

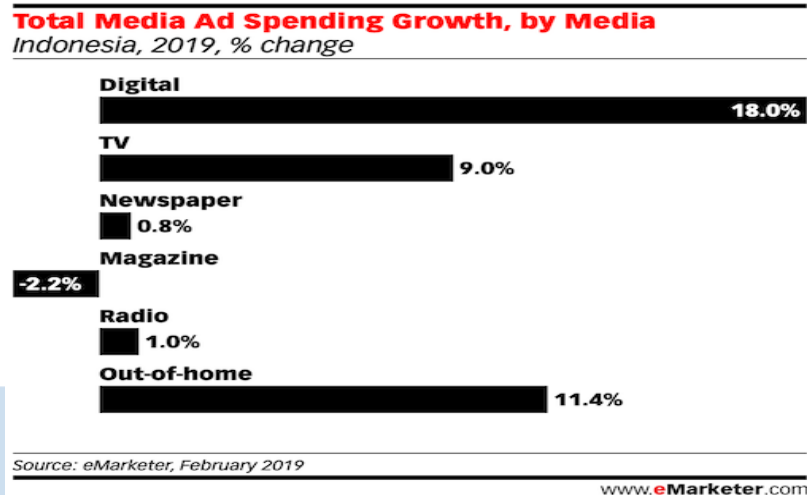
# CHAPTER I

## PRELIMINARY

### 1.1. Research Background

In the era of technology, the need for information exchange is in great demand. Information becomes easier to obtain quickly and effectively. Digital transformation is also having a big impact in the media sector. In this context, media changes from analog media to digital media. However, this change is not just a transformation from analog media to digital media, but includes business and marketing strategies. The most important thing about this change is that this new media environment can transcend the boundaries of space and time. Digital media users are growing with the increasing use of the internet and mobile phones (Truong et al., 2010). Users can reach digital media anytime and anywhere through their mobile devices that they carry anywhere. The development of digital media cannot be separated from the role of the creation of the WWW (World Wide Web) by Tim Berners Lee in 1989.

With the creation of the World Wide Web and the Internet is probably the most influential invention, and changed the world into a new era. This technology has radically changed the way companies do business, and especially the methods they use to increase awareness of their products and services. With the rapid development of big data and the acceleration of economic globalization, the pressures of market competition have caused manufacturers to face great challenges to carry out the best marketing strategies to sell their products to the right customers at the right time (Tsai, Wu, & Chang, 2012; Anda et al., 2015). The advertising paradigm has now shifted from traditional advertising media such as TV, billboards, direct marketing, etc., to a more digital-centric approach and advertisers are increasingly investing in digital at the expense of these traditional formats. The latest data shows that this shift is happening faster than expected, in Indonesia where digital will take over TV advertising spending, as evidenced by the highest ad spend in Indonesia held by digital media with the highest ad spend growth of 18% in 2019 when compared to traditional advertising media (eMarketer, 2019).



Source : (Emarketer, 2019)

Figure 1.1 Total media ad spending growth in Indonesia

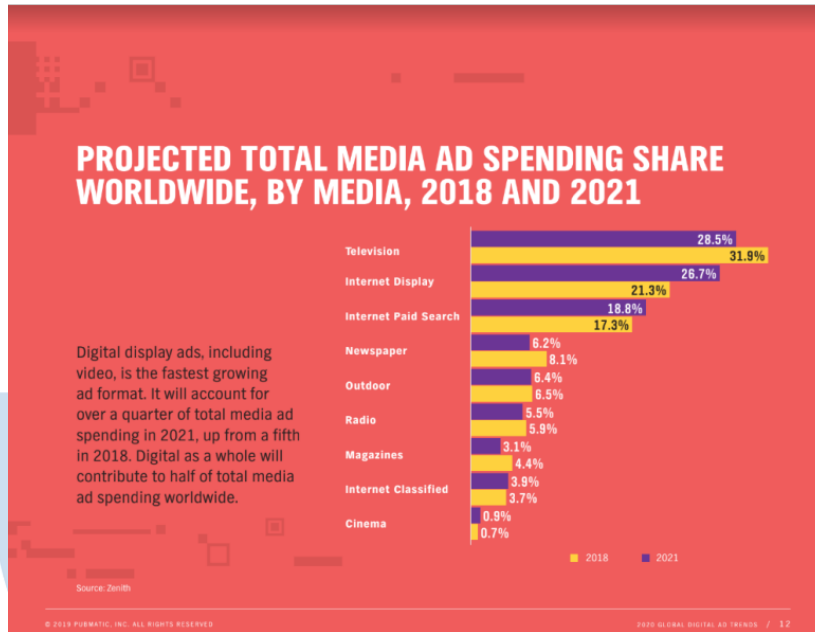
In the picture above, the growth of digital advertising is the highest when compared to advertising on other traditional media. Even based on the picture above, there was a decrease in advertising in magazine media by -2.2%, it can be said that there was no growth in advertising in magazine media but instead there was a decrease. But what caused this mass paradigm shift? Internet advertising is one of the causes of this paradigm shift in advertising. Digital advertising offers precise location-based targeting, and data-driven user profiling, segmentation of the target market according to preferences, likes and hobbies, as well as retargeting, easy interpretation of results, and a more reasonable pricing model. This is a unique attribute that was not offered by traditional media before, companies that previously purchased expensive advertising media such as TV or outdoor advertising can now achieve more precise targeting at relatively lower costs.

