

# **CHAPTER 1**

## **INTRODUCTION**

### **1.1. Background of Study**

The digital era of the world today has changed many things in life. Many aspect in life has been demanded to adapt to the digital era and not like what it used to be. As nowadays most people already have their own smartphone which could be considered as their daily need. Sending message has now only need a few click away through the smartphone rather than through post office, making telephone call can now be done anywhere anytime without having to use home telephone or any public telephone, and even shopping nowadays can be done just few clicks away through the smartphone.

The change in technology also influence how people do their shopping and purchase decision. Before the change in technology, if people want to do some shopping, they need to go to the store and choose the product that they need, but now they can just browse things that they need through some website or application and they can pay the money through many choices of payment. They could also compare the price between on brand and the other or even one seller with the other. After the purchase, the customer will then just need to wait for their products to come at the front door of their house. This is considered very convenience for many people as they don't have to go outside of their house to do things and they can do more important things than go shopping.

The evolution of technology make the seller or the store need to adapt by creating their own e-commerce or social media. Nowadays, considering the competition in the market which already big, not only ordinary competition but it already reach the level of hyper competition or even mega competition.

As the player of online shopping is very abundant, they need to have to be better than the other competitors to sustain their business while also serving the customer's demand.

Internet and virtual communities have given customers, societies, and even companies with wide spread access to information, better social networking and encouraged better communication abilities (Kucuk and Krishnamurthy, 2007). Blogs, YouTube, MySpace, Facebook are examples of social media that are popular among all level of consumers. (Sin, et. al., 2012). With the rise of social media and online communities, information can be share and access easily by many individuals (Chen et. al. 2011). Social media and websites provide many businesses the opportunity to engage and interact with potential consumers, encourage an increased sense of intimacy with consumers, and build all important relationships with potential customers (Mersey, et. al, 2010). This encourage business to move from traditional advertisement towards social media advertisements. This form of advertising is focusing more on customers and they play a vital role in short or long interaction because they are the one who will decide the fate of company and the advertising (Jothi, et. al., 2011).

While moving to a new platform of marketing, there are also other factors that could affect customer's decision such as brand awareness. According to Aaker (1996), when retailer and customer able to organize and recall a brand, they are called to have brand awareness. Whenever a customer is willing to buy a good or service the first brand name that show up in his mind tell that this product has higher brand awareness. Brand awareness is about how companies make aware the current and potential customers towards your product and service (Gustafson and Chabot, 2007). A good brand should pop up in customer mind when they think of specific product they wanted to buy.

If a company has a great brand awareness it means that the products and services of the company have a good reputation in the market and accepted by the society (Gustafson and Chabot, 2007). Therefore it's important to create a brand that have good awareness in the market.

Perceived quality is another factor that could affect the customer buying decision. Some researchers argued that quality cannot be defined and quality is objective which can be measured. In some other thought, they believed that quality cannot be measured. Combining this two approaches quality is divided into objective of quality and perception of quality (Anselmsson, ULF, and Persson, 2007). According to Davis, et. al. (2003), perceived quality is directly related to the reputation of the firm that manufactures the product. Whereas Aaker (1991) and Zeithaml (1988) said that perceived quality is not about the quality of the brands or products, but it is rather the consumers' judgment or valuation about a product's or a service's overall excellence or superiority. Perceived quality is an important element for consumer decision making which make consumers will compare the quality of alternatives available with regard to price within a category (Jin and Yong, 2005).

All factors above have the power to influence how customer make their purchase decision. Customer will have many consideration before purchasing a product and that consideration are included in their purchasing decision process. According to Evans, et. al (2009) joint decision-making is defined as; consumers are taking their environment around them such as environment of family, friends, and coworkers to make a decision regarding the purchase. Customer purchase decision also has similar characteristic with the joint decision-making because the purchase decision could be affected by the environment. In traditional way, consumers make their purchase decisions based on what information they received through mass media (e.g.

advertising, newspaper, television comment), but nowadays, online social networks can have power to affect consumers' purchase decision (Solomon, et. al, 2010).

