CHAPTER I

INTRODUCTION

1.1 Object Overview

1.1.1 Somethinc

Figure 1. 1 Somethinc logo
Source www.somethinc.com (2024)

Somethinc is a well-established beauty and skincare brand that is currently amongst the top players of the beauty industry in Indonesia. Founded in 2019 by beautypreneur Irene Ursula, it quickly rose to prominence earning the title of best-selling skincare brand in 2021. Somethinc began its journey by selling on BeautyHaul, an Indonesian e-commerce platform, and has since expanded its reach to include offline stores, online channels, drugstores, and beauty retailers ("Exclusive Interview with Indonesia's Beauty Brand Somethinc", 2022). Somethinc products are widely accessible through 17 official store locations, including BeautyHaul, SOGO, Zalora, and Watsons. Additionally, they have established a presence across 7 official Shopee stores in multiple countries (Somethinc Stores, 2024).

Somethinc offers a diverse range of product, including facial care such as serum, sunscreen and facial washes, as well as makeup products such as cushion,

powder, mascara and lip tint. Their bestselling product is the Niacinamide Sabi Brightening Serum that offers a brightening effect with ingredients that have been patented by Somethinc.

1.2   Research Background

Over the years, our day to day life is impacted by the internet. Indonesia currently has a population of over 280 million people. It is also reported to have 185.3 million internet users across the country, giving Indonesia an internet penetration rate of 66.5% at the beginning of 2024 (Data Reportal, 2024). This makes Indonesia one of the biggest digital economies in the South East Asia, right behind Malaysia indicating strong e-commerce potential.
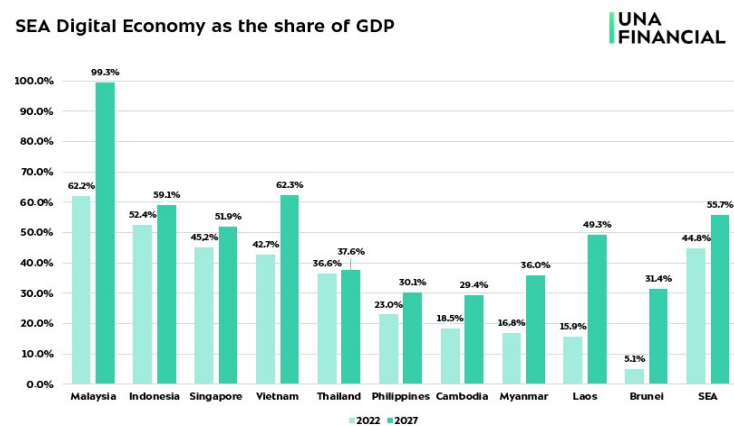

Figure 1. 2 SEA Digital Economy as the share of the GDP
Source: AsiaBizToday (2024)

