Chapter 1

Introduction

1.1 Background

Jakarta is one of the few cities in Southeast Asia that have developed at a very fast pace. Jakarta is now the centre of the thriving digital economy in Indonesia with a greater metropolitan population of more than 34 million and mobile internet penetration topping 70 percent (We Are Social, 2024). The rapid growth of digital commerce in Southeast Asia must be understood within the broader context of regional economic integration, as financial and trade linkages across the region increasingly shape the environment in which digital businesses operate (Hafianti & Brugger, 2010). The e-commerce platforms such as Shopee, Tokopedia, Lazada, and Tik Tok Shop have cumulatively processed hundreds of billions of rupiah every month in 2024, which makes the city a highly contested battleground of brands seeking to win the attention of consumers (Statista, 2024). This force has put the digital advertising agencies in a more significant place; they are no longer seen as service providers. They are a strategic partner who can keep the brands alive and functioning in an algorithm-driven marketplace.

Jakarta is specifically chosen because Jakarta has about 20 percent of the total amount of e-commerce revenue in Indonesia, but it also plays host to the most digitally advanced consumer base in the country, where consumers change platforms in seconds and find products in their short-video feeds (Kearney, 2023; Google, Temasek, & Bain & Company, 2023). The advertising agencies working in this area are under a two-way pressure: they must deliver performance outcomes which are easy to quantify and are almost instantaneous; but on the other, they need to build a brand over time which cannot be measured using the performance dashboards, since the latter are in theory long-term strategies and cannot be measured. The majority of the agencies dissolve this conflict by defaulting to short-term optimization - pursuing clicks, ROAS, and CTR -

without much concern about the underlying theoretical models that may make their strategies become plausible in the long-run (Wedel and Kannan, 2016; Stephen, 2016).

This gap matters. Jakarta online advertising is not just a technical process. It is essentially a marketing issue, one where it has to do with consumer psychology, and meaningful positioning of brands within saturated markets, as well as developing value with its clients over time. Theories such as Kotler Marketing Concept, the STP Framework and the AIDA Model are in existence because they coded a decades worth of learning on how consumers react to communication and value propositions. However, there is surprisingly scant empirical information on the nature and existence of their implementation on the agency level inside the e-commerce landscape of Jakarta (Holliman and Rowley, 2014; Kumar et al., 2016).

This study fills that gap. The research is based on the analysis of three months of real operational data of an e-commerce advertising agency in Jakarta by applying a rigorous thematic analysis of three months of campaigns implemented by the e-commerce in Shopee and TikTok Shop between January and March 2026, discussing the application of marketing theories in real practice. It is not aimed at criticizing the agency but tracing what is occurring on the ground versus what the theoretical literature holds, and to make conclusions concerning which frameworks produce the most concrete strategic value. The study of this relationship not only applies to the agency under study, but also to the overall ecosystem of the digital marketing practice in the most commercially vibrant city in Indonesia.

1.2 Objective

This study aims to analyze how established marketing theories apply to the development and operation of an e-commerce-based advertising agency in Jakarta, using three months of empirical performance data to evaluate the alignment between theoretical frameworks and observed business practices.

1.3 Hypothesis

The research tests the following hypotheses:

H0: The structured application of marketing theories does not correspond to improved advertising performance at an e-commerce-based advertising agency in Jakarta.

H1: The structured application of marketing theories corresponds to measurably improved advertising performance at an e-commerce-based advertising agency in Jakarta, observable as higher return on ad spend or return on investment, lower cost per order, and click-through rates at or above platform benchmarks.

Because the design is a single-case study rather than an inferential one, the phrase “corresponds to” denotes a directional and quantified association observed within the case, not a tested statistical relationship. The hypotheses are evaluated against the indicators set out in Table 1 and the integrated evidence presented in Section 4.5.4. Where observed agency practice aligns with theoretical prediction and that alignment coincides with improvement in the performance indicators, the evidence supports rejection of H0 in favour of H1. Where practice departs from the theoretical frameworks, or where theory application coincides with no improvement or with deterioration in those indicators, H0 is retained for that account. Because the six accounts differ in this respect, the study anticipates a verdict that is conditional by account rather than uniform across the case.