

CHAPTER I

INTRODUCTION

1.1 Research Background

In today's fast-paced digital landscape, social media platforms have transformed how businesses engage with customers. One of the most prominent platforms for this engagement is , a visually driven platform that allows brands to showcase their products, services, and corporate identity (Li et al., 2021). The impact of social media marketing on various aspects of business performance has been the subject of extensive research (Pourkhani et al., 2019). The study delves into the intricate relationship between social media, loyalty, and the underlying mechanisms that drive this connection. The evolution of social media has brought about a paradigm shift in marketing strategies. Gone are the days of one-way communication; now, businesses can foster direct and meaningful interactions with their customers (Appel et al., 2020). Social media is not just a conduit for sharing information; it's a vehicle for nurturing brand relationships and shaping customer perceptions.

In the age of digital interconnectedness, social media has revolutionized how people in Indonesia engage and communicate. Table 1.1 shows the preferences and trends that define the nation's online landscape. This table provides valuable insights into the platforms that dominate the Indonesian social media scene, reflecting the evolving dynamics of virtual interaction in this vibrant country.

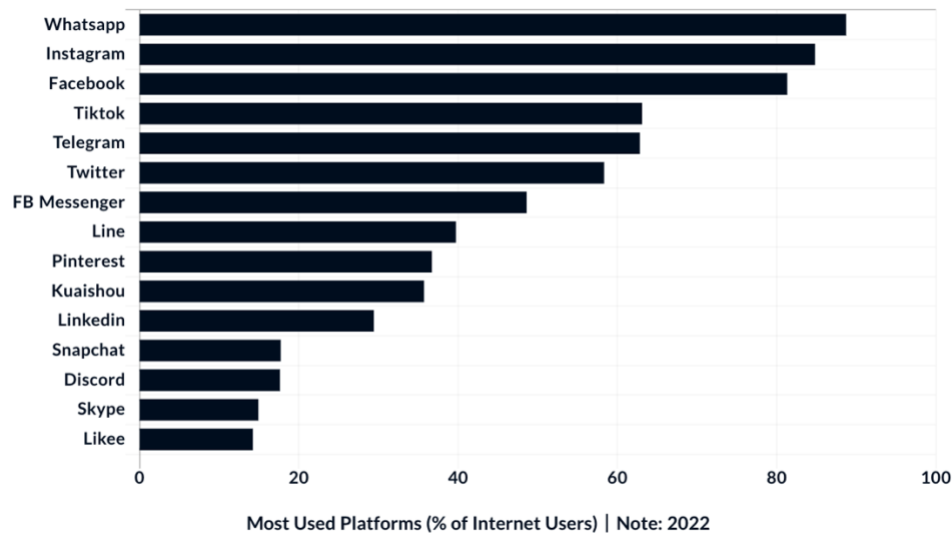


Figure 1. 1 Indonesian Most Social Media Platforms Used

Source: (OOSGA, 2023)

Figure 1.1 Indonesian Most Social Media Platform Used defines various platforms that have gained widespread appeal among Indonesians. Based on the data, the most popular platforms in the country are WhatsApp, Instagram, Facebook, and TikTok (OOSGA, 2023). These platforms have become indispensable in people's daily lives, facilitating digital communication, social interaction, and information exchange. As such, Instagram has become an essential platform for businesses to engage with their customers and build customer loyalty. Recent studies have investigated the role of social media in fostering customer engagement and loyalty in social media marketing on Instagram in Indonesia (Ni Luh Gede Aninda Kusuma Devi, 2022). Furthermore, the preceding debate emphasized the importance of social media platforms in driving economic growth and giving marketing possibilities; the precise function of social

media in encouraging consumer engagement and loyalty deserves more research (Lies Setyawati & Anindita, 2022). Instagram, one of Indonesia's most popular platforms, provides an appropriate backdrop for our study.

Social media marketing activities encompass various forms of interactive engagement that allow users to communicate with one another by sharing posts, videos, blogs, forums, comments, and messages (Mike Eckstein, 2021). These activities serve as platforms for individuals to express their thoughts, opinions, and experiences with others (Kaplan & Haenlein, 2010). Subsequently, social media has become an integral part of our daily lives by enabling us to connect with friends and family members, meet new people, and stay informed about the latest news and trends. Social media marketing activities are essential for research studies because they provide valuable insights into consumer behavior and preferences (Dwivedi et al., n.d.). For example, a study on Instagram accounts could reveal how the company's social media marketing activities influence customer intentions, such as their likelihood to continue following the brand, participate in its promotions, and make purchases.

Managing various activities and technologies often revolves around the perception of perceived risk. To ensure successful management, it is crucial to have an explicit and widely accepted definition of "perceived risk." This definition is a political act that reflects the values of those defining it, determining the relative importance of potential adverse consequences for a specific decision (Fischhoff et al., 1984). In a previous study by Azhar Susanto & Meiryani (2018), risk is a structured approach or methodology for managing threats-related uncertainty. It involves risk assessment,

developing risk management strategies, and implementing perceived risk mitigation through resource empowerment or management. Perceived risk is essential in research studies about social media marketing activities, such as those on Instagram accounts. If consumers perceive a high risk associated with purchasing a brand based on information they see on Instagram, they may be less likely to make a purchase.

