

CHAPTER I

INTRODUCTION

This chapter explains the details about the whole process of this study regarding the factors that affecting online impulse buying behaviour. This chapter includes of research background, research questions, research objectives, research contribution, research scope and lastly, research outline. The flow is shown as down below in Figure 1.1.

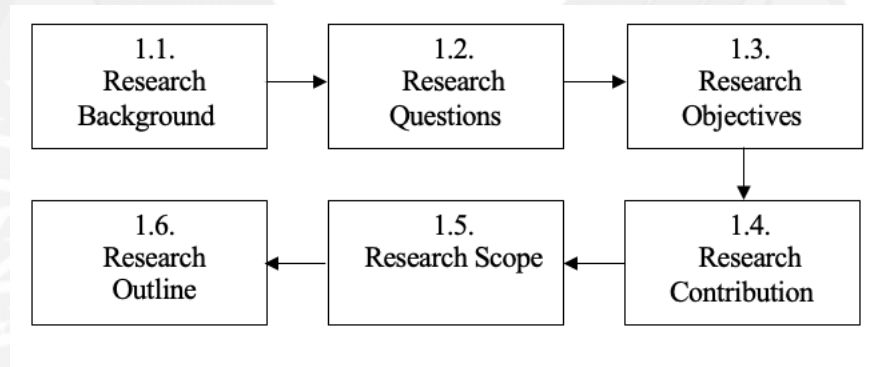


Figure 1.1. Chapter I Flow Chart
Source: Developed by the author for the purpose of this research (2020)

1.1. Research Background

The development of information technology, one of which has an influence on the increasingly convergent of computing systems and communication systems that encourages the integration of the two systems at a long distance such as telecommunication system (Zulfah, 2018). With enhancements in technology, computers, telecommunications in the digital era 4.0, have made many contributions to life in supporting the development of internet technology around the world. Advances in communication technology in the last decades cemented the way for invention, stimulating rapid globalization (Nogoev, Mohseni, Yazdanifard,

Samadi & Menon, 2011). Still continue from Noguev, *et al.*, (2011), the relation of telecommunication and computer technology has created a new business organization system known as the internet, bringing revelations on the development of ecological business, one of which is called as electronic commercial.

Electronic commercial transaction throughout the internet, recognized as 'e-commerce' has developed so rapidly around the world including in Indonesia (Noguev, *et al.*, 2011). Whether it is a business-to-customer or business-to-business retail transactions, e-commerce instantly becomes an essential part of commercial transactions (Noguev, *et al.*, 2011). Thus, causing many people to enter the world of e-commerce to maximize their sales or to start new businesses. Retail e-commerce (electronic commerce) sales in Indonesia will grow 133.5% to US \$ 16.5 billion or around Rp. 219 trillion in 2022 from the 2017 position (Statisca, 2018). So, it is not surprising that many sellers enter this industry.

Many merchants can take advantage of an online service in the form of e-commerce, in order to improve and increase sales quickly, by looking at the very rapid development of information technology (Wibowo, 2016). So far, the sales system from customers used by the company previously is only written manually, which often tends to be misleading. Still continue from Wibowo (2016), with services in the form of e-commerce that can quickly be enjoyed by customers and the company itself, all services desired by customers can be immediately followed up as quickly as possible, hence, the company will be able to provide the best and fastest service for customers (Wibowo, 2016).

Many countries are shifting from companies moving offline to online. One of the most visible countries is Indonesia where Indonesia is an archipelago with approximately 242.3 million inhabitants and a geography of 17,000 islands around the continental and Jakarta is the most populous province in accordance with Haris (2015). Still continue from Haris (2015), Indonesia has been growing steadily even with a bit of low development, but the country has contributed to its gross domestic product, GDP (current USD) from 2008 namely 510.2 billion to 846.8 billion in 2011 with the largest contribution among agriculture, manufacture and service industry business (Haris, 2015). Where this of course will also encourage and stimulate the growth of economic in Indonesia with the existence of e-commerce itself.

Indonesia is a market with attractive e-commerce growth from year to year (Rahayu, 2019). Since 2014, Euromonitor noted that online sales in Indonesia have reached 1.1 billion USD. Census data from the Central Statistics Agency (BPS) also stated that Indonesia e-commerce industry in the last 10 years has increased by 17 percent with a total number of e-commerce businesses reaching 26.2 million units. There are many e-commerce platforms that Indonesians can use to take advantage of their opportunities to open their businesses or create jobs for other. The platform that is most popular in the perspective of Indonesians is Shopee (Putri & Iriani, 2019). Thus, in this research, Shopee is the object of research. There are three reasons why the researcher selects Shopee.