According to data from AsiaBizToday (2024) in figure 1.2, Indonesia Digital economy reached to 52.4% of the country's GDP in 2022. By 2027, it is predicted to grow up to 59.1%. This number could continue to grow over the years as Indonesians are amongst the world's most enthusiastic users of Digital technology. Amongst internet users exists all kinds of consumer behavior including impulsive shoppers. Internet users were found to be more impulsive compared to non-internet users, indicating that impulsive buying behavior is quite cruicial in the e-commerce industry (Prasetio, A., & Muchnita, A. 2022).
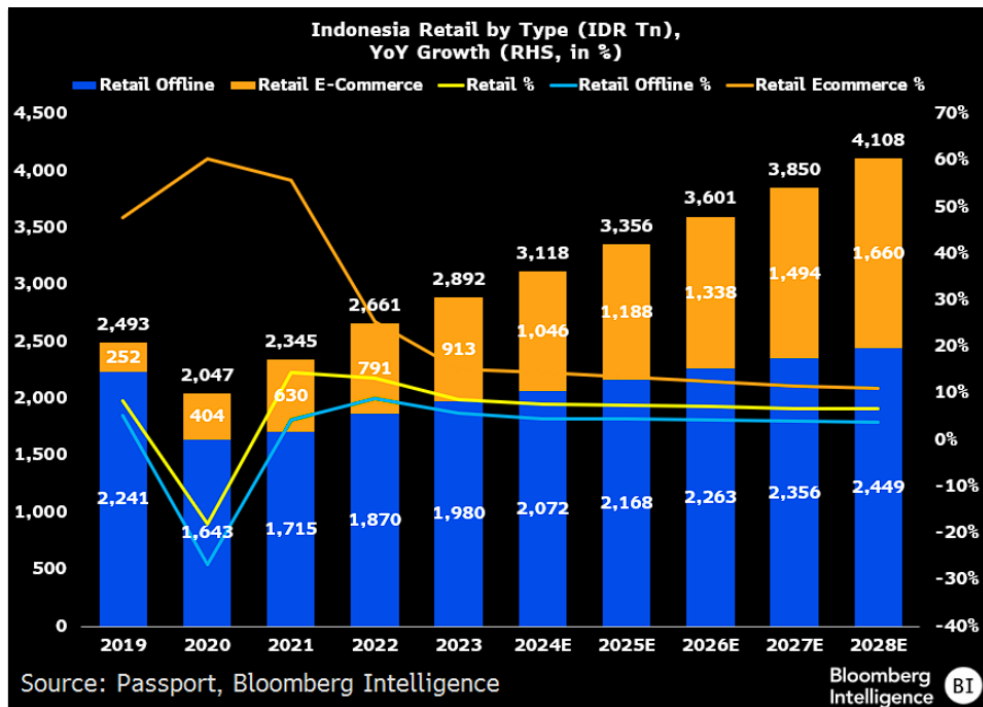
Figure 1. 3 Indonesia Retail by Type (IDR Tn)
Source: Bloomberg Intelligence (2024)

Figure 1.3 created by Bloomberg Intelligence Analyst illustrates that the annual growth of e-commerce retail in Indonesia could reach 15% and traditional offline retail will lag behind at 5% in 2026. This data indicates a strong expectation for online retail sales to grow over the next five years surpassing retail stores. This shift has put pressure on traditional retail stores to enhance their digital marketing strategies especially on e-commerce as their sales targets are impacted by this trend. Social media has replaced traditional conventional methods of digital marketing (Indrawati et al., 2023; Novia & Ariyanti, 2024). Although the figure shows that retail offline stores still dominate Indonesia's retail landscape, it can also be seen there is growth in e-commerce retail rapidly closing the gap.
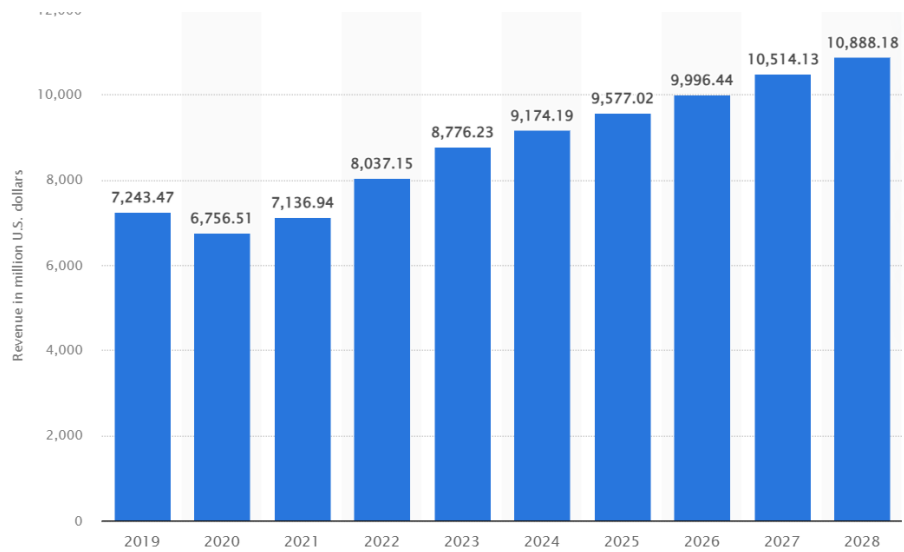
(in million U.S. dollars)

