

## **CHAPTER 1**

### **INTRODUCTION**

#### **1.1 Background of the Study**

Endorsements are a form of advertising that uses famous personalities or celebrities who command a high degree of recognition, trust, respect or awareness amongst the people. Such advertising connects with a lot more people than what conventional advertising can, because people will remember celebrities, famous personalities and role models even from a vast clutter of noise, people or products. Such ads work well for aspiration products or lifestyles.

The Information Age has changed people, technology, science, economies, culture, and even the way people think. The internet is arguably the most prominent innovation of the Information Age. The internet changed the way people do everything. It has made people lazier, but it also makes a large amount of the population smarter. The Information Age has made industrial countries stronger. With online companies being some of the most successful and economically stimulating businesses out there, economies receive more from them and keep our world turning.

With more and more people having access to the internet, businesses start to see the potential in using the new platform as another way to endorse their products. From displaying ads next to search engines to showing a video advertisement in an internet video, the internet provides a wide variety of tools to endorse with, particularly for this study, the tool being analysed will be social media.

Social media are online applications and platforms which aim to facilitate interactions, collaborations and sharing of content (Richter and Koch, 2007). With the existence of social media in the online world, companies can engage with loyal consumer potential consumers and stimulate people's perceptions toward their product, then to share information, and to understand more about the consumer (Brodie et al., 2014).

Particularly in this study, the social media studied is Instagram. Instagram started as a part-time project by Kevin Systrom when he was learning to code. And after he met Mike Krieger, they created Instagram. Instagram was created and launched on October 6th of 2010. 25,000 users showed up on the first day of launch, after that its audience just kept growing. Instagram hit one million users in three months, and then became 2 million which later became ten million users. And it was all organic growth without any advertisements. Now, Instagram has more than 1 billion monthly active users, up from 800 million in September 2017 (Instazood 2018). Instagram is now one of the most popular social networks worldwide.

While Facebook have 2 billion users at the end of 2018 and owned Instagram, Instagram is chosen because within those numbers, 15 million accounts are registered as businesses. From the data provided above, it is safe to assume that Instagram has emerged as a business platform or simply saying, an online store.

**Tabel 1.1 Data of Instagram's Monthly Active User Numbers**

Time	Quantity (in million)
January 2013	90
March 2014	200
September 2015	400
December 2016	600
September 2017	800
June 2018	1,000

Source: Statista (2019)

Indonesia has been ranked as Instagram's biggest market in Asia Pacific, making it a lucrative tool for reaching customers and potential buyers. More Indonesian companies are tapping into the platform, which hosts around 45 million active users in Indonesia each month, to tap into potential markets. Additionally, Southeast Asia's largest economy also produces on average twice as

many Instagram Stories as any other country in the world. Susan Rose, Instagram headquarters' product marketing director, said that running a business successfully on Instagram started by registering a business account, as this gives access to a range of necessary and informative tools. According to Table 1.1, with 1 billion active users globally on a monthly basis, she said the image-sharing platform had also become a hub to spark exploration through its visual experience (Yosephine 2017).

Surabaya is known as a culinary city, in which there are place to eat in almost every corner of the town, from the food stall until the restaurant, cafe, and so forth. The large number of competition, this requires businesses to innovate in marketing their products. One such innovation is allowing instagram users to take photos of their products as free advertisement. Many Instagram accounts are made solely to review food and drinks from many different restaurants. sbyfoodie is one of those accounts and the subject of this study.

The rise in the number of businesses that use instagram and high competition among the businessmen causing the marketing by using society endorsements or "sociegram" to attract consumers to buy developed significantly. The widespread of food and beverage trends in Indonesia also encouraged the businessman to sell products food and beverages products & promotion online. Looking at the phenomenon of rapid ecommerce development, the research will elaborate the influence of information technology on purchase intention in the food and beverages product. The reason for this focus on sbyfoodie is because many people who use instagram take photos of delicious food and many businesses are currently using Instagram as a form of social media advertising, sbyfoodie does both, is a local of Surabaya, and have a large 89,300+ Followers audience.

The increasing use of social media like Instagram benefitted from this marketing demand as it is the most suitable media to promote their products, because of there is no limitation in the number of letter used; it can post pictures, has international reach, and have a magazine-like format. This research is aimed

to discover to what the impact of visibility, power, credibility, and attractiveness have on purchase intention through sbyfoodie in Surabaya.

According to Richard et al. (2014), purchase intention is defined as the possibility and willingness of consumers to buy certain goods or service in the future. Laroche et al. (1996) defines purchase intention as individual's interest to buy a particular brand they have chosen after certain evaluation. Purchase intention represents how likely the audience will purchase the endorsed product. This variable finds how effectively sbyfoodie does in endorsing local Surabaya cuisine to its followers and is main variable being studied.