Brand trust refers to the conceptual expression of an individual's subjective assessment of the likelihood that someone or something, known as the trustee, will exhibit behavior in line with the trustor's preferences (Bauer, 2013). In human interpretation, trust represents a measure of personal confidence that can vary and develop based on an individual's unique skills and experiences. On the other hand, trustworthiness is also a measure of confidence. Still, it is evaluated by assessing whether the trustee demonstrates specific established characteristics that provide evidence of their adherence to correct behavior according to some objective reference point (Alarcon et al., 2018).

The perception of a brand in the minds of consumers is referred to as a brand image. It encompasses the associations consumers form with a brand, including product attributes, benefits, price, and other relevant factors (Muhammad Ehsan Malik et al., 2012). The brand image represents how consumers perceive a brand (Alhaddad, 2015), and it is shaped by the associations they make with the brand based on various factors such as product attributes, benefits, price, and more. Recent research suggests that the quality of websites and social media platforms does not directly impact brand image;

any effects are transmitted through a sequential mediation process involving brand awareness and electronic word-of-mouth (E-WOM).

Engagement is the emotional connection between a customer and a brand, product, or service (Alan Zorfas & Daniel Leemon, 2016). It entails creating a positive customer experience that cultivates loyalty and encourages repeat business. Customer engagement surpasses traditional marketing approaches like advertising and promotions by establishing a more profound and more enduring bond between the customer and the brand (Li et al., 2021). The research also emphasizes the significance of measuring customer engagement and presents a framework for assessing the effectiveness of marketing programs focused on customer engagement. Additionally, it explores the relationship between customer engagement and customer experience, highlighting that customer engagement is a crucial driver for enhancing both customer satisfaction and loyalty (Ibrahim Mohamad Ibrahim & Bayram, 2023).

Customer engagement is the emotional bond between a customer and a brand, product, or service. It aims to create a positive experience for the customer, promoting loyalty and repeat business. In a previous study by Robert W. Palmatier (2017), customer engagement is more effective than traditional marketing methods such as advertising and promotions because it establishes a more meaningful and enduring connection between the customer and the brand. The study also highlights the significance of measuring customer engagement and offers a framework for assessing the success of customer engagement marketing initiatives. The study by Sharma et al.,

(2022) asserted, customer engagement is a crucial factor in determining customer satisfaction and loyalty by influencing the customer experience.

Customer loyalty refers to a customer's commitment or dedication to a particular brand, group, or organization. A previous study by Robert W. Palmatier, (2017), it involves supporting and defending the brand's interests, even when faced with challenges or adversity. Loyalty can manifest in various ways, including acts of service, emotional support, or financial contributions. It is a crucial concept in many contexts, such as personal relationships, organizational behavior, and customer engagement. In personal relationships, loyalty is often demonstrated through love and devotion, such as remaining faithful to a partner or supporting a friend during difficult times. In organizational behavior, loyalty is usually linked to employee engagement and commitment to the organization's goals and values (Dhiman, 2021).

Customer loyalty is the critical variable in this study, which reflects consumer loyalty to the Wuling brand influenced by other variables (Li et al., 2021). Furthermore, social media, especially Instagram, plays a vital role in influencing consumer loyalty by presenting creative marketing activities, exciting content, and active interaction with users, which forms a positive impression and increases consumer loyalty (Appel et al., 2020). Mediating variables such as risk, trust, brand image, and customer engagement also shape the relationship between social media and higher levels of customer loyalty, where high levels of trust can be enhanced through positive content and brand consistency in delivering relevant and credible messages. Furthermore, the particular significance is the role of social media, with a spotlight on the platform Instagram. This

medium significantly impacts consumer loyalty by orchestrating imaginative marketing campaigns, delivering captivating content, and nurturing active user interactions (Suharto et al., 2022). These endeavours collectively shape a positive and lasting imprint, propelling consumer loyalty to new heights. However, the social media, risk, trust, image, customer engagement, and loyalty in the social media marketing context still need to be better understood. In addition, Social media platforms provide unique opportunities for businesses to interact with customers, create personalized experiences, and build relationships (Rampton, 2021). Therefore, it is essential to investigate how social media influences customer engagement and loyalty in social media marketing.

Social media has become an important marketing tool for companies to reach and interact with consumers (Pütter, 2017). One automotive brand that is also actively using social media as a marketing platform is Wuling. Wuling is one of the largest car manufacturers in the world and has been a major player in the automotive industry for decades. Wuling is one of the world's largest automakers and has built a strong reputation for its products' quality, reliability, and durability.

