

# **CHAPTER 1**

## **INTRODUCTION**

### **1.1 Research Background**

Indonesia, given its large population and increased internet penetration, has recorded a rise in online shopping in the last few years. People's lifestyles have shifted over the years, particularly in terms of shopping. People prefer purchasing things online over conventional shopping (Hermawan, 2022). Several marketing strategies are conducted by companies to utilize consumer's interest in online shopping. Affiliate marketing has emerged as a significant trend in Indonesia, transforming the landscape of digital marketing and e-commerce (Nurhayati-Wolff, 2024a). Affiliate marketing has been regarded as a significant industry, with bloggers, celebrities, and influencers relying on this as their primary source of profits from digital platforms (Susilawati et al., 2023). E-commerce started to utilize affiliate marketing strategies as a way to monetize consumer's interest in online shopping, including Shopee. According to a survey by Statista on e-commerce affiliate programs in Indonesia in 2023, a total of 69% of the respondents stated that Shopee Affiliate Program was the most remembered and preferred e-commerce affiliate program in Indonesia (Nurhayati-Wolff, 2024b).

Shopee introduces the Shopee affiliate program to its users as one of the marketing communication strategies to reach wider customers. Shopee Affiliate Program is a part of Shopee's programs that facilitates all Shopee users to make additional profits by advertising Shopee products on social media, Shopee Video, and Shopee Live. Shopee Affiliates users will get paid a commission based on their capability to promote Shopee products by posting affiliate links on social media, uploading videos in Shopee Video, and live streaming in Shopee. The success of affiliate marketing depends on the credibility of Shopee affiator as the source of information. In the world of affiliate, marketing transparency is very important for building trust. Product descriptions that are clear, honest, and transparent to consumers about affiliate partners are very necessary. Good affiliation can increase the affiliate's

credibility and authority so that it can attract more audiences and increase sales potential (Putu et al., 2024). This Shopee affiliate program features multiple parties, including marketers (affiliators) and customers. As an effort to reach more potential consumers, Shopee affiliators often choose products based on the interest of consumers.

The high interest in beauty categories on Shopee has shown the opportunity for the users of Shopee affiliate program. It is stated by Antara (2025) that Indonesian consumers are increasingly discerning when it comes to beauty purchases. Digital engagement is also shaping purchasing behavior, with 21% of women aged 18-34 interacting with beauty content online in the three months leading to September 2024. The data from Statista (2025) reveals that by 2025, online commerce in Indonesia is predicted to account for 50.0% of the Beauty & Personal Care market's total revenue. The rise of beauty content such as makeup tutorials and skincare product reviews has made beauty products popular among affiliates. CNBC Indonesia (2024) stated that approximately, 77% of Indonesian consumers typically look at reviews before making their purchases of a beauty product. As a result, Shopee affiliators are starting to create convincing and reliable content related to beauty to increase the credibility of the review posted to promote engagement with customers while also attracting their attention to ensure customers will click on the links attached in the posted review on social media.



**Figure 1.1 Use of Social Media for Brand Research**

Source: wearesocial.com (2024)

Integrating social media into an e-commerce strategy can increase brand visibility, attract customers, and ultimately increase sales (Putu et al.,

2024). As of January 2024, Indonesia reported 185.3 million social media users. Indonesia's internet access rate was 66.5% across the overall population at the beginning of the year (Simon, 2024). Given the large number of internet users, consumers are presented with millions of online reviews and it requires them to be especially cautious when gathering information from an online review. Consumers rely heavily on online reviews to research products before making a purchase (Mahdikhani, 2023). The consumers' perspectives on the social commerce site are considered essential in evaluating the platform (Burhanudin, 2024). Consumers utilize internet sites and social media (e.g., Facebook, Twitter) to discover information about products through reviews in addition to face-to-face interactions (Bartschat et al., 2022). Figure 1.1 illustrates the data from We Are Social that there are approximately 80.9% of internet users utilize social media platforms to obtain information about brands and products. It also reveals that 10.3% of the respondents rely on micro-blogs such as Twitter, which is now referred to as X.

X is a microblogging and social networking platform that facilitates users to connect and communicate with one another via "tweets," which are now referred to as "posts." Tweets were previously limited to 140 characters, but those limits were recently raised to 280 characters, which facilitates more expressive communication. Users can upload various types of content, including text, images, videos, and links, making X an accommodating platform for personal expression and information exchange (Oestreicher, 2024). One of the most interesting features of X is the autobase accounts which are based in Indonesia. It is used as a medium for sharing common interests and informations (Widiatmika, 2024).

According to Riauan & Salsabila (2022) autobase is an account where users with shared interests can exchange information and messages. Then there's the term 'menfess' (mention confess), which refers to texts sent to the autobase account by DM (direct message) and automatically published via the Bot provider service. The purpose of a bot is to automatically send posts or messages from DM without the sender's identity, often known as anonymity. Autobase accounts on X have grown in popularity, specifically in Indonesia,

and currently serve as platforms for anonymous communication and community interaction (Widiatmika, 2024). There are several autobase accounts which serves as information sharing platform about daily life and community, one of which is information about beauty. The significant interest among X users in acquiring beauty information has resulted in the founding of various autobase accounts dedicated to beauty and fashion, such as @ohmy\_beautybank (Hariningrum, 2022).