Figure 1. 4 Beauty and personal skin care market in Indonesia
Source: Statista (2024)

The beauty and personal care market sell skincare and makeup products, this market is currently growing. From figure 1.4, we see that the revenue in between 2024 and 2028 is predicted to continuously increase by +18.68% or 1.71 billion US dollars. Revenue is assumed to   10.8 billion USD by 2029 (Statista, 2024).
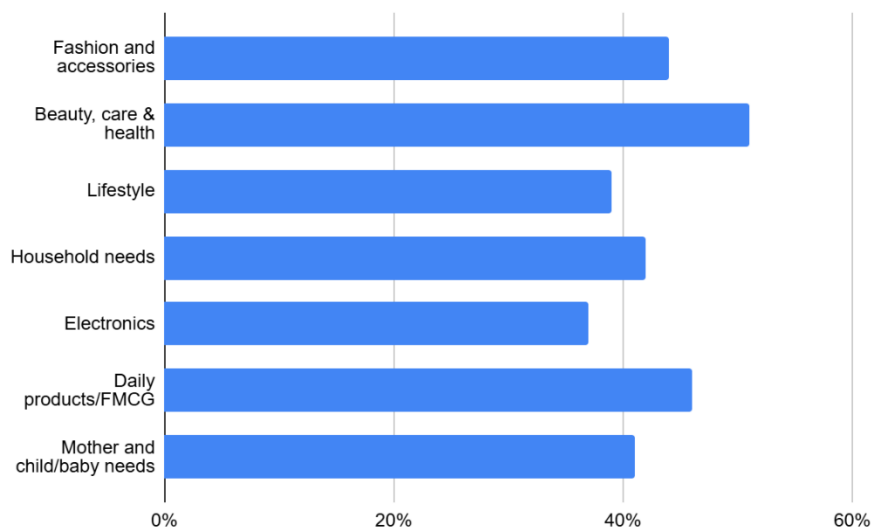

Figure 1. 5 Most Purchased Category Through Live Streaming Shopping
Source: Populix (2023)

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A Populix survey among 506 men and women in May 2023 by Populix (2023), the most purchased product categories from TikTok live are fashion and beauty products. Somethinc brand has also been recognized as the Indonesian brand of the Year by Female Daily and ranked as the top FMCG brand on TikTok in 2021 (campaignbriefasia, 2022). This achievement is significant for Somethinc because despite being a relatively young brand, having been established in 2019, Somethinc managed to outshine its competitors. The brand has earned numerous prestigious awards, surpassing several well-established rivals. Among the awards they have won are Top #1 skincare brand on TikTok, Best #1 eye cream and #1 foundation/cushion by Female daily awards, Best Beauty brand by Tokopedia Beauty awards and Top 10 beauty brands in Indonesia (MediaIndonesia, 2021). Table 1.1 presents a comparison of Somethinc with several competitors in terms of their year of establishment and social media follower count.

Table 1. 1 Social Media Followers of Indonesian Cosmetic Brands

Makeup brand	Founding year	Followers on Instagram	Followers on Tiktok	Followers on Shopee
Somethinc	2019	1.4m	3.7m	5.1m
Esqa	2016	300k	386.4k	1.3m
Emina	2015	1m	806.5k	3.1m
Luxcrime	2015	696k	295.1k	2.6m
Makeover	2010	1.3m	1.4m	3.4m
Azarine	2002	710k	882.4k	2.8m
Wardah	1995	3m	1.3m	5.3m

Source: Official Accounts of the Brands at Instagram, TikTok and Shopee

application October (2024)