The first reason is because, the majority of consumers of Shopee is dominated by millennials born in the late 1990s or early 2000s (Purwasih, 2019).

Still continue from Purwasih (2019), the highest interest in online shopping has made millennials as the main target for producers of various products, because they are considered potential in increasing e-business. The results of research conducted by Shopee also found that the majority of Shopee platform users come from millennials. Shopee's online shopping consumers are mostly students whose souls are still young (Hidayati, 2018). Thus, this is in accordance with this research which shows that most respondents that use Shopee application are dominated by millennials.

The second reasons why the researcher chooses Shopee is the popularity of the Shopee e-commerce site in Indonesia. The Shopee application ranking on both App store and Google Play store occupies the first position with approximately 73 million monthly visitors (Andika, 2020). In Indonesia, Shopee recorded 1.2 million transactions every day and a growth of 93.3% year on year (Nurdiarsih, 2019). As shown as down below is the e-commerce ranking in Indonesia in Table 1.1.

Table 1.1. Top Five Leading E-commerce Platform in Indonesia

Name	Monthly Visitor	Ranking in the App Store	Ranking in the Play Store	Instagram	Twitter	Facebook	Number of Employees
1. Shopee	72,973,300	1	1	3,600,020	152,280	14,720	3799
2. Tokopedia	67,900,000	2	3	1,617,380	347,950	891,440	3865
3. Bukalapak	39,263,300	4	4	964,010	181,210	n/a	2672
4. Lazada	28,383,300	3	2	1,613,690	379,020	8700	2606
5. Blibli	26,863,300	5	5	921,300	495,180	946,880	1716

Source: iPrice.co.id (2019)

As shown in Table 1.1., Shopee has successfully occupied the first rank for both App Store and Play Store in Indonesia. It can also be seen that the company with 3,799 employees is more focused on promoting its site through Instagram

social media. So that's why many Shopee site visitors come from the social media application. This caused Shopee to become one of the multinational companies engaged in the online marketplace and has been operating in Indonesia (Even, 2016), namely, PT Shopee International Indonesia (Rahayu, 2019).

Shopee also has presences in several countries in Southeast Asia such as Singapore, Malaysia, Vietnam, Thailand, the Philippines and Indonesia (Karina, 2019). Hence, the researcher also selected Shopee since it is one of the most famous multinational company in terms of e-commerce in Indonesia also, Shopee has a relationship with international business since Shopee as Singaporean e-commerce platform has made an investment in several countries which one of them is in Indonesia (Hitt, Li & Xu, 2015). In addition, Shopee International Platform (2020), stated that Shopee has a across borders system that offers enlarged consumer outreach to possibly six other territory markets, values-added across borders services in logistics, payment and customer service procedure with no additional fee included as well as local selling involvement with no extra effort needed to develop business overseas.

However, despite the fact that Shopee ranked first in the App store, Goggle Play store, and other social medias in Indonesia in 2019, domestic e-commerce platform still dominate the number of website visitors (Rachmatunnisa, 2020). The third reason why the researcher chose Shopee as the research object is related to the current problem faced by Shopee consumers in Indonesia in accordance with the indicator that will be examined in this study. Table 1.2. illustrated the top 10 local and foreign online shopping sites sorted by the largest amount of traffic in 2019.

Table 1.2. The Largest Amount of Traffic of Local and International Foreign Shopping Sites in 2019

Online Sites	Number of Visitors in 2019 from the Desktop	Number of Visitors in 2019 from Mobile Web	Number of Indonesian Visitors in 2019	% of Visitors from the Desktop	% of Visitors from the Mobile Web
Tokopedia	329,823,447	863,056,416	1,192,879,863	27.65%	72.35%
Shopee	172,275,455	664,805,215	837,080,670	20.58%	79.42%
Bukalapak	153,624,428	669,862,991	823,487,419	18.66%	81.34%
Lazada	67,129,891	378,450,756	445,580,647	15.07%	84.93%
Blibli	141,642,937	211,559,283	353,202,220	40.10%	59.90%

Source: Rachmatunnisa, 2020

As shown in Table 1.2. that Shopee was in the second place behind Tokopedia in the number of visits both from desktop and mobile web during 2019 (Rachmatunnisa, 2020). This is caused by the issue related to the services that Shopee provides to its customers. Service in responding the customer chats takes a long time, besides, sellers at Shopee are hard to find at certain times (Ayudhitama & Pujiyanto, 2019). Meanwhile, seller's response in this chat feature is very important in having an effect on the customer assessment (Agustina & Kurniawan, 2018).