**Figure 1.2 @ohmy\_beautybank Account Statistic as of January 5th, 2025**

Source: socialblade.com (2024)

Figure 1.2 Illustrate the statistic of @ohmy\_beautybank followers on X. As of January 5th of 2025, @ohmy\_beautybank has reached 173,769 followers. The account @ohmy\_beautybank was the replacement account of the previously suspended account, @ohmybeautybank, which had reached more than 1.5 million followers which shows the significance it has on beauty enthusiast on X. As stated in Hariningrum (2022), the creator of the @ohmybeautybank account encourages audiences who are seeking beauty information to have an accessible place to share with one another by exchanging information, because the beauty information on the @ohmybeautybank account is primarily provided by its followers, the majority of whom are women, so they are considered to be able to understand each other and offer input on the information needed. According to Ni & Cheng (2024) reviews posted on e-commerce websites, blogs, and user-generated content on social media platforms including what was shared on autobase are common forms of e-WOM. Therefore, information shared on autobase account can be considered as e-WOM.

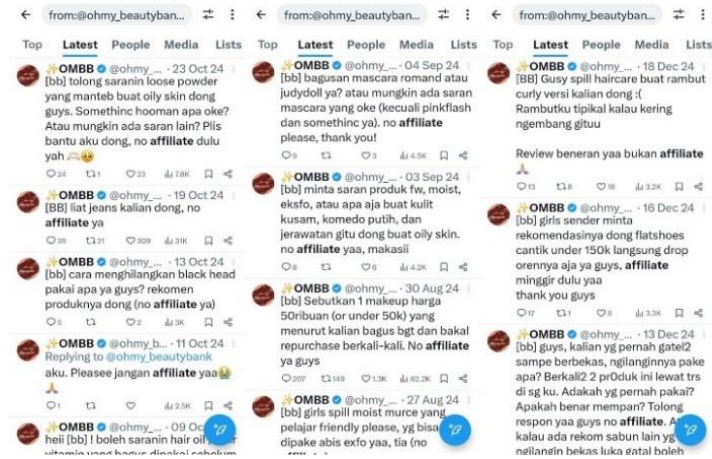
Electronic Word-of-Mouth or e-WOM in communication refers to sharing recommendations and opinions about products through various

channels of the Internet. It takes advantage of various types and forms of communication on social networks (Budzanowska & Drzewiecka, 2024). Consumers value e-WOM messages because it is providing comprehensive and trustworthy information that businesses normally fail to deliver with public platforms (Verma & Dewani, 2020). According to Dwidienawati et al. (2020), Potential customers often look up related information and consider options prior to making a decision to buy, since e-WOM has been acknowledged as a trustworthy source of information.

As stated by Akyüz (2013) in Rizky & Dianita (2023), affiliate credibility as a source of information from ongoing e-WOM is one of the factors that influence consumer action on the product being promoted. Source credibility is not related to message content but refers to consumers' overall perception of the credibility of e-WOM sources and is considered a basic factor to help individuals assess e-WOM communication. According to Ismagilova et al. (2020), There are three dimensions to measure e-WOM source credibility, namely trustworthiness, expertise and homophily and all these dimensions have a significant influence on consumer behavior. The credibility of the e-WOM source will have an influence on the usefulness and credibility of information to consumer purchase intentions. Beauty product reviews containing Shopee affiliate link posted around @ohmy\_beautybank X account has potential to affect consumer trust on e-WOM source credibility of the reviewers.

Customer trust is considered the foundation of affiliate marketing success. Customers are likely to trust information sources that provide value and relevance, such as good product reviews and authentic information (Sutandi et al., 2024). Mayer, et al (1955) in Wardhana (2024) identified three key factors of consumer trust namely the consumer perception of the online seller's expertise, honesty, and benevolence. This model emphasizes that trust is built based on previous experiences and interactions as well as the reputation of the other party in the context of a specific relationship. Shopee affiliators are expected to build trust in consumer to persuade them into interacting with the reviews related to beauty product posted on social media. However, based on

observations made before the research which highlighted less favorable responses from consumers towards beauty product reviews containing Shopee affiliate links, particularly in @ohmy\_beautybank account.



**Figure 1.3 Search Result of “Affiliate” on @ohmy\_beautybank account on X**

Source: Author’s Processed Data (2025)

Figure 1.3 Highlights that the usage of affiliates in reviews in X might be regarded as dishonest reviews. When asking for beauty product recommendations or suggestions, customers seems more likely to believe reviews without affiliate links. Given a growing trend Shopee affiliators who expect incentive by posting reviews, consumers might start to lose faith in reviews containing affiliate links as they might be perceived to take advantage of consumers who click on the links included in the reviews. As stated in Ai et al. (2022), if the poster earned compensation for publishing a review, the recipient may question the objectivity of the messages due to perceived relevance which shows that conflicting norms and interest relevance considerably undermine consumer trust in incentive-driven e-WOM. When searching for beauty product reviews and recommendations on social media, especially X, potential customers prefer for it to be genuine and honest.