Among major local brands like Makeover, Azarine, Emina, Luxcrime, Esqa, and Wardah, Somethinc stands out as the top brand on TikTok (@somethincofficial) with over 3.7 million followers and 30.5 million likes as of October 2024. On Instagram (@somethincofficial), it ranks second on Instagram and Shopee compared to Wardah's as of as of October 2024.
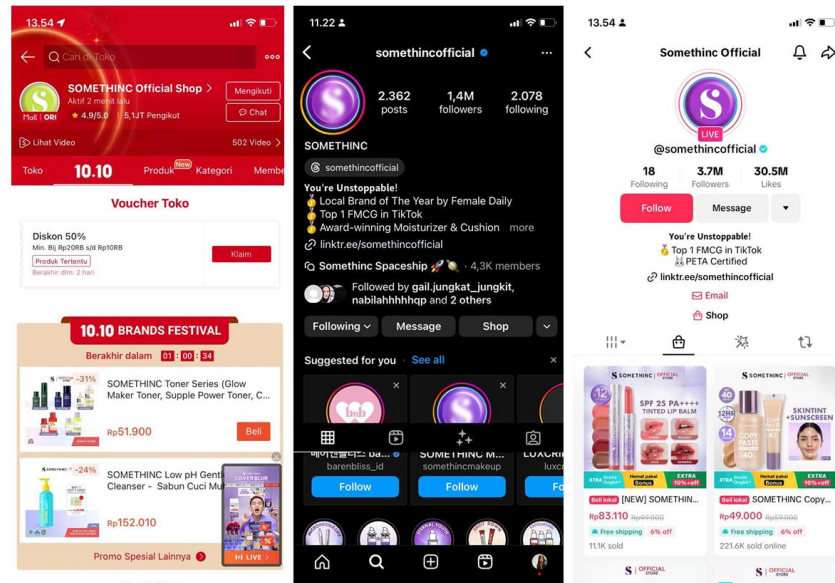

Figure 1. 6 Somethinc social media official account followers
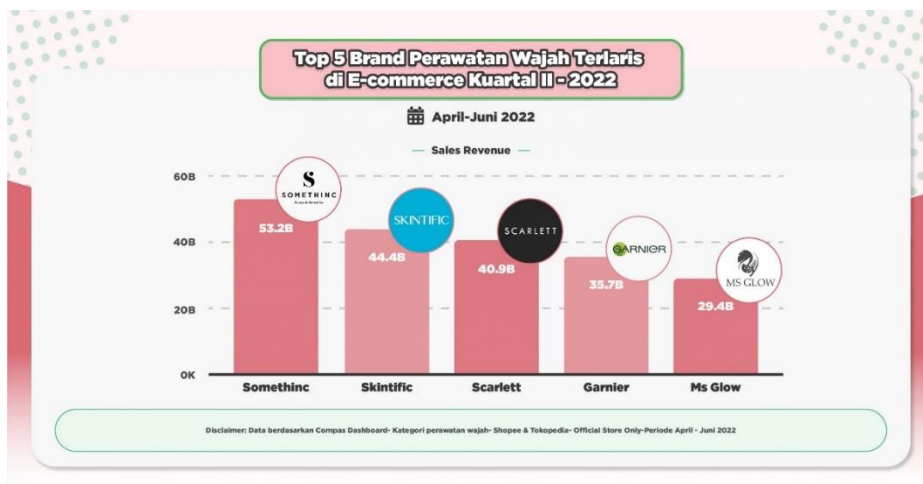*Source: Somethinc Official Accounts at Shopee, Instagram and Tiktok*

(2024)

Figure 1. 7 Top 5 Best-Selling Facial care Brands in Indonesian E-commerce
Source: Compas Report (2022)

In 2022, Somethinc achieved the top ranked best-selling facial care brand in e-commerce. Somethinc has the highest sales revenue among other brands, reaching 53.2 billion IDR (Compass, 2022). This highlights Somethinc's significant market presence and consumer preference within the Indonesian facial care industry. Other than that, Somethinc has a strong social presence, actively engaging with audiences across major platforms such as Shopee, Instagram, and TikTok. Their content blends product promotion with educational posts on skincare, like tips for dull or sensitive skin, while also featuring trending Gen Z skits and humor. Additionally, they leverage live streaming shopping as part of their marketing strategy.

Live streaming can demonstrate product creation and usage while showcasing the products and answering comments from viewers in real time while encouraging customers to make quick purchases. (Lu et al., 2018; an example is illustrated in Fig. 1.11). This marketing tool has been used to improve customer engagement while boosting online sales for many retailers (Wongkitrungrueng & Assarut, 2020). Studies have explored many livestream sales drivers using an S-O-R framework, some which focus on streamer characteristics (Zhang et al., 2024; LI et al., 2024).

