

CHAPTER 1

INTRODUCTION

1.1 Background

The development in today's sophisticated technology has created a digital era that causes human dependence on technology, one of which is the use of the internet. The presence of the internet has changed the way humans communicate. Where the better internet network for the community, the easier it will be for community members to communicate.

Indonesia is one of the countries with the largest population, so that any changes or innovations that occur will immediately enter and be felt by the population, including in the field of technology. With a population of around 268 million people, many people call Indonesia a very potential market for the digital world. Thus, according to the research, there are approximately 88.1 million people who use the active internet in Indonesia as their social media (APJII, 2017).

To help companies maintain their business, one of the most important issues for companies is the marketing aspect. Promotion is an element of the marketing mix, in addition to product, price, place and promotion. Even though the products offered by the company are good, relatively cheap and easy to get, if not accompanied by good promotions, the sales level will not be maximal. Judging from the high internet users and access to social media, one of the most widely used promotions by companies is social media-based promotion.

Based on a social media survey, in 2019 the most accessed in Indonesia according to claims from social media users was: YouTube got the most numbers with a percentage of 88 percent. 83 percent of Indonesian social media users frequently use WhatsApp, 81 percent frequently use Facebook, and 80 percent admit to frequently accessing Instagram. Meanwhile, 59 percent of users frequently access LINE. The survey results can be seen in Figure 1.

The effect of social media on increasing website traffic and increasing turnover in online sales is very real. Social media has been used or generally

referred to as social media marketing as a medium for marketing goods. Meanwhile, the use of social media channels and websites to advertise a product or service is social media marketing (Felix, Rauschnabel, & Hinsch, 2016).

Social Network Marketing is one of the recent and leading marketing campaigns that has brought consumers rather than analysts as participants. Brands and consumers are connected without restriction of time, place and means of communication under this creative marketing strategy because the technique promotes two-way communication, not conventional one-way communication (Kim & Ko, 2012).

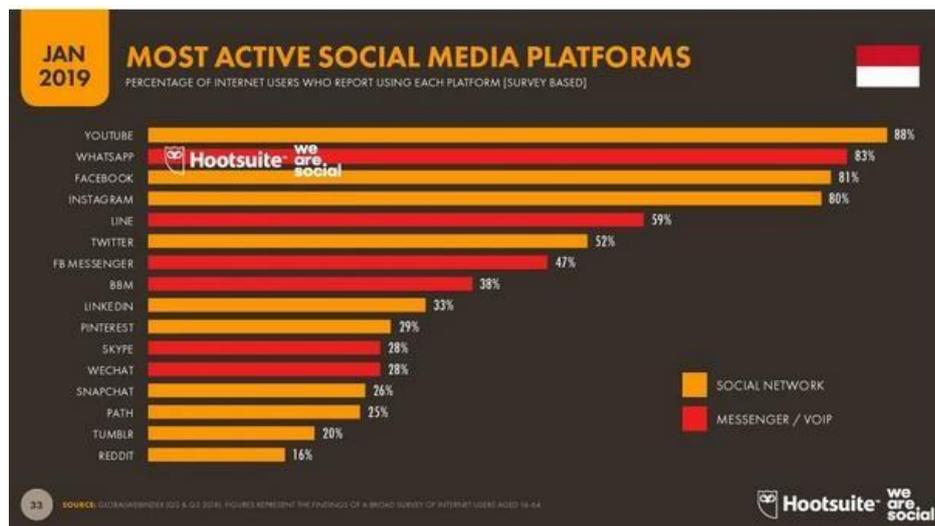


Figure 1. Most Active Social Media Platforms

Source: DATAREPORTAL (2020)

In each of the world's leading multi-billion-dollar firms, the cosmetic industry involves a vast variety of products such as cleansers, toners, serum, moisturizers, foundations, lightweight powders, lipsticks, eyeliners, eyeshadows, blushers and mascaras (Chin & Harizan, 2017). The popularity of cosmetics from foreign brands continues to hit the local cosmetic industry in Indonesia. In recent years, the cosmetics industry from South Korea, Japan and China has grown in popularity among Indonesians.

Indonesia is now home to an increasingly sophisticated group of consumers

who are concerned about their appearance and well-being. Interest in personal care and beauty products shows an increasing trend every year. This condition is fully utilized by cosmetic manufacturers. As a result, the number of players in the industry continues to increase.

The skin care industry has experienced a shift in demand from older consumers to younger consumers. People started using skin care at a younger age in an attempt to delay signs of aging, while the number of older consumers decreased. Skin care companies are slowly adjusting their marketing strategies to correct this balance and maintain their consumer base.

Based on a study conducted by Euromonitor (2020), the business potential of the beauty and care industry in Indonesia in 2019 is estimated at US \$ 6 billion. In the next few years, this number is projected to continue to grow. By 2022, the potential is estimated to reach US \$ 8.4 billion. Some examples of local Indonesian skin care product brands, starting from well-known brands such as Citra, Viva, Sariayu, Mustika Ratu, Wardah, Pixy, and etc, have quality that is not less good compare to imported products. There are also new local brands released in recent years such as Base, Jarte Beauty, Votre Peau, Avoskin, Everwhite, and many more. The increase in the number of new local brands in Indonesia is proportional to the interest of consumer demand, especially women due to several factors such as product formulations that suit Indonesian skin, more affordable prices, available at most of all nearest supermarket or minimarket, and guaranteed authenticity of their products.