Visibility is the popularity or how famous the subject is. The popularity of an endorser can be determined from many fans and how often appear in front of the general public (Ash-shiddieq, 2014). According to Gunawan and Sharmayanti (2014), the characteristic of visibility is how famous an endorser is by the community. Visibility represents how well known or popular the subject is. This variable effect the number of people sbyfoodie can influence or has access to with their endorsement medium of Instagram. This can be counted by counting the number of Instagram followers sbyfoodie has.

Power is an ability to influence and follow what is shown by the communicator. The model used must have the power to affect the target (Dyah, 2014). Power is charisma possessed by the speaker to be able to influence the attitudes, thoughts, and behaviours of customers since the message delivered by the endorser (Hapsari, 2008). Power represents how effective the subject is at influencing its audience. This variable affects how effectively sbyfoodie actually does in actually influencing consumers. This can be somewhat measured by asking questions in a questionnaire.

Credibility is the perception which varies depending on the communicator. According to Wati (2012) credibility more to a tendency to be able to convince and trust in a person or a company. The credibility associated with the product knowledge of an endorser toward the product to be advertised and also the knowledge to provide confidence to the customer (Raymon, 2013). Credibility represents how the subject can build trust with their audience through knowledge

about the product and provide confidence about the product to the audience. This variable is mostly to find who is a loyal follower of sbyfoodie and has been following for a long time. This can also be measured by questionnaire.

Attractiveness can be seen from physical or outward appearance. While Andini (2010) concluded that attractiveness consists of 3 elements: similarity, intimacy, and fondness. The public opinion and behaviour will change if there is something from the endorser they wish to follow or owned (Ash-shiddieq, 2014). According to Ishak (2008), an endorser who has more appeal may influence more customers than those who have less appeal. Attractiveness represents the physical attractiveness of the model and how well the product looked on Instagram. This variable affects how much the pictures of food help influence the consumer. This can be measured by questionnaire.

It is concluded that the factors which significantly influenced consumer purchase intention are visibility, credibility, power, and attractiveness. The focus of this research is to study the influence of Instagram endorsement to purchase intention. In short, with the rise of online endorsements, Instagram, and the foodstagram culture this research will study sbyfoodie, an instagram endorser of local Surabaya food, and how its endorsement influences its followers to purchase the food being endorsed.

## **1.2. Research Question**

From the background stated above, the research questions for this study can be formulated as:

1. Does visibility affect purchase intention on sbyfoodie which is promoted in Surabaya?
2. Does credibility affect purchase intention on sbyfoodie which is promoted in Surabaya?
3. Does power affect purchase Intention on sbyfoodie which is promoted in Surabaya?
4. Does attractiveness affect purchase intention on sbyfoodie which is promoted in Surabaya?

### **1.3. Objective of the Study**

From the research question above, this study is aimed to:

1. Determine the impact of visibility toward purchase intention on sbyfoodie which is promoted in Surabaya.
2. Determine the impact of credibility toward purchase intention on sbyfoodie which is promoted in Surabaya.
3. Determine the impact of power toward purchase intention on sbyfoodie which is promoted in Surabaya.
4. Determine the impact of attractiveness toward purchase intention on sbyfoodie which is promoted in Surabaya.

### **1.4. Significance of the Study**

From the elaborated objectives, this study is expected to provide significant theoretical and practical benefit.

#### **1.4.1. Theoretical Benefit**

1. To provide further studies on the influence of Instagram endorsement on Purchase Intention in food or beverages in Surabaya.
2. To provide additional information about which is the most dominant factor in Instagram endorsement that affect Purchase Intention of food or beverages in Surabaya.

#### **1.4.2. Practical Benefit**

1. To help owners of food and beverage enterprises in Surabaya in to understand the benefits of of using Instagram endorsement as a form of free marketing.
2. To help owner of food and beverage enterprises in Surabaya that Purchase Intention can be affected for the better by using Instagram Endorser.

### **1.5. Writing Systematic**

The arrangement of this research result is consisting of 5 chapters that are explained as follows:

**Chapter 1 Introduction**

Introduction explains the background, research problem, research objectives, benefit of the research, and the thesis's writing systematic.

**Chapter 2 Literature Review**

Literature review explains about the theoretical basis, previous research, the relationship among variables, research framework, and hypothesis.

**Chapter 3 Research Method**

Research method explains the research design, variable identification, definition of variable operational, data measurement, type and sources of data, tool and data collection methods, populations, sample and sampling techniques, and data analysis technique.

**Chapter 4 Results and Discussions**

Results and discussion explains the data description, data testing, structural equation, hypothesis testing, and the discussion.

**Chapter 5 Conclusions and Suggestions**

Conclusions and suggestions explain the conclusion from previous chapter analysis and suggestion for the next research.