Figure 1. 8 Frequency of livestreaming shopping
Source: Goodstats (2024)

A survey conducted by GoodStats on 300 respondents throughout Indonesia revealed that 48.7% of the people purchase products through live shopping atleast once a month. In figure 1.9, we see some reasons why people may choose live shopping, which are due to the prices being cheaper than retail, discount, convenience, interaction and product attractiveness.
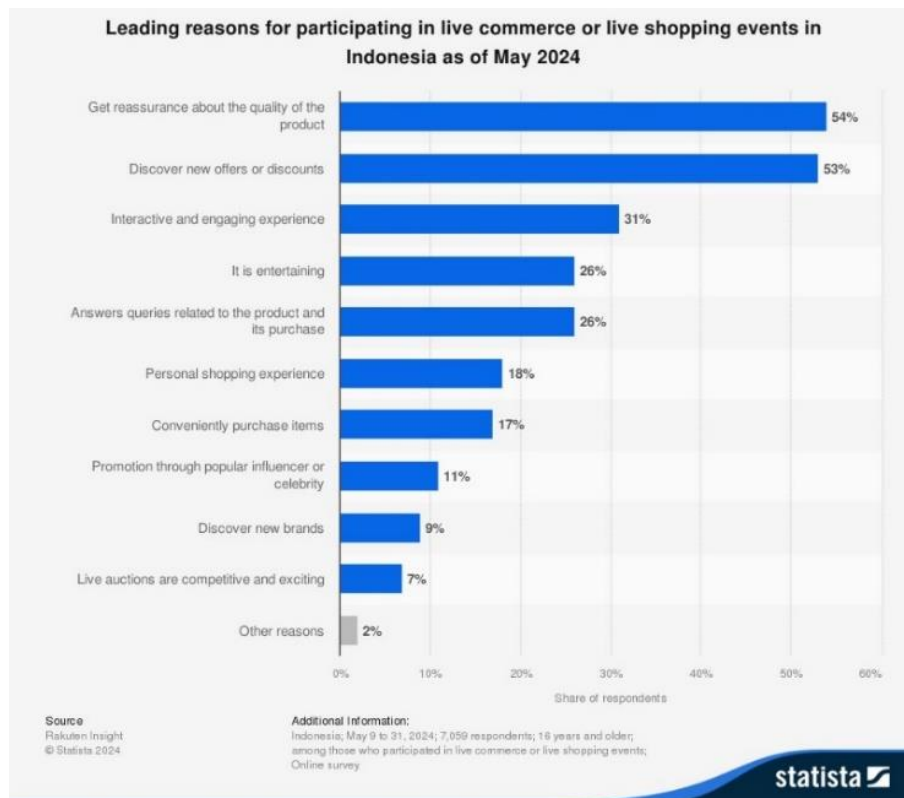
Figure 1. 9 leading reasons for participating in live events in Indonesia
Source: Statista (2024)

The study above found that 54% of Indonesian respondents interact in live shopping events due to the confidence it gives them regarding product quality (Statista, 2024). Some of the leading reasons for participation of live streaming for Indonesian consumers can be seen in this Statista Figure and will be explored as key characteristics driving Indonesian consumers' participation in live streaming, such as convenience, interactivity, and playfulness. Consumers who make impulse buying are also encouraged by promotions that are offered exclusively as exclusive promotions when the live streaming is taking place.

However, it doesn't eliminate the probability that consumers may still hesitate to purchase from live streams. Studies investigating live streaming have found trust as a mediating factor between livestreaming characteristics and purchase behavior (Hoang & Dang, 2024). One study indicates trust could make people hesitate when purchasing (Ma et al., 2022). Another study found that perceived enjoyment accounts for 46.7% of impulsive buying behavior, indicating that other factors could influence impulsive buying behaviour (Lin et al., 2022).

