

# CHAPTER 1

## INTRODUCTION

### 1.1. Background of the Study

In this modern era, internet and social media are the common things that almost all the society layers have. Jones (2013) stated that social media has transitioned into an obsession and almost a way of life for online culture, changing the way we communicate with our colleagues, loved ones, and our favorite brands. The data statistic presented the number of internet users in Indonesia in 2018 of 132.7 million users, while social media usage penetration reached 130.0 million users (Hootsuite & We Are Social, 2018).

The rapid development of the internet in recent years has affected the business environment, especially in the field of marketing. The internet offers opportunities for companies to be able to reach a wider audience and create attractive value propositions that could not have been created before, by providing new promotional tools, interactions and building relationships with customers. The internet is also a fundamental change in how buyers and sellers interact because they deal with each other through internet connections and the interactivity provides an opportunity for a brand to build communication with customers. Hence, it has excited the seller with that potential to better serve customers and satisfy their needs (Sashi, 2012).

Interacting with customer is one of the strategies to have contact and touch on the customer which is one of the ways to learn about their needs in meeting the customer expectation that organization can conduct (Fowler, Pitta, & Leventhal,

2014). The marketing paradigm has developed over years and though the internet, marketer can market their products by providing products and services to customers in accordance with the results of identification of their respective needs and preferences (one-to-one marketing). This paradigm of network, relationship and interaction concepts started to appear more frequently (Gummesson, 2017). If one-to-one marketing interaction is allowed, it will also be possible for marketers to be able to build strong and sustainable relationships with their customers and increase brand loyalty based on Internet. As a result, internet has an impact on the creation of sustainable marketing advantages (Arnott & Bridgewater, 2002). Social media made a firm to have a relationship with individual consumers. It becomes a challenge for the firm that never use it but it also can be a big opportunity (Hennig-thurau, Hofacker, & Bloching, 2013).

Building and maintaining brand loyalty is one of the main things that needs to be considered by the company, especially in the middle of tight competition among current competitors. Building a strong brand with loyal customers is an important strategy for the marketing manager as it can create a huge market entry barrier to competitors. Enhance the company's ability to respond to competitive threats, greater sales and revenue results, and can create a customer base are less sensitive to the marketing efforts of competitors (Ballster & AlemÂn, 2001). Loyalty tends direct to the buyer who has repeatedly purchased a brand during recent years and give the positive recommendations that may affect other actual or potential customers (Ong, Nguyen, & Alwi, 2017). One of the key determinant of an organization's success is from its customer loyalty (Ramesh, 2014).

With the emergence of internet communication, marketers can share and exchange information with customers, and also allows customers to share and exchange information with other customers. That is become essential advantages of the use of social media when we can do the online sharing of knowledge and information among the different people (Baruah, 2012). Companies begin to contact customers and allow interaction among them through the development of chats, forums and other entities, which are generally defined as connected communities (Vela & Casamassima, 2011). Connected communities have the potential to reshape the nature and scope of how customers learn, understand, shape opinions, and process information from products and services in making decisions (Park et al., 2010). Hence, marketer believe that brand community gives a lens for them to view their product and see the best to communicate its promise of benefit. As a result, having a strong and effective brand community will make the organization to be more successful (Roberts, 2003).

According to Neti (2011), one of the effective ways in the marketing in this technology era is by using social media. As defined by Kaplan and Haenlin (2010), social media is a group of internet-based applications built on the foundation of Web 2.0 ideology and technology, and which enables the combined and exchange of user-generated content. The trend of consumers becoming brand enthusiasts on social media platforms and using social media as a source of increasing information about a brand leads to the assumption that social media as an addition to traditional marketing communication instruments that has an important impact on the success of a brand (Relevanz, Bruhn, Schoenmueller, & Schaefer, 2012). Using social

media, companies can build relationships with customers and form societies that interactively collaborate to identify problems and develop solutions for them (Tsimonis & Dimitriadis, 2014). The company can also receive feedback and suggestions more easily from customers through the social networking site, which allows companies to respond to customers, increase offers, handle problems, and provide better service (Kabadayi & Price, 2014).

Instagram is one of social media that provide the registered user to make a profile, upload photo, video, boardcast a live video, send a message and connect with friends, families and also seeing the activities of their idol or interests. By this platform, it is very possible for the organizations to market their product in the targeted market with no cost or low price (Shetty, 2018). Official Instagram account (the verified ones) of the brand becomes the primary source (in instagram) where user can have a direct interaction with the brand by only follow, like, comment, repost, tag, mention or post with the brand's hashtag.

Every user has their own motivation behind their participation in the brand community. A short interview was conducted by researchers to find out why Instagram users clicked on the 'follow' button on a brand instagram account.

Here are the results of short interviews with instagram users who are the followers of a brand instagram account.

- Natedia Mashuri (22 years old, Consultant)

“I followed magazine brand. It is because the brand post some of the magazine contnt thought online and there are some of it that are not avaiable in the printed version. Their photos are also stunning. In addition,

their captions are informative and weighted. I often do “like” than “comment”. Commenting only if I want to inquiry more informations” .