Wuling was chosen as the object of research because it is a well-regarded automotive brand in the modern era. Consumers often choose Wuling due to its reputation for reliable product quality, advanced technological innovations, and high vehicle safety. Wuling has demonstrated robust financial performance and has seen growth year over year. Wuling is also recognized for its active participation in various marketing campaigns. These campaigns play a crucial role in introducing their

products, engaging with consumers, and building brand awareness. Wuling has made a significant impact in many countries, both developed and developing. For instance, Wuling has been performing well in the Indonesian automotive market. Wuling's wholesales in Indonesia have been impressive, placing it among the top-selling brands (Tempo. co, 2021). This highlights the brand's specialization and success in this segment. Wuling's impressive sales figures, robust net revenue, and effective marketing strategies underscore its strong position in the global automotive industry. Its success in specific markets like Indonesia, along with its global presence, demonstrates the brand's versatility and adaptability (Tempo. co, 2021).

A previous study by Parihar et al. (2019) claimed that the theoretical foundation is the means-end chain theory, and it supports conceptual and empirical work that implies social media as a prerequisite for consumer engagement. The study provides practical benefits by helping businesses develop effective social media marketing strategies on Instagram in Indonesia, tailored to specific drivers that influence customer behavior and fostering customer loyalty by understanding the factors that drive social media marketing activities, perceived risk, brand trust, brand image, and customer engagement on Instagram.

This research paper investigates the role of social media marketing activities, particularly Instagram, in fostering customer engagement and customer loyalty in the Indonesian market. As a case study, Wuling highlights how businesses leverage popular platforms like Instagram to strengthen brand image, build brand trust and customer engagement, and boost sales. However, despite these findings, understanding

the precise relationship between social media usage and customer loyalty remains complex due to factors such as perceived risk, trust in the brand, positive brand image, and active user engagement (C. B. Zhang & Li, 2019). Thus, further research is needed to fully comprehend these dynamics for effective marketing strategy development (Morgan et al., 2019).

1.2 Research Question

Based on the explanation of the background of the problem above, several issues can be identified as follows:

1. Does social media marketing activities affect the perceived risk of Wuling Indonesia customer ?
2. Does social media marketing activities affect the brand trust of Wuling Indonesia customers ?
3. Does social media marketing activities affect the image on Wuling Indonesia customers ?
4. Does perceived risk affect customer engagement on Wuling Indonesia customers ?
5. Does brand trust affect customer engagement on Wuling Indonesia customers ?
6. Does brand image affect customer engagement on Wuling Indonesia customers ?
7. Does customer engagement affect perceived risk on Wuling Indonesia customers ?

8. Does perceived risk mediate the relationship between social media marketing activities and customer engagement on Wuling Indonesia customers ?
9. Does brand trust mediate the relationship between social media marketing activities and customer engagement on Wuling Indonesia customers ?
10. Does brand image mediate the relationship between social media marketing activities and customer engagement on Wuling Indonesia customers ?
11. Does customer engagement mediate the relationship between perceived risk and customer loyalty on Wuling Indonesia customers ?
12. Does customer engagement mediate the relationship between brand trust and customer loyalty on Wuling Indonesia customers ?
13. Does customer engagement mediate the relationship between brand image and customer loyalty Wuling Indonesia?

1.3 Research Objectives

Based on the outlined problem formulation mentioned above, a range of objectives can be identified, including:

1. Understanding the effect of social media marketing activities to perceived risk on Wuling Indonesia customers
2. To the impact of social media marketing activities to brand trust on Wuling Indonesia customers
3. To determine the effect of social media marketing activities to brand image on Wuling Indonesia customers

4. To check the impact of perceived risk on customer engagement on Wuling Indonesia customers
5. To evaluate the effect of brand trust on customer engagement on Wuling Indonesia customers
6. To measure the impact of the brand image on customer engagement on Wuling Indonesia customers
7. To investigate the effect of customer engagement to perceived risk on Wuling Indonesia customers
8. To assess how perceived risk mediates the relationship between social media marketing activities and customer engagement on Wuling Indonesia customers
9. To evaluate how brand trust mediates the relationship between social media marketing activities and customer engagement on Wuling Indonesia customers
10. To measure how brand image mediates the relationship between social media marketing activities and customer engagement on Wuling Indonesia customers
11. To determine how customer engagement mediates the relationship between perceived risk and customer loyalty on Wuling Indonesia customers
12. To check how customer engagement mediates the relationship between brand trust and customer loyalty on Wuling Indonesia customers
13. To examine how customer engagement mediates the relationship between brand image and customer loyalty Wuling Indonesia

1.4 Research Benefits

This research expects to provide benefits to the following:

1. Theoretical

This study adds to the knowledge on Wuling Indonesia customers by offering social media marketing activities, perceived risk, brand trust, brand image, customer engagement, and customer loyalty. It also investigates how consumer interaction affects social media marketing activities and customer loyalty connections, offering insightful information into the underlying dynamics.

2. Practice

This research assists businesses in formulating successful social media marketing strategies on Wuling Indonesia customers on Instagram, fostering customer loyalty by comprehending the factors that motivate social media marketing activities, perceived risk, brand trust, brand image, and customer engagement. It further enables tailored marketing approaches based on specific drivers influencing customer behavior, ensuring optimal outcomes.