Many customers complaining that the help centre at the Shopee application has not been able to solve the problems (i.e., provide answers that do not align with the customer's questions) faced by customers (Siaumei, 2020). This happens due to the lack of human resources in analysing the problems (Siaumei, 2020). Apart from the problem that Shopee itself has caused to its customers, here are some studies that have been done before regarding the variables reviewed in this study to find problems to be resolved in this study as well.

Table 1.3. Online Impulse Buying towards Consumer Behaviour research in decade

Previous Researchers	SC	SI	SS	AS	VS	RS	IS	OIB
Akram, Hui, Khan, Yan and Akram (2018)	√	√	√	√	√	√	√	√
Ozen and Engizek (2014)			√	√	√	√	√	√
Chung, Song and Lee (2017)	√	√						√
Asnawati and Sri (2018)			√	√	√	√	√	√
Sutrisno and Novrita (2015)			√	√	√	√	√	√
Purnomo and Riani (2018)			√	√	√		√	√
Gultekin and Ozer (2012)			√	√	√		√	√
Gwee and Chang (2013)	√							√
Maqhfiroh and Prihandono (2019)			√	√	√	√	√	√
Wijaya and Ardyan (2018)							√	√

Source: Developed by the researcher for this study (2020)

Notes: SC: Scarcity

SI: Serendipity Information

SS: Social Shopping

AS: Adventure Shopping

VS: Value Shopping

RS: Relaxation Shopping

IS: Idea Shopping

OIB: Online Impulse Buying

Based on the information shown in Table 1.3., that there are ten studies that have an effect on online impulse buying behaviour. Research on variable scarcity and information serendipity are still relatively minimal compared to other hedonic value variables while these two variables could have significant effects on impulsive buying behaviour (Akram, *et al.*, 2018; Chung, Song & Lee, 2017; Gwee & Chang, 2013). It is found that many sellers are complaining about the sold-out sign on the Shopee application itself. When a seller wants to update the stock of available items, often their Shopee application is blocked resulting in buyers not being able to access and buy products from the site (Luis, 2020).

The remaining stock mark from the site is important to increase the perception of product scarcity (Moser, Schoenebeck & Resnick, 2019). In fact, scarcity is the important variable, which is a conditional instrument to improve the indication of impulse buying behaviour Akram, *et al.*, (2018). Another problem that was caused by Shopee was related to the feature of adding detailed information to

some products so that customers could receive complete information. Many times, the seller want to change the product description, but it does not work. This really takes a long time for the seller because the customer service provided is also minimal (Afandi, 2020).

This resulting in customers for not being able to obtain serendipity information when they want to purchase a product although, serendipity information can create unplanned and spontaneous consumers to understand the value of shopping differently from the rational consumer's way (Akram, *et al.*, 2018). Both situational factors, scarcity and serendipity information variables should be explored in Shopee to give a comprehension how impulsive buying occurs and how marketers can better serve the needs of buyers and organizations especially in e-commerce companies (John, Rathidevi, & Matthew, 2019).

In short, scarcity and serendipity information are revealed to have a greater influence in relation to online impulsive buying behaviour (Akram, *et al.*, 2018; Song, Chung & Koo, 2015). Moreover, the hedonic shopping values such as social shopping, adventure shopping, value shopping, relaxation shopping and idea shopping are also important since impulsive buying behaviour is the result of emotional or hedonic motivation itself (Yu & Bastin, 2017). Often times consumers experience impulse buying when driven by hedonic desire or for other reasons other than economic reasons, such as pleasure, fantasy, social or emotional influences (Darma & Japariato, 2014).

Some researchers also have suggested that emotions control the impulsive buying process and online impulsive buying is the result of hedonic motivation

(Akram, *et al.*, 2018). These variables give perceptions into impulse buying behaviour (Yu & Bastin, 2017). Furthermore, in Indonesia itself, one of the cultures that has always existed and is not realized is consumptive behaviour, which is related to someone's impulsive behaviour in buying products. This culture is certainly not shared by every Indonesian individual, but at least most of the civil society who live in urban areas behave like that (Asnawati & Sri, 2018).