Figure 1. 10 Impulsive purchase phenomena through live streaming
Source: X application (2024)

The figure above illustrates the impulsive buying phenomena that occurs when watching livestreams. As consumers become increasingly immersed in these live experiences, the immediacy and excitement of the platform can drive them to make unplanned purchases, often without thorough consideration. Moreover, impulsive purchase behavior is a consumer behavior that occurs frequently in live shopping (LI et al., 2024).
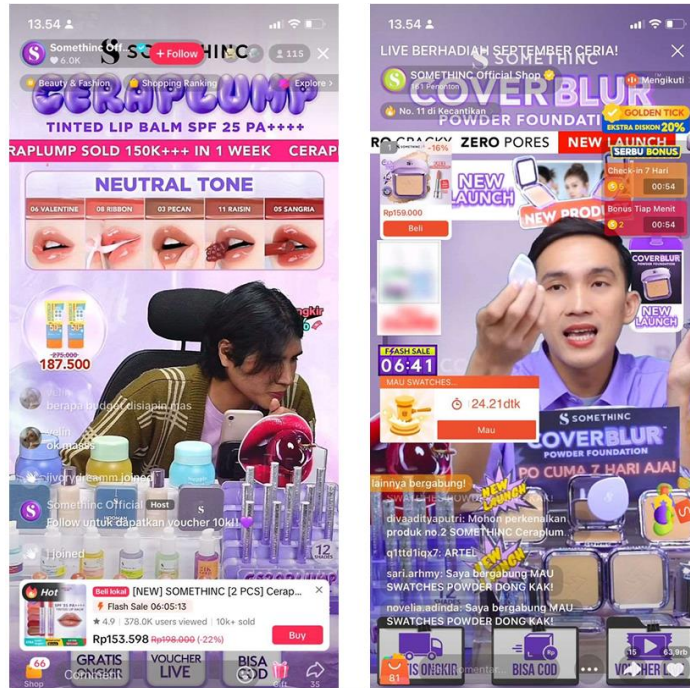
Figure 1. 11 Somethinc Shopee and Tiktok live
Source: Shopee and Tiktok (2024)

Figure 1.11 displays the live streaming done by Somethinc on their e-commerce platforms that typically last throughout the day with special promotions or limited-time offers during slower hours. According to data by Populix (2023), Shopee Live is frequently engaged by consumers. Shopee uses features like discounts and flash sales to boost sales, while TikTok's interactive tools through comments, likes, and virtual gifts.

Furthermore, this study takes into account effects of demographic control variables like gender, age and income can moderate impulsive purchase behavior of Somethinc products. Different previous studies on the control variables of impulsive purchase behaviour have reached different conclusions. In Nguyen Huu et al. (2023), research show that in terms of gender it had a negative effect on the tendency to make impulsive purchases. Meanwhile, age and income also showed an effect on impulsive buying urges, although these influences were not statistically significant. In another study, control variables like age and gender were studied to see the effects on switching intention (Ye et al., 2022).

1.3   Problem Formulation

The Digital economic growth has transformed consumer purchasing behavior, with an increasing preference for online shopping over traditional retail stores. While this shift poses challenges for retailers, many businesses are attempting to adapt to digital marketing strategies by adopting live streaming shopping (Yang et al., 2024). To succeed in this competitive environment, businesses require skilled resources and effective strategies for digital marketing.

From a business and marketing perspective, Somethinc uses several platforms for its online marketing including social media (Instagram, TikTok) and E-commerce (Shopee, Tokopedia, Lazada). The Indonesian e-commerce advertise is anticipated to develop by 15% by 2026 (Bloomberg Insights, 2024). This condition makes e-commerce players compete in strategies to attract and retain customers. Beauty brands are also growing well in Indonesia making players in this market more intense. The rising popularity of live-streaming shopping and its association with impulsive buying behavior has prompted local beauty brands to adopt live-streaming as a key promotional and branding tool. According to the Populix report, the most purchased category through TikTok livestreaming shopping is beauty, care and health at 51% (Populix, 2023). This gives Somethinc the opportunity to strengthen its online presence and increase market share on platforms like TikTok and Shopee that facilitate livestreaming. Since 2019, Somethinc has rapidly grown and become the top local brand on TikTok. However as in regard of livestreaming, according to data by Populix (2023), the livestream from the Shopee platform is apparently the most often used platform. Yet, Somethinc is 2nd rank on the Shopee platform competing with Wardah at first place. To excel, businesses must not only create engaging content to attract users but also implement effective digital adoption strategies to drive online sales. In the context of livestreaming, the proper combination of various stimuli factors that drive impulse buying can enhance sales revenue, ultimately benefiting both marketers and retailers (Bhakat & Muruganantham, 2013). The core business problem for Somethinc lies in understanding the factors influencing consumer behavior during live-streaming shopping and leveraging this understanding to

