

CHAPTER I

INTRODUCTION

1.1 Research Background

People have several revolutionary changes, from an agricultural era to the industrial era until the latest--the information era (Jhingan, 2016). In this era, knowledge and information are important inputs. The invention of computers and the internet has accelerated the world economy, whereas those media and platforms connect overall information without limits and boundaries. (Blinder, 2000) found that this trend will lead to a new creation of an economy based on technology, information, and communication. This phenomenon can be seen in the increasing number of internet users in Indonesia from year to year. In 2017, internet users in Indonesia had an astonishing number with a comparison of 143,26 million out of a total population of 262 million. This number continues to increase rapidly until it hits 171,17 million of internet users out of its 264,15 million population (Asosiasi Penyelenggara Jasa Internet Indonesia, 2018).