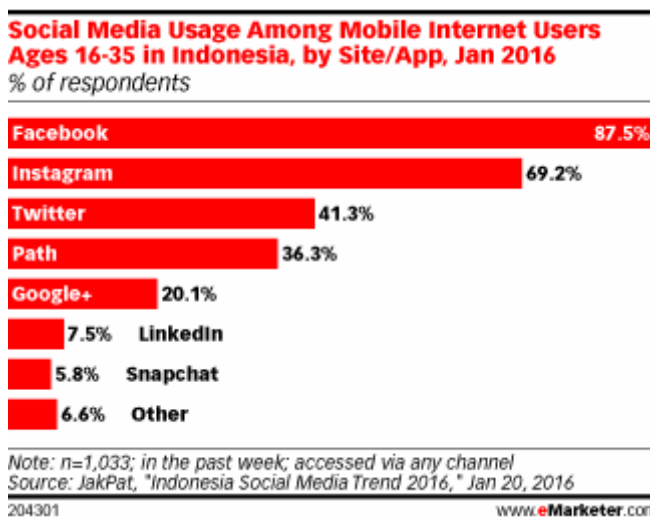
With many players in the online shopping industry, they need to understand what the customer really need and what they can offer to the customer so they can be on top of the customer's choice. With the support of technology, people nowadays are having tendency to use their smartphone or computer to do anything they need to do and even they do shopping through smartphone or computer. Therefore many on retailer are now moving online from their offline retail store to expand their business and fulfill what customers need. They create website that offer many features and advantage that the retail store wouldn't offer and many of them also create application for smartphone user to help the customer in the shopping.

Not only offline stores that goes online, many business was started by making online marketplace. In Indonesia, there are a lot of example such as Bukalapak.com, Tokopedia.com, OLX.co.id, Blibli.com, and many other marketplace which only online-based. Some other which started from offline retail store such as Indomaret and Alfamart which started to go online recently. There are also some other retailer which has its own website such as Adidas Indonesia.

Adidas Indonesia is one of the famous sportswear fashion retailer in Indonesia and owned by its global brand, Adidas. Adidas in Indonesia is owned by PT. Mitra Adi Perkasa (PT. MAP). It has many retail store in Indonesia, and in Surabaya it can be found in 4 biggest shopping mall. Other than its retail store, it can be found on any sport retailer such as Planet Sports. Adidas Indonesia offer online shopping through [shop.adidas.co.id](http://shop.adidas.co.id) and customer can shop through the website with some advantage such as free

shipping and easy return. Other than sportswear fashion, Adidas also have some fitness products which will not be discussed here.

To get better coverage, Adidas Indonesia also create social media account such as Facebook and Instagram as the two social media that are used by Indonesian. According to eMarketer.com, there is a survey by JakPat regarding the social media usage of people age 16-35 in Indonesia which found that Instagram is the most use social media in the week before 20 January 2016 with 69.2%. On the same survey they found that less people of age 30-35 use Instagram and they use Facebook more. This could be because the Facebook establishment since 2004 compared to Instagram which just started in 2010. People age 20-25 are the one who use Instagram compared to the other age group.



**Figure 1.1. Social Media Usage Among Mobile Internet Users age 16-35 in Indonesia (January 2016)**  
Source: JakPat, 2016

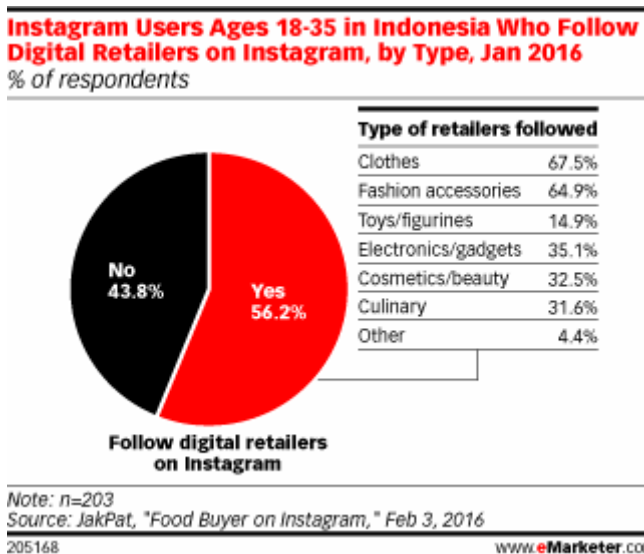
As Adidas Indonesia is using Facebook and Instagram to help promote their brand and products, it is interesting to see some data about their social

media. Adidas Indonesia Facebook is already liked by more than 26 million user which is a great number since it open the Facebook page in 2006. In the Facebook page as well as the Instagram post, they share a lot of photos regarding their products and sometimes they post about the launching of their products. This give the customers who follow the Adidas Indonesia pages vizualisation of the products and information on how to get the products including store availability for some product launch or the online link to the web store. Meanwhile, the Instagram account of Adidas Indonesia which is @adidasindonesia have more than 284.000 followers.