optimize sales performance. Additionally, Understanding the factors and formulating the right strategy that can influence impulsive purchase behavior provides valuable insights for Somethinc hosts, marketers, and the platform itself. By addressing these factors, Somethinc has the potential to capitalize on its growing presence, further solidify its position in the market, and increase its competitiveness.

From an academic perspective, there is a need to further study the many and different factors that could impact impulsive buying behavior, especially for fast-moving consumer goods (FMCG) beauty brands like the local favorite Somethinc. This paper will help contribute to the digital marketing literature especially for local beauty brands and provide insights into effective use of live-streaming shopping features in a competitive market.

Given Somethinc's position within the market and the expanding significance of livestreaming among consumers. The investigations allow the researcher to identify the issues that have risen the research question as follows

1. How much are the rates of demand, convenience, interactivity and playfulness in Somethinc's livestream shopping based on respondents?

2. How is the level of trust in Somethinc's livestream shopping based on respondents?

3. How is the impulsive purchase behaviour in Somethinc's livestream shopping based on respondents?

4. How much does demand, convenience, interactivity and playfulness positively and significantly influence trust in Somethinc's livestream?

5. How much does trust positively and significantly influence impulsive purchase behaviour in Somethinc's livestream?

6. Does trust positively and significantly mediate the relationship between demand, convenience, interactivity, playfulness and impulsive purchase behavior?

7. Do the control variables (gender, age and income) have any influence on impulsive purchase behavior?

1.4   Research Objective

1. To know the rate of demand, convenience, interactivity and playfulness according to Somethinc livestream respondents.
2. To know the level of trust in Somethinc's livestream respondents.
3. To know the impulsive purchase behavior in Somethinc's livestream respondents.
4. To find if demand, convenience, interactivity and playfulness have a positive and significant influence on trust in Somethinc's livestream.
5. To find if trust has a positive and significant influence on impulsive purchase behavior in Somethinc's livestream.
6. To find if trust positively and significantly mediate the relationship between demand, convenience, interactivity, playfulness and impulsive purchase behavior.
7. To examine the impact of control variables (gender, age, and income) on impulsive purchase behavior.

1.5   Research Benefit

1.5.1 Theoretical Benefit

1. Understanding the influence of Stimuli

Using the Stimulus-organism-Response Theory as the basis, this study expands the scope of impulsive buying behaviour by explaining how demand, convenience, interactivity and playfulness can act as stimuli.

1.5.2 Practical Benefit

1. Optimization of Live Shopping Strategies

Hosts can adopt more effective attitudes and strategies that foster engagement and trigger impulsive buying behavior.

2. User Experience Design

E-commerce platforms can leverage these insights to refine their live shopping features. By focusing on the elements that most effectively boost engagement and conversion rates, platforms can create a more compelling shopping experience for consumers.

1.6   The Systematics of Mini-Thesis Writing

This study's systematic writing is as follows:

1. Chapter I Introduction

   Here what will be covered are the background, problem statement, research questions, research objectives and, systematics of writing.

2. Chapter II Theoretical Background

   Here what will be covered the type of research literature, previous research, theoretical framework, hypothesis and, scope of study.

3. Chapter III Research Methodology

   Here what will be covered are the types of research, operational variable, research stages, population and sampling techniques, data gathering, types of data, data analysis techniques, and hypothesis testing.

5. Chapter IV Results and discussions

   Here we discuss the findings in the data that have been analyzed and proved by the hypothesis.

6. Chapter V Conclusion and Recommendation

   This chapter will cover the conclusion that has been made and recommendation for this research.