Scarcity and serendipity information are the important variables for consideration within this study. However, the hedonic shopping values variables also need to be explored in this study as a factor affecting online impulse buying itself. The existence of these hedonic shopping values helps online retailers and web developer to design marketing strategies that are appropriate and influence the consumer purchasing decision process (Akram, *et al.*, 2018). Moreover, the purpose of this study is to analyse the influences of scarcity and serendipity information, moderated by social shopping, adventure shopping, value shopping, relaxation shopping and idea shopping towards online impulse buying behaviour.

This research should be conducted because of two major reason. Firstly, compiling and conducting research aims to help researchers understand the topics discussed, and help researchers explore theories based on the results obtained (Sekaran & Bougie, 2016). Secondly, to prove and support the previous study by examining and validating existing models, because this research replicates variables created by the existing models from Akram, Hui, Khan, Yan and Akram (2018), but with different research object, places and also researcher.

1.2. Research Questions

In accordance with the background previously described, the following research questions have been formulated:

1. Is scarcity positively related to online impulse buying behaviour?
2. Is serendipity information positively related to online impulse buying behaviour?
3. Is social shopping positively moderating the relationship between scarcity and online impulse buying behaviour?
4. Is adventure shopping positively moderating the relationship between scarcity and online impulse buying behaviour?
5. Is value shopping positively moderating the relationship between scarcity and online impulse buying behaviour?
6. Is relaxation shopping positively moderating the relationship between scarcity and online impulse buying behaviour?
7. Is idea shopping positively moderating the relationship between scarcity and online impulse buying behaviour?
8. Is social shopping positively moderating the relationship between serendipity information and online impulse buying behaviour?
9. Is adventure shopping positively moderating the relationship between serendipity information and online impulse buying behaviour?
10. Is value shopping positively moderating the relationship between serendipity information and online impulse buying behaviour?

11. Is relaxation shopping positively moderating the relationship between serendipity information and online impulse buying behaviour?
12. Is idea shopping positively moderating the relationship between serendipity information and online impulse buying behaviour?

1.3. Research Objectives

After formulating research questions, the next step is to formulate research objectives. The aim of this research is to analyse the existence of each hypothesis relationships:

1. To describe a positive relationship between scarcity and online impulse buying behaviour
2. To describe a positive relationship between serendipity information and online impulse buying behaviour
3. To describe social shopping in moderating the positive relationship between scarcity and online impulse buying behaviour
4. To describe adventure shopping in moderating the positive relationship between scarcity and online impulse buying behaviour
5. To describe value shopping in moderating the positive relationship between scarcity and online impulse buying behaviour
6. To describe relaxation shopping in moderating the positive relationship between scarcity and online impulse buying behaviour
7. To describe idea shopping in moderating the positive relationship between scarcity and online impulse buying behaviour

8. To describe social shopping in moderating the positive relationship between serendipity information and online impulse buying behaviour
9. To describe adventure shopping in moderating the positive relationship between serendipity information and online impulse buying behaviour
10. To describe value shopping in moderating the positive relationship between serendipity information and online impulse buying behaviour
11. To describe relaxation shopping in moderating the positive relationship between serendipity information and online impulse buying behaviour
12. To describe idea shopping in moderating the positive relationship between serendipity information and online impulse buying behaviour

1.4. Research Contribution

Research contributions are generally divided into two categories, namely theoretical and practical. The theoretical contribution relates to the particular contribution of conducting research to the development of theory, science and the academic world. Meanwhile, practical use relates to the practical contribution given from conducting research to the object of research, whether individual, group or organization. In this case, this research has a research object, namely, Shopee.

1.4.1. Theoretical Contribution

Theoretically, research is a tool to help carry out investigations and information gathering which aims to discover new facts or interpret existing information, in purpose to determine or correct facts, theories and also applications (Ahmed, Ans & Ali, 2009). Research in the field of international business builds on developing theories in international business-related. The researcher also develops a number of propositions related on how multinational companies can successfully enter emerging markets (Myers, 2014).

Furthermore, in conducting research, the first step is to determine the research problem first as research is problem driven (Pardede, 2018). Research problem is essential because it encourages and guides the need to do research, it sets the foundation for the entire project (Pardede, 2018). After the researcher determines the research problem, the researcher must be able to obtain valid and reliable sources that contain useful theories to be used in order to understand the research (Hair, Hult, Ringle & Sarstedt, 2014). Secondary data can be used in the study as the foundation for the required information (Sekaran & Bougie, 2016).