In this research, the writer wants to discuss about one of the new local products from Indonesia, "Everwhite" which is quite famous among Indonesian women. Everwhite is produced by PT. Nose Herbal Indo which is located in North Jakarta. Everwhite is known as a brand that produces Axillary Cream. The interesting thing about this brand is its beautifully designed packaging, which makes many users think that Everwhite is a product from South Korea.

PT. Nose Herbalindo is a company that provides cosmetic manufacturing services that commonly referred to as *maklon* or *toll manufacturing*. PT. Nose Herbalindo was built as a form of urgency from the Indonesian cosmetic industry

which requires a lot of local products that can compete globally. According to 2018 Ministry of Industry data, the potential for growth in the Indonesian cosmetics industry itself is very positive. It is noted that there has been a growth increase of 20% or four times the national economic growth in 2017 in the development of the national cosmetics industry.

In addition, in 2017, the export value of national cosmetic products was recorded at USD 516.99 million, an increase of USD 470.30 million compared to 2016. This is possible given the increasing demand in the domestic and export markets, in line with the trend of people starting to pay attention to cosmetic products. as a primary need. This indicates that Indonesia has a bright future for the cosmetics business.

Everwhite uses LINE official account to market its products, as LINE Instant Messaging (IM) ranked third as social media in the messenger category most frequently used by the citizens of Indonesia in January 2017, supported by a statistical survey conducted by the global web index (Kemp, 2020).

Advantages obtained by consumers through Everwhite's LINE Official Accounts are discount or special price from Everwhite products offered and consumers can be directly making online shopping order in the chat room of Everwhite's LINE Official Accounts.

Promotions not only introduce products and prices but also interesting events and are also accompanied by the distribution of vouchers through LINE accounts that can be used in the marketplace where Everwhite also sell their products or in the chat room when making online shopping order. With marketing promotions through the LINE Official Accounts, the company hopes that the products offered will be recognized by the wider community quickly and encourage consumers to make purchases.

The reason why this study chose to discuss LINE Official Accounts as the social media under study compared to other social media applications, because LINE is the second messenger application after WhatsApp which is the most widely used by Indonesians. LINE has advantages in its Official Accounts features that WhatsApp doesn't have as a fellow messenger application. This

Official Accounts feature provides space for business people who already have contracts with LINE to simplify their marketing strategies. Examples include targeting broadcast messages, card-based messages (coupons), live chat, in-room chat menus, profile pages, chat tags, payment methods, statistics, and so on. These features also make it easier for followers of the Official Accounts to transact in just one application. There is even 1 well-known bank in Indonesia that also collaborates with LINE with the bank keyboard feature that can be used in LINE chat rooms for transactions.

Based on this background, the authors are interested in responding to previous studies regarding social media promotion and its impact into research proposals about the effect of Everwhite's promotion through LINE Official Accounts against Consumer Purchase Intention in Surabaya.

1.2 Research Problem

From the background described previously, the problem formulation of this study is:

1. Does Social Network Marketing affect Consumer Purchase Intention on Everwhite in Surabaya?
2. Does Social Network Marketing affect Consumer Engagement on Everwhite in Surabaya?
3. Does Consumer Engagement affect Consumer Purchase Intention on Everwhite in Surabaya?
4. Does Social Network Marketing through Consumer Engagement affect Consumer Purchase Intention on Everwhite in Surabaya?

1.3 Research Objective

The objectives of this research according to the research problem. The objectives to this research are:

5. To analyze the impact of Social Network Marketing towards Consumer Purchase Intention of Everwhite in Surabaya.
6. To analyze the impact of Social Network Marketing towards Consumer

Engagement of Everwhite in Surabaya.

7. To analyze the impact of Consumer Engagement towards Consumer Purchase Intention of Everwhite in Surabaya.
8. To analyze the mediating role of Consumer Engagement in the relationship between Social Network Marketing and Consumer Purchase Intention of Everwhite in Surabaya.

1.4 Significance of the Study

The results of the study will be of great benefit to the following:

1.4.1 Theoretical benefits

In the framework of the theory, the advantages of this study are to explore how Social Network Marketing affects the connection of a brand or business with its consumers across the virtual world, directly and indirectly linked to the emotional bond developed between company and consumer. Then, by loyalty and emotional appraisal of the buyer appropriately, the outcome of this interaction relates to the buying behavior of those consumers.

1.4.2 Practical benefits

The study's benefits are to help readers understand the increased practical significance of social media and its effect on Consumer Engagement, particularly in the online context that encompasses all social networking domains. This aspect of business marketing has been under-researched (Fournier & Lee, 2009).

1.5 Systematic of Writing

The systematic of this thesis is consists of five interrelated chapters mentioned below:

CHAPTER1: INTRODUCTION

Contains the Research Background, Research Problem, Research Objectives, Significance of the Study, and Systematic of Writing.

CHAPTER 2: LITERATURE REVIEW

Literature review explains critical basis regarding Social Network

Marketing; Consumer Engagement; Consumer Purchase Intention; relationship between variables; research model; and hypothesis.

CHAPTER 3: RESEARCH METHOD

Contains research design, variables (identification and operational definition), variable measurement, data's type and sources, tools and data collection methods, population and sample, techniques of sampling, and analysis of data.

CHAPTER 4: DATA ANALYSIS AND DISCUSSION

In chapter 4 will be explained based on data description, data testing, hypothesis testing, and result discussion.

CHAPTER 5: CONCLUSION AND SUGGESTION

In chapter 5 will described conclusions based on analysis from previous chapters and suggestions to improvement for further research.