CHAPTER 1
INTRODUCTION

1.1 Background

The rapid change of technology already takes place in many aspects of human life and brings a lot of advantages such as in a work place, organization, industry, government, as well as our daily activity. Innovation of technology helps human's activity become easier and these days the technology become inseparable with internet which connected through computer devices used to do communication, access information, share information as well as access the entertainment such as streaming movie or television shows. In 2015 United Nation stated that there are 43 percent of world population which are connected to internet and mostly comes from developed and developing country (United Nation, 2015). People access the internet for information, social networking, entertainment, communication and transferring files, internet transaction, online education and marketing. It called internet of things which has the automation that allowing human to finish work or activity effectively already become part of our daily life and integrated a lot of technological product such as communication, transportation, education, monitoring health, avoid traffic jam, travelling, and shopping.

The rise of internet also affecting buying and selling product and or service where customer and seller can order and sell their product by online. This activity proves that in the internet era nowadays, activity of buying online is one of popular activity after email and instant messaging and web browsing according to UCLA Center for Communication Policy. Based on data of Indonesian Association of Internet Service Providers – APJII (Asosiasi Penyelenggara Jasa Internet Indonesia) in 2015 the internet users reached 88.1 million users out of 252.4 million populations in 2014 in this country (Puspitasari, Musadeiq, and Kusumawati, 2017). The number of users in Indonesia mostly dominated by young generation from 18 years old until 35 years old (Puspitasari et al., 2017). Young generation

given most contribute in online shopping activity as it growing in Indonesia and data in 2015 of APJII shows that 11 percent internet user in Indonesia spend their time in internet to buy or sell goods and or services. Online shopping is becoming simpler and faster user to buying product also reducing time to go to physical store then process of purchasing product via internet just by one click to bring product in few days on buyer's doorstep related with the online purchasing intention of consumer. Other advantages offer by online shopping are it can be accessed 24 hours and there is no limit time for potential buyer to order product, seller provides detail information of product, potential buyer can compare prices and variety products from different seller, also the purchasing can be done by using bank transferred payment or e-payment to ease purchasing transaction.
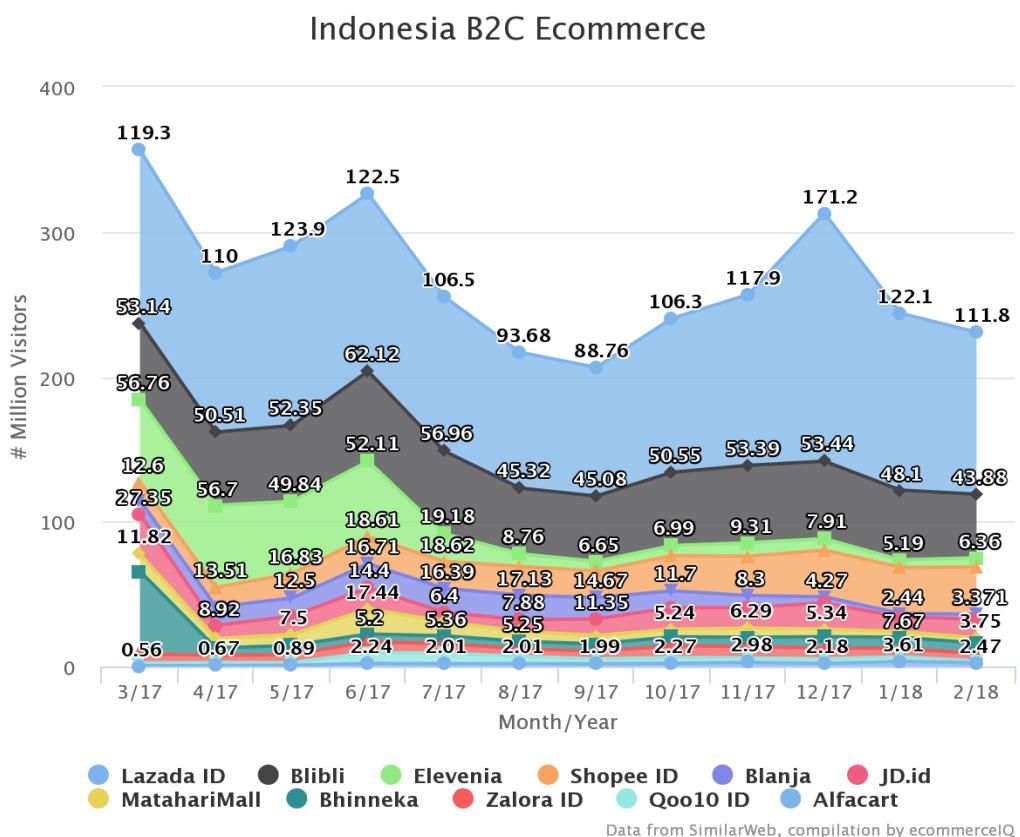