This study includes literature review as a vital chapter which aims to deliver background and justification for the research being carried out (O’Gorman & MacIntosh, 2015). In literature review consists of research model and there are three types of research models which are verbal, graphical and mathematical (Malhotra, 2017). Verbal model contains variables and their relationship expressed in the form of a story. Graphical model is used to separate variables and to advise the way of

the relationship but are not intended to deliver numerical results. It is more used in the visual way.

Lastly, mathematical models which determine the relationship between variables in an explicit way (Malhotra, 2017). The study of Akram, *et al.*, (2018) uses graphical model. There are three reasons why using this model. First, the use of graphical model assistances the researcher to simply visualize and recognise related variables and hypotheses as well as conceptualizing research problems (Malhotra, 2010). Second, these models have many uses containing data analysis, showing of causal relationship and indicating about uncertainty in expert systems (Friedman & Goldszmidt, 2013; Malhotra, 2016). Lastly, the graphic model helps in identifying hypotheses and conceptualizing research problems (Malhotra, 2016).

After creating a model, it is then necessary to test whether the model is in line with the current situation that occurs in this study. Model suitability testing can be done by statistical testing to make it easier to conclude this research (David & Djamaris, 2018). Statistical testing in this study is also useful for testing hypothesis in the research model. Hypothesis testing is also important as it is the process to determine whether the estimates of the parameter values or characteristics of the population are strongly supported by the sample data or not (Santiyasa, 2016).

The main contribution of this research in the world of science is to develop advanced knowledge and technology to overcome various life problems (Rahayu, 2015). Theory is a set of concepts, definitions and propositions that are related to one another as a chain of whole facts. The conduct of research is based on the assumption that everything related to knowledge or theory cannot stand alone to

make a good conclusion (Firman, 2018). Likewise, technology is built on the basis of a certain theory (Warsita, 2014). Thus, this study aims to create a model based on the previous theories which became the reference for this study in modelling. So that, the model in this research can be accepted in the world of science by the developments that occur.

To sum up, this research wants to make a theoretical contribution to international business as well as consumer behaviour theory regarding the situational factors namely, scarcity and serendipity information as the independent variables moderated by hedonic shopping values namely, social, adventure, value, relaxation and idea shopping which influences the dependent variable, online impulsive buying in the scope of Shopee company. Thus, this research is only conducted on some Shopee customers who already have transaction within three months because this research is using a purposive sampling method.

The research model in this study is replicated from Akram, Hui, Khan, Yan and Akram (2018) and also uses the applicable variables and hypotheses from the previous study. Replication research is carried out to respond to previous studies that attempt to answer the same research problem with different objects, targets and perspectives (Sanusi, 2016). Apart from that, the researcher expects that this study can provide a broad comprehension of online impulsive buying with the topic elevated regarding Shopee company which is implied in Indonesian consumers with a different kind of standard of living, culture and behaviour in determining impulsive purchasing. Hence, this research is expected to be a reference for further research in the context of e-commerce company in international business.

1.4.2. Practical Contribution

Besides having a theoretical contribution, this research also has a practical contribution to the company. Practical contribution needed in this study for the researcher as well as for the research object chosen (Adiningsih, 2018). The purpose of this research is to gain more knowledge and comprehension of fascinating phenomena and to construct theories based on research outcomes (Sekaran & Bougie, 2016). This study contributes to the company that has been selected to carry out this research, namely Shopee.

This research focuses on the main factors that affecting consumers in making impulsive purchases of products offered to the customers. This study can ensure on how much the scarcity and serendipity of information moderated by hedonic shopping values such as, social shopping, adventure shopping, value shopping, idea shopping and relaxation shopping can affect impulsive online buying behavior in the Shopee marketplace. The results of this study are also expected to become a reference as additional information for PT Shopee International company management in determining online sales and marketing strategies that focus on the e-commerce marketplace.

For researcher, this research is expected to increase experience as well as insight to improve the ability to analyse and explore theories as a reference basis. This study also helps researcher to develop a research framework, find as much as theories as the basis foundation for this study, analyse what problems exist in Shopee and provide assistance by providing advice as well as recommendations to solve problems that exist among Shopee consumers themselves through hypothesis

testing to generate final result where it also assists the company under this study to find the solve the problems.

Meanwhile, for the research object, namely, Shopee, can be used as input or feedback for online sellers and to Shopee itself in order to maintain the quality of their work. This contribution is also useful as an additional information for company management in determining their online marketing strategy that focuses on the marketplace so as to create a competitive advantage in order to be able to compete with competitors as well as maintain a stronger brand image. The service strategy in e-commerce companies is certainly different from the strategy applied in offline companies as usual.