- Kevin Shiddiqy Azka (21 years old, Student)

“I followed it to know their updated product. After knowing their new product, sometimes I decide to buy it. I rarely comment on their posts, except if they make a “give away”. If I want to know more about the product, I choose to contact the Contact Person.”

From the results of that short interview, it can be concluded that their purpose behind their “follow” is to know the newest product to be their reference in deciding to buy or not. The good content of the account also become the essential reason behind it. From the interview, it also can be known that not all of the users actively participated in the brand’s account.

Indonesia becomes one of the highest Instagram users in the world. The statistics data said that Indonesia is the third country of the highest Instagram user in the world after USA and Brazil. In January 2018, there are at least 53 Millions active instagram user in Indonesia (Hootsuite & We Are Social, 2018). The engagment or interaction with its ability to build converstation between individuals from the brand that happen in the social media will help to satisfy the customer needs (Sashi, 2012).

Several studies on the influence of the social media-based brand community on customer loyalty to brands have been done before. Erdem (2017) in his research found that brand community has a postive relation with the brand loyalty. In this research, it is also known that the relationship through customer relationship of the

research model has the highest coefficient. The other research by Laroche, Habibi, Richard, & Sankaranarayanan (2012) showed that there is a positive impacts on community marketers (i.e., shared consciousness, shared rituals and traditions, and obligations to society) by brand communities established on social media, which also have positive effects on value creation practices (i.e., social networking, community engagement, impressions management, and brand use). Such communities could enhance brand loyalty through brand use and impression management practices. These findings indicate that marketers can improve customer relationships to gain trust and loyalty from customers by making the best use of the brand community on Instagram.

## **1.2 Problem Identification**

Based on the background that has been described previously, the rampant use of social media in recent years is not only used as a container to connect with each other, but also used by marketers as a tool of marketing activities. Marketing activities through the brand community on social media can be an effective place for companies to create deeper relationships with customers. In addition to the relatively low cost, marketing activities through Instagram also facilitate the company in receiving feedback from customers, respond to complaints, deal with problems, and provide better service.

But unfortunately, there are still many companies that can not utilize and manage the brand community in Instagram optimally. Many companies are simply creating accounts in Instagram for their products but are not managed well like ignoring questions raised by community members or rarely updating. Due to the

company's lack of understanding of the importance of the Instagram-based brand community, this research is conducted to examine the effect of the Instagram-based brand community on brand loyalty.

### **1.3 Problem Formulation**

1. Does instagram-based brand community have positive effect on: a) the relationship between the customer and the product b) the relationship between the customer and the brand c) the relationship between the customer and the company, and d) the relationship between customers and other customers?
2. Does the relationship between customer and products have positive effect on Brand Trust?
3. Does the relationship between customers and brands have positive effect on Brand Trust?
4. Does the relationship between the customer and the company have positive effect on Brand Trust?
5. Does the relationship between customers and other customers have positive effect on Brand Trust?
6. Does brand trust have positive effect on brand loyalty?

### **1.4 Research Objectives**

The purpose of this research is to show how the instagram-based brand community effects elements of the customer-centric model (the relationship among customers and brands, products, companies and other customers) that can affect brand trust and at the end affect brand loyalty.

## **1.5 Research Contribution**

### 1. For researcher

The results of this study are expected to provide new experiences in analyzing brand communities toward consumers' relationship with brand, product, other company and other consumers that will influence the brand trust. Thus, it can affect brand loyalty. By doing these analysis, researcher can obtain the knowlodge that will be usefull in the future.

### 2. For Marketers/Business/Companies

By reading this research, marketer can make a big consideration from the result and understand deeply about instagram-based brand community. As a result, it will influence the marketing strategy of the business.

### 3. For Instagram user

Instagram user can know some benefits in taking part as a brand community in Instagram that probably they never think before.

### 4. For others

The results of this research are expected to contribute positively upon complementing further research with different platforms or in a specific industry.

## **1.6 Systematics of Writing**

In order to make the reader easier in reading this research, the systematical writing is as follows:

### Chapter I: INTRODUCTION

This first chapter explains the background of research, problem formulation,



research questions, research objectives, research scope, research benefits and systematics of writing.

## Chapter II: REVIEW OF RELATED LITERATURE

The second chapter of this research describes some various basic theory that become the core of this research. It s followed by some tested hypotesis of the research and the research model.

## CHAPTER 3: RESEARCH METHODOLOGY

The third chapter elaborates the samples used in the study, the data types, data sources and data analysis methods used to test the hypotheses that has been explained in the second chapter.

## Chapter IV: DATA ANALYSIS AND DISCUSSION

This chapter shows the characteristics of respondents, the results of hypothesis testing, and measurement consisting of validity and reliability test, hypothesis testing, and discussion of research results.

## Chapter V. CONCLUSIONS AND SUGGESTIONS

This last chapter explains the conclusions and suggestions regarding research results, research limitations, managerial implications, and suggestions.