Digital advertising began in 1994, when the web magazine HotWired sold banner ads to AT&T and displayed ads on its web pages (Johnson & Kaye, 2003). Continued in 1995, a company called Doubleclick made a measurement that eventually became the standard of measurement used today. This measurement is considered as a differentiating value from digital advertising with traditional advertising media, to be able to create a measurable campaign compared to traditional advertising. Because of these advantages, it attracted Google to acquire Doubleclick and make it into one of Google's marketing

platform products. Currently Doubleclick is a popular product under the name AdManager.

Google as one of the giants in the field of technology continues to develop digital advertising in a more effective direction. One of Google's efforts in developing digital advertising is to create cookies and install them on Google's search engine, Google Chrome. Cookies are a collection of user data that contains a user's track record and activity when browsing a website. With cookies, the browser can store a track record of any activity that the user does, such as which products are added to the cart in the online store, clicking certain buttons, logging into any log, or recording the number of pages that have been visited by the user. Indirectly search engines can find out what the user likes. This is where Google associates this data with digital advertising. With this data cookies will display advertisements that are in accordance with user activity. For example, you just visited the website of an online store that sells clothes, then you read the news on an online news portal and you find advertisements related to the clothes you were looking for. From there, users will feel more personal because cookies keep track records and user activities. It is hoped that by displaying advertisements that are in accordance with user interests, it can produce good performance for digital advertising.

Over time, various countries in the world have begun to implement digital advertising as the main promotional media. Digital advertising continues to grow until now and shows its popularity with the most ad spend compared to other advertising media. The digital advertising market in Indonesia will continue to grow according to the 2020 Global Ad Trends report from PubMatic. This development will be accompanied by a high budget for digital programmatic ads, the value of which is predicted to reach more than \$500 million (around Rp. 6.8 trillion) or grow by 54 percent from the previous year. In addition, PubMatic also noted that the majority of ad spend globally will be spent on the digital sector until 2021. Digital display ads, including video, will be the fastest growing ad format. Overall, digital advertising is predicted to contribute to half of total media advertising spending worldwide.



Source : (Pubmatic, 2019)

Figure 1.2 Total media ad spending share in worldwide

The picture above shows that in all traditional advertising marketing there is a decrease in the interest of marketers to advertise in traditional advertisements (TV, radio, newspapers, magazines), but on the contrary, digital advertising marketing tends to increase. It can be concluded that many advertisers prefer to spend their product promotion funds on digital marketing. Today, marketing managers rely heavily on digital marketing to build their brands, with the view that this approach also helps them to get to know their customers and to detect or anticipate negative client or market reactions (Wallen & Daut, 2018). Digital marketing has been recognized as the main means of generating profits for manufacturers because it provides customers with more accurate product information based on an understanding of customers' consumption behavior and preferences, which can increase consumers' purchase intentions (Idemudia & Jones, 2015). Manufacturers can bring value to the market by promoting their in-depth understanding of industry wisdom ranging from market data to new market opportunities (Lytras et al., 2017). Other benefits of digital marketing include the ease with which results can be tracked and monitored. Instead of conducting expensive user research, managers can quickly see user

response rates and measure the success of marketing campaigns in real-time, enabling more effective planning for future campaigns.