Figure 1.1
Source: https://ecommerceiq.asia/indonesia-ecommerce-landscape-2017/

In 2017 there were 39.7 percent of the Indonesian population using the internet based on data from statista.com (Statista, 2017). There were increasing of internet user to 143.26 million people in 2017 (Setiawan, 2018). Some of those internet users access internet for online shopping both as seller or buyer and this is also brought Indonesia to have some top e-commerce platforms including B2C, C2C and B2C (Kinasih, 2016). Conjointly, along with the growing of e-commerce in Indonesia there are ten best online stores reported by ilmuOne Data such as Lazada.co.id, Bibli.com, Elevenia.co.id, MatahariMall.com, Shopee.co.id, and the rest (Librianty, 2017). The large number and increasing of marketplace in e-commerce gives opportunity for online shopping market to expand in order to support economic growth in Indonesia. Internet users usually browsing internet during the daytime break to search for products or promotion offered by online stores. Beside it, female consumer generally active in the afternoon for online shopping and number of male consumers increasing during holiday when online store offers a lot of promotion (Prihadi, 2017). This shows that someone's response toward online purchasing process affecting the online purchase intention. However, it is also important to be understood about the online purchase intention of consumer so that seller would satisfy consumer by meet their needs.

The purpose of this study is to identify and analyze factors influencing the consumer purchase intention on online shopping where potential buyer cannot see and try on the product directly. Some factors that favor it including age, gender, occupation and income level can lead to the other online purchase intention factors such personal experience shares through word of mouth, information of product sold that provided by seller, website appearance and design also can affect purchase intention of potential buyer since it is attracting internet user especially the potential buyer by its first impressions.

Consumer usually search the product before processing check out on the shopping chart but, in other case some of them only search the product by its name and then just enter to the purchasing process without many considerations (Benn, Webb, Chang, and Reidy, 2015). Other consumer basically does purchase based on

buyer's personal experience of shopping in form of reviews or comment after purchasing, discounts or promotion in special days such as Independence Day, valentine, websites' anniversary, seasonal holiday, etc. There top three popular products purchased by customer in Shopee such as electronic, fashion, and cosmetics (Prasetiyo, 2017). There are some buyer also searching for other products which is unique such as box, books, hanger and so on those already modify without losing its basic function. Based on the online research conducted by Snapcart in January 2018 there are 37 percent out of 6123 respondents using Shopee. This make Shopee as the first online retailer most used by customer in Indonesia followed by Tokopedia and Lazada with the percentage of 25 and 20 (Tribun News, 2018).

