This research expected can increase further understanding about the relation of some dimension of social media advertising (Informativeness, perceive relevance and interactivity) and e-wom toward online purchase intention, and also can be references for further research in digital marketing.

### 2. For the brand

The result of this research hopefully can be an insight for brand in order to increasing the marketing campaign on social media advertising and also can be an insight for their e-wom through social media marketing.

## 1.5 Research Scope

The researcher will be the social media users who have known shopee and have seen shopee advertisement on social media but never done a purchasement that live in West Pasaman. The research will focus on three social media variables: advertising, e-wom, and customer intention of online purchases.

## 1.6 Research Outline

Chapter I: Introduction

The initial chapter will delve into the background of digital marketing and its associated opportunities. It will then specifically examine the influence of social media advertising and electronic word-of-mouth (e-WOM) on online purchasing intentions within the Shopee marketplace. Additionally, it will address the problem



statement, research objectives, benefits, scope, and conclude with an outline of the study.

## Chapter II: Literature Review

In the second chapter of this study, various theories relevant to the research will be elucidated. This will include defining social media advertising and e-WOM in relation to online purchase intentions on the Shopee marketplace. Furthermore, this chapter will encompass a review of previous studies, the development of hypotheses, and the establishment of a theoretical framework that will guide the data analysis process.

## Chapter III: Research Method

In the third chapter, the research design will be detailed, covering the quantitative instruments used, the population and sample, data collection techniques, variables and their measurements, and the data analysis methods employed to validate the hypotheses.

## Chapter IV: Result and Discussion

The fourth chapter will present the research findings and analysis, including a description of the respondents, followed by a section on descriptive analysis.

## Chapter V: Conclusion and Suggestion

This chapter includes the conclusions drawn from the research results, implementation of the findings, limitations of the study, and recommendations for future research.