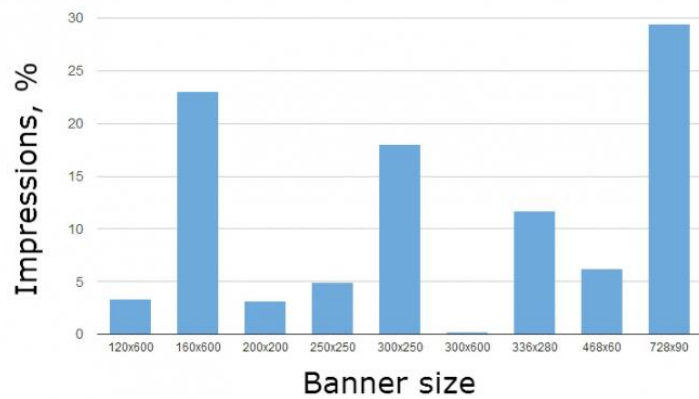
From the many conveniences that advertisers or marketing managers carry out advertising campaigns for one or more products or services. Usually, advertising campaigns are carried out through several channels such as TV, radio, newspapers, billboards, magazines, Internet, etc. The focus of the researcher in this research is on the Internet channel. In this case, the researcher defines an ad publisher as the operator of one or more websites where the advertiser's ad is displayed. Formally, a website can be defined as a collection of related Web pages addressed by a common Internet domain name. In practice, the main page of a website and its subsections can be defined as separate websites. For example [www.kompas.com](http://www.kompas.com) as the main page and financial channel, [www.money.kompas.com](http://www.money.kompas.com) can be considered as two different websites depending on the advertiser's specific business needs.

In the subsections or channels of the website there are readers with each interest according to the definition of this subsection or web channel. From there, advertisers can determine which ads will be placed on sub-sections or channels that suit their target audience. A specific audience that has an interest in something can be more likely to attract clicks on the ad. In digital advertising a click is defined as the action initiated by the user by clicking on the ad which typically results in a redirect to the advertiser's website. User actions that generate revenue such as making a purchase or subscribing to a service are called conversions. In general, direct Internet advertisers track two types of conversions: click-through and view-through conversions (Woolfolk Hoy et al., 2013). In click-through conversions, the conversion occurs after the user clicks on the ad serving. In view-through conversions, conversions occur within a certain period of time after a user has viewed at least one ad.

The success of digital advertising can be seen from the click through rate and impressions generated from these ads. IAB (Interactive Advertising Bureau) categorizes digital banner ads into 2 types, namely Engagement banners and Awareness banners. Engagement banners are digital ad banners that have a more attractive display or delivery way and tend to generate a higher clickthrough rate value, resulting in more clicks for the

ad. While the Awareness banner is an advertisement that has a standard appearance but has a relatively larger size so that it will always be seen by the audience. From here, marketing managers must choose what type of advertising fits the budget and targets they want to achieve for their promotional campaigns. Many marketing managers make the wrong choice of the type of ad that fits their campaign. So it is important for marketing managers to determine a strategy before marketing digital advertising.

In determining the strategy on digital marketing there are three important issues that need to be planned by advertisers: (1) Which website should be chosen to advertise? (2) For a particular website, where should the ad be placed, and how large is the display area of the ad? (3) What should be the specific content of the ad?. The selection of a website in a particular campaign is usually done with three main objectives: relevance, feasibility and distinction. The websites selected for advertising must be relevant to what is advertised to maximize the impact of the campaign. Furthermore, the selected website should be economically viable with an acceptable cost-benefit ratio. The third objective is closely related to the frequency-reach tradeoff or the number of website users that can be reached for an advertising campaign. Furthermore, the size of the ad and its content format or what is commonly referred to as the creative format are static banner ads, flash-based rich media, and digital video. Regarding ad size, the Interactive Advertising Bureau (IAB) identified seven standard ad units for display advertising (IAB 2009). These units are medium rectangle (300 - 250), rectangle (180 - 150), leaderboard (728 - 90), wide skyscraper (160 - 600), half page advertisement (300 - 600), button ( 120 - 60), and micro bars (88 - 31). The numbers next to each ad unit are the unit's length and width in pixels, respectively. In addition, ads that can have a fixed size or can be expanded when loading the page or when hovering the mouse have more visual attractiveness (Visual Attractiveness). Typically, in an advertising campaign for a particular product or service, the advertiser uses a variety of creatives that advertise different aspects of the same product or service, possibly in several different formats. Research shows that larger creative sizes, rich media, and digital video tend to result in higher click-through rates and have a stronger impact on user attitudes.