On other hand, Kantar TNS ([www.tnsglobal.com](http://www.tnsglobal.com)) which is a market research company in Asia Pacific, find out that more than half of internet users in Indonesia are using Instagram with 54%. Meanwhile, CNN Indonesia found that there are 22 million active Instagram users from Indonesia and *We Are Social* find there are 88 million internet users in Indonesia which mean one fourth of internet users in Indonesia are using Instagram. This shows how social media is a good opportunity for businesses to promote their products or services. In 2016, Instagram also added a business profile features which make businesses can add contact and e-mail on their profile so customers can reach them. They also add features which make business can see the number of viewers they have and at what time which can help them in creating a better social media engagement (Lawrence, 2016).

Another data from jakpat.net in figure 1.2 shows that Instagram users in Indonesia with the age 18-35 follows digital retailers on Instagram with 56.2% and most of them follow retailers with clothes and fashion accessories categories. This data could show how many people in Indonesia, especially with the age 18-35 try to look of retailer information from Instagram which shows good potential for retailers, especially retailer with clothes and fashion

accessories as the products that they sell. For Adidas Indonesia who sell sportswear fashion, they already have 284.000 followers in Instagram which monitoring their post as previously stated.



**Figure 1.2. Instagram Users Ages 18-35 Who Follow Digital Retailers on Instagram in Indonesia**  
Source: JakPat, 2016

Adidas, as the parent company of Adidas Indonesia, is also a global brand which is recognized all over the world. It is ranked 577 world's biggest public companies on Forbes. It's also ranked 90 in the world's most valuable brand in Forbes. In America where sport industry is very competitive, Adidas is back in number two and take place of Under Armor from the 2015 according to NPD Retail Tracking Service. In Indonesia, Adidas is now the most sought after brand with their famous sneakers such as Yeezy, NMD, and Ultra Boost which can be seen anywhere worn by many people. In Instagram, there are over 250.000 public post with #AdidasIndonesia on it which can be searched

by Instagram users and will show many post related with the Adidas Indonesia products.

The choice of Adidas as the research object is based on the products availability in the Indonesian market. The customer can find Adidas in many of their retail store or any sport retailer like Planet Sports. The price of Adidas products also vary from middle-low segment to middle-high segment which can be purchased by many people in Indonesia. Adidas is now also the trend in the world of sneakers with their “boost” technology and some of well-known silhouette such as Yeezy, Ultra Boost, and NMD. With Adidas online website and social media engagement is growing, several factors can help customer in making purchasing decision and it could be different from the old-style shopping which is the reason this research is conducted.

Based on the background of the study above, the researcher is interested to study more about the impact of social media advertisements, brand awareness, perceived quality on purchase decision. The reason of this interest is because of the rising popularity of Adidas in the world of sneakers nowadays along with the life of people around social media. As social media is now an important aspect of people life to interact with each other as well as being a marketing platform for many companies. Along with that, sneakers and sport wears fashion is now becoming a trend in the society that make many people feel the need to wear them. As Adidas is not the only player in the world of sneakers, the competition of this market is interesting and there should be some deciding factors that could help Adidas win the competition. One of them is by using social media advertisements to promote their products and encourage people to buy. Building a good brand awareness and having a good perceived quality also considered important to help customer make their purchase decision. Therefore, those variables are the focus of this



research and are the basis of this research which titled **“The Impact of Social Media Advertisement, Brand Awareness, and Perceived Quality on Purchase Decision through Instagram of Adidas Indonesia”**

### **1.2. Research Questions**

Based on the background of the research, the following research question could be concluded:

1. Does Instagram social media advertisement has impact on customer's purchase decision on Adidas Sportswear Indonesia?
2. Does brand awareness has impact on customer's purchase decision on Adidas Sportswear Indonesia through Instagram?
3. Does perceived quality has impact on customer's purchase decision on Adidas Sportswear Indonesia through Instagram?

### **1.3. Objective of the Research**

Based on the research question, the following objective could be concluded:

1. To examine and analyze the impact of Instagram social media advertisement on customer's purchase decision of Adidas Sportswear Indonesia.
2. To examine and analyze the impact of brand awareness on customer's purchase decision of Adidas Sportswear Indonesia through Instagram of Adidas Indonesia
3. To examine and analyze the impact of perceived quality on customer's purchase decision of Adidas Sportswear Indonesia through Instagram of Adidas Indonesia

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

### **1.4.1. Theoretical Benefit**

This research is hopefully be able to provide information for researcher and students to understand the effect of social media advertisement, brand awareness, and perceived quality on the customer's purchasing decision of Adidas product in Indonesia or other products from other brand which used similar strategy as Adidas in Indonesia.

### **1.4.2. Practical Benefit**

This research is hopefully be able to give knowledge for companies about the effect of social media advertisement, brand awareness, and perceived quality on the customer's purchase decision of Adidas Indonesia. It hopefully also be able to help companies to assess their strategy and find something to improve if there are any.