Service in e-commerce companies require more intense attention because everything has been programmed by technology. Therefore, this research can provide a broad overview of companies regarding the service that must be provided to stimulate impulsivity behaviour. This study is able to make a practical contribution to the effect of e-commerce on purchasing decisions and can be used as information on how to take advantage of today's information technology in the application of e-commerce in order to maximise their services and benefits. It can also be used as an evaluation material for online sellers as well as to improve the quality of information provided to Shopee's consumers itself. Also, this research is beneficial for companies as a basis for decision making and policies related to e-service quality to build customer loyalty.

This study encourages Shopee marketers and management to increase the trend in online impulsive buying through e-commerce platforms as well as having

positive psychological and sociological impacts. Building a portal where customers, corporations and regulators can interact creating an ecosystem that encourages better cooperation in society. It can also trigger continuous technological innovation.

E-commerce platforms must be used to shape consumer behaviour towards their e-service, their promotion, product display, labelling and advertising as well as other activities that bring positive effects from the company. The e-commerce market should not disregard the fact that their job is to create a healthy corporate image in the mind of the prospect in order to build customer loyalty (Akram, *et al.*, 2018). Positive activity practices for the company are beneficial in improving company performance by building a positive company image and also improving company's performance.

To summarize, PT Shopee International Indonesia or other Indonesian e-commerce companies can use the analysis and final outcomes of this research to improve their product information, promotion strategy as well as promo efficiency through their website or applications with the hope of bringing the company and the parties involved concerned to a better direction. This research is expected to improve the company's image so that it is better known by customers and to form customer loyalty itself as the result. It also assists Shopee to understand regarding the factors that affecting online impulsive buying decision in Indonesian consumers perspective through the relationship between the scarcity, serendipity information moderated by hedonic shopping values. Where this all leads to consumer behaviour from consumers who have shopped at Shopee itself.

1.5. Research Scope

In this study, researcher is encouraged to describe the scope of the study to distinguish the macro linguistic domain which is then narrowed down again by explaining in detail the scopes of the study to be carried out. Due to the broad subject coverage and limited time, the author uses two research scopes for the analysis regarding of the topic discussed within this study. The purpose of this scope is to form a comprehensive research study but centred on a particular topic.

The first research scope is related to the target respondents. This occurs so that the selected respondent is valid and unbiased. The target is only intended for people who have a transaction history on the Shopee application within the last three months. This is done to reduce the number of respondents, so that the selected respondents are up to date to the current features on Shopee application and are indeed loyal consumers of Shopee itself in Indonesia. The second scope is that the researcher only analyses eight variables which are scarcity, serendipity information, social shopping, adventure shopping, value shopping, relaxation shopping, idea shopping and online impulse buying behaviour.

This research is in accordance with the theoretical basis, whether scarcity and serendipity information affect online impulse buying behavior moderated by hedonic shopping values which include social shopping, adventure shopping, value shopping, relaxation shopping and idea shopping in Shopee. The environments explained above are a form of replication from previous research of Akram, Hui, Khan, Yan and Akram (2018) conducted in different object, country and target respondents.

1.6. Research Outline

Researcher has sorted and structured the sections of each chapter in this study into five chapters, aiming to provide a more detailed and in-depth explanation. The first chapter is about introduction, second chapter is about literature review, third chapter is about research methodology, fourth chapter is about results and discussion of the research and the last is chapter five about conclusion and recommendation. In the first chapter, there are subsections containing research background, research questions, research objectives, researcher contribution, research scope and research outline.

In chapter two, it discusses the literature review. In this chapter there are several sub-chapters that discuss the explanation of each variable based on the research model as well as the relationship between variables and also, the research model with the hypotheses. Additionally, the methods used in this chapter will help researchers to analyse and find out any relationships between each hypothesis. Chapter three discusses what methods are used in this research including data collection, data analysis, and hypothesis testing to be conducted in this research.

In chapter four discusses the results and discussion. This chapter describes the analysis of the statistical data that has been obtained through an online questionnaire that is distributed to several respondents as well as verification of the relationship between variables. Finally, chapter five discusses the conclusions and recommendations within this study. The conclusions are found from the discussion results discussed in chapter four regarding the hypotheses that have been tested. Additionally, the suggestions outlined in this chapter may be used for future studies.