Some studies have shown that the use of affiliate links or reviews that suggest that they are getting paid might lessen consumer trust. According to the previous study, customers tend to be more skeptical of affiliated reviews that offer compensation to reviewers for writing a review on social media. Ai et al. (2022) stated in research entitled “Effects of Offering Incentives for

Reviews on Trust: Role of Review Quality and Incentive Source” that when the reviewer accepts an incentive from the evaluated business, the consumer’s trust in the online review will significantly fall and the effectiveness of the incentive will be greatly reduced. This research shows that the use of affiliate link in an online reviews for beauty product which indicate that the reviewers accept incentives from business might affect consumer trust.

Another research revealed the influence of receiving incentives for a review on consumer trust. Harrison-Walker & Jiang (2023) in a study titled “Suspicion of Online Product Reviews as Fakes: Cues and Consequences” stated that, If a reviewer disclosed that they received a fee or compensated for the review, users regarded this as an indication that the review was dishonest. Consumers differentiate between genuine reviews that help others and those that are considered to be driven by incentives. When intentions are viewed as extrinsic, the consumer responds to the reviewer and negatively perceives the brand as a result.

Previous research used as references for this study were mostly researches that examines the influence of e-WOM or e-WOM source credibility towards consumer behavior. The research entitled “*Analisis Pengaruh Source Credibility dan Endoreser Nationality Terhadap Minat Beli Produk Maybelline*” (Kusuma & Nugroho, 2021) and “The Effect Of E-WOM And Source Credibility Of Instagram Account @racunshopeecheck On Customer Path 5A (Aware, Appeal, Ask, Act, Advocate)” (Rizky & Dianita, 2023) concluded e-WOM or source credibility had a significant influence on consumer behavior such as purchase intention and customer path 5A. These researches will be used as a reference to examine e-WOM source credibility on this research.

The discussion on the background revealed the relationship between e-WOM source credibility and consumer trust related to affiliate marketing. While there is substantial research on e-WOM source credibility and consumer trust, the specific research on the influence of e-WOM source credibility in beauty product reviews containing Shopee affiliate links on consumer trust remains underexplored. There is also a lack of research of e-WOM source

credibility in beauty product reviews containing Shopee affiliate links on X as the social media platform. Therefore, researcher is aiming to conduct further research with the title “The Influence of E-WOM in Beauty Product Reviews Containing Shopee Affiliate Links on Consumer Trust”

## **1.2 Problem Identification**

Based on the research background that has been described, the problem identification of this research is as follows:

1. How much influence does the Electronic Word of Mouth or e-WOM Source Credibility in beauty product reviews containing Shopee affiliate links have on Consumer Trust?

## **1.3 Research Purposes**

Based on the problem identification, the purpose of this study is as follows:

1. To measure the influence of Electronic Word of Mouth or e-WOM Source Credibility in beauty product reviews containing Shopee affiliate links on Consumer Trust.

## **1.4 Research Use**

### **1.4.1 Theoretical Use**

From a theoretical perspective, this research outcome is expected to contribute in giving valuable insights for future studies in a Communication Science or Marketing Communication field, especially related to:

1. Similar research on e-WOM source credibility theory in beauty product reviews.
2. Research on the utilization of affiliate marketing studies in digital marketing.
3. Research on variables including e-WOM source credibility influencing consumer trust.

This research has the objective that it would be both innovative and relevant to earlier studies and can be used as a theoretical reference for future research.

### 1.4.2 Practical Use

From a practical perspective, the findings of the research are expected to be utilized as insight and reference for several instances as follows:

1. Shopee as the company to improve Shopee affiliate program to support its users to strengthen their credibility of sources.
2. Shopee affliator as a digital marketer to gain insight to improve their credibility of source and marketing strategy to obtain trust from beauty product consumers.
3. Beauty companies to gain additional insight into utilizing the right affiliate strategy to obtain consumer trust.

Investigating the influence of e-WOM source credibility can provide valuable insights into how affiliate marketing strategies can be optimized to build consumer trust.

### 1.5 Research Time and Period

**Table 1.1 Research Time and Period**

| No | Types of Activities          | Month |   |   |   |   |   |
|----|------------------------------|-------|---|---|---|---|---|
|    |                              | 1     | 2 | 3 | 4 | 5 | 6 |
| 1  | Preliminary Research         |       |   |   |   |   |   |
| 2  | Title Seminar                |       |   |   |   |   |   |
| 3  | Proposal Drafting            |       |   |   |   |   |   |
| 4  | Proposal Seminar             |       |   |   |   |   |   |
| 5  | Data Collection              |       |   |   |   |   |   |
| 6  | Data Processing and Analysis |       |   |   |   |   |   |
| 7  | Thesis Defence               |       |   |   |   |   |   |