Source : (iab.com)

Figure 1.3 Banner Ads size performance

The last is the specific content of the ad that contains the creative design and its allocation to the website. Typically, in an advertising campaign for a particular product or service, the advertiser uses a variety of creatives that advertise different aspects of the same product or service, possibly in several different formats. Ad content that is in tune with users and the information obtained from these ads can generate more curiosity and curiosity (Information Quality). In this study, the quality of advertisements can be assessed from the appearance of advertisements (Visual Attractiveness) and the information provided from advertisements (Information Quality), a good advertisement will be able to fulfill these 2 aspects. The essence of advertising is to give a series of cues about the product to potential consumers, and then to attract consumers' attention to the advertised product. At this point, we should be able to distinguish between cues about the product and cues about the ad itself. A consumer's click-through intent (CTI) of an ad depends on the cues associated with the ad itself. Only if they click, can they get more leads about the advertised product (CTR). The basic difference between click-through intent (CTI) and click-through rate (CTR) is that click-through intent measures the user's perception and attitude after viewing a live ad, while click-through rate is the number of clicks generated versus the click-through rate. the number of users who saw the ad. This study focuses on using the click-through intention (CTI) variable, because the researcher wants to see attitudes or cues towards digital advertising. Therefore, cues that consumers

can intuitively perceive from digital advertising have the most direct and most important impact on consumers' click-through intentions towards digital advertising (Trust).

As internet usage increases, online explorers will automatically be exposed to more digital advertisements. On the other hand, the rapidly increasing utility of programmatic advertising technology by advertisers with all its complexity requires digital media owners to continue to increase the number of ad inventory per page to maintain business growth. You can imagine how many thousands of ads that expose internet users every day. It also causes frustration for internet users as well as builds negative associations with brands or products in digital advertising. A survey from Hubspot found that 57% of participants dislike ads that appear before the video content starts (pre-roll) and 43% no they won't see the ad at all. In other words, internet users are already faced with digital advertisements that are repeatedly presented to them (Li et al., 2021). This is due to the large number of digital advertisements that are allowed to run without proper targeting. According to research conducted by the Content Marketing Institute in 2019, only 32% of marketers have a content marketing strategy and only 25% of the money spent on digital advertising reaches the right people. Every marketer faces different challenges to make his digital marketing strategy work. Even though they share the same goal, some teams are stuck in recruiting the best talent, while others struggle to find the right technology to meet their needs.

Based on the above problems, the phenomenon of digital advertising which is considered much better than traditional advertising is not entirely true. With so many digital advertisements served without proper targeting, internet users create a negative stigma on digital advertising. Currently, there are many companies that use digital advertising to get the desired consumers, but there are still many who do not understand about planning before doing advertising in digital media. The lack of literacy about marketing strategies in digital advertising also makes it difficult for marketing managers to determine the right strategy to advertise on digital ads. A very limited study has been conducted on wechat users to see click-through intent. Research by (Yu et al., 2019) uses cue utilization theory as a research method. This study builds a conceptual model based on cue utilization theory that focuses on the effect of consumer perceptions of digital



advertising on click-through intent. However, in this study, researchers tried to examine specifics on web media or news portals, because literacy rarely discusses specific digital marketing strategies on websites or news portals compared to digital marketing strategies on social media applications. Several factors that influence click-through intent are Product Involvement, Brand Engagement, Visual Attractiveness, Information Quality and Trust. Finally, this research is expected to make a practical and academic contribution by looking at how the theoretical approach to consumer behavior and marketing strategies can be implemented to determine consumer perceptions of digital advertising affect actions to perform click-through intentions on a digital advertisement.

### **1.2. Problem Formulation**

Based on the background mentioned above, it is concluded that the formulation of the problem used, namely:

1. Does Product Involvement affect Click-through Intention ?
2. Does Brand Engagement Affect Consumer Click-through Intention ?
3. Does the Visual Attractiveness of an advertisement affect the Click-through Intention of consumers ?
4. Does the Information Quality of an advertisement affect the Click-through Intention of consumers ?
5. Does Trust affect Consumer Click-through Intention ?
6. Is Trust a mediator between Brand Engagement and Click-through Intention ?
7. Is Trust a mediator between the Visual Attractiveness of an advertisement and Click-through Intention?
8. Is Trust a mediator between Information Quality and Click-through Intention?

### **1.3. Research Objectives**

Based on the background described above, it is concluded that the formulation of the problem used, namely:

1. Testing whether Product Involvement affects Consumer Click-through Intention

2. Testing whether Brand Engagement affects consumer Click-through Intention
3. Testing whether the Visual Attractiveness of an ad affects the Click-through Intention of consumers
4. Testing whether the Information Quality of an advertisement affects the Click-through Intention of consumers
5. Researching whether the Trust of an advertisement affects the Click-through Intention of consumers
6. Researching whether Trust is a mediator between Brand Engagement and Click-through Intention
7. Researching whether Trust is a mediator between the Visual Attractiveness of an advertisement and Click-through Intention
8. Researching whether Trust is a mediator between Information Quality and Click-through Intention

#### **1.4. Research Benefits**

The benefits that are expected to be obtained from this research are practical benefits (managerial implications) and scientific benefits (theoretical implications) as follows:

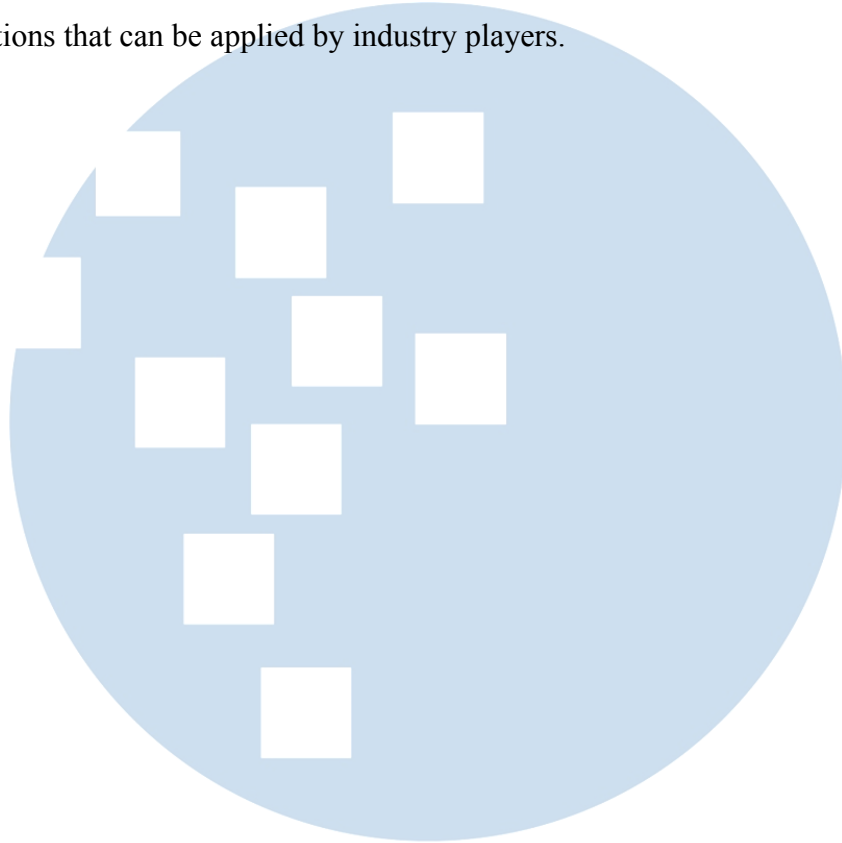
- a. Scientific Benefits (Theoretical Implications)

Researchers hope that this research can provide benefits for science in the field of digital advertising because it is agile so it should be a benchmark for further knowledge learning related to digital marketing strategies so that they are always relevant to existing phenomena.

- b. Practical Benefits (Managerial Implications)

This research is expected to be able to contribute to players in the digital marketing industry by confirming whether Product Involvement, Brand Engagement, Visual Attractiveness and Information Quality in digital advertising have a significant influence, especially in influencing consumer interest in click-through intentions. Also confirms whether consumer trust in digital advertising can play a mediating role to influence click-through intent. Furthermore, marketing managers can re-examine their marketing strategies from this research. Specifically, the researcher

hopes that every positive and negative relationship in this variable can lead to actions that can be applied by industry players.



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