However, Lazada.co.id is the first top performing online consumer goods retailer in Indonesia which makes it as the best online retailer in the country following by Bibli.com, Tokopedia.com, and others according to ilmuOne Data (Librianty, 2017). In terms of Shopee as the most used online retailer currently and related to the purchase intention, it is interesting to find out what drives consumer purchase intention in which Shopee become more popular among online consumer against other competitive online retailers. Purchase intention generally can become the primary data which is important for business people or a manager to do evaluation of business performance, predict or forecast its future sales, and determine what strategy will be use next to face changes situation to meet current need of consumer. The information of purchase intention used to measure the demand of product offered and help manager to make decision to achieve its business goal and generate revenue as well as to fulfill the market need. In this case, Shopee is not the only one online retailer which offer many benefits to cosumer in order to increase sales. But, what actually makes Shopee become popular and used by many online cosumers in Indonesia in terms of purchase intention would be fascinating to figure out.

Specifically, this study aims to provide explanation of variables as factors that can influence consumer purchase intention in online shopping website of Shopee. Those factors are word of mouth, product information, and website usability. Which all of them contribute to the purchase intention such as, word of

mouth as the first variable has its interpersonal impact that is very common since people interact and communicate each other to share information which can lead to the intention of purchasing. Second, product information including product attribute and product price which often drive the purchase intention of potential buyer because they can form different intermediate perceptions that influence purchase decision. Third, website usability refers to the usability which defined as the degree of proficiency of user to use specific interface to achieve the objective successfully and gratification in circumstance of use.

Usually the purchase intention of consumer will be created when seller, products and or services meet the buyer's expectation which are affected by its purchasing process and the factors of interactivity between seller and buyer, adequate information of seller by providing the right product, and honest of both seller to give relevant description and buyer to give review based on fact. Hence, this research is engrossing to examine in order to give new knowledge regarding the purchase intention of consumer.

1.2 Research Questions

According to the background of the research above, the research question can be formulated as follow:

1. Does *word of mouth* influence *purchase intention* on Shopee in Surabaya?
2. Does *product information* influence *purchase intention* on Shopee in Surabaya?
3. Does *website usability* influence the *purchase intention* of customer on Shopee in Surabaya?

1.3 Research Objectives

According to the background of the research above, the research objectives can be formulated as follow:

1. Analyze influence of *Word of mouth* on *purchase intention* on Shopee in Surabaya.

2. Analyze influence of *Product information* on *purchase intention* on Shopee in Surabaya.

3. Analyze influence of *Website usability* on *purchase intention* on Shopee in Surabaya.

1.4 Significance of the Research

This research expected to give some benefits in theoretical and practical. Both of these benefits are described as follow:

1. Theoretical Contribution

This research expected to be useful especially in educational sector to help students, teacher, and researcher have additional reference to support their assignment, work, and research as well as increasing the understanding of factor influencing customer purchasing process and their purchase intention.

2. Practical Contribution

This research will provide insight related to the technology and online shopping business especially on Shopee. Frist, since technology impact to the consumers' purchasing process by the online shopping this result of research expected to drives people to make more innovation, to refine and complete system and technology used for online shopping in order to ease the purchasing process between seller and buyer. Second, the result of this research can be used for those online shopping company to understand the purchasing process of consumer and to provide possible solution of each problem from consumer shopping experience in order to fulfill consumer satisfaction as well as to create strong decision making to achieve the organization goals in the future.

1.5. Systematic of Writing

In order to understand this research clearly, the systematics of writing which consists of several chapters are as follows:

CHAPTER 1 : INTRODUCTION

This chapter contains of the background, research questions, research objectives, significant of the research, and systematic of writing.

CHAPTER 2 : LITERATURE RIVIEW

This chapter contains of theoretical basis, previous research, significant between variable, and research framework.

CHAPTER 3 : RESEARCH METHODOLOGY

This chapter contains of research design; identification, operational definition and variable measurement; type and data source; data collection method; population, sample and sampling technique; and data analysis

CHAPTER 4 : ANALYSIS AND DISCUSSION

This chapter contains of general description of research object, data description, data analysis result, and discussion.

CHAPTER 5 : CONCLUSION AND SUGGESTION

This chapter contains of conclusion and suggestion that can be drawn and given from the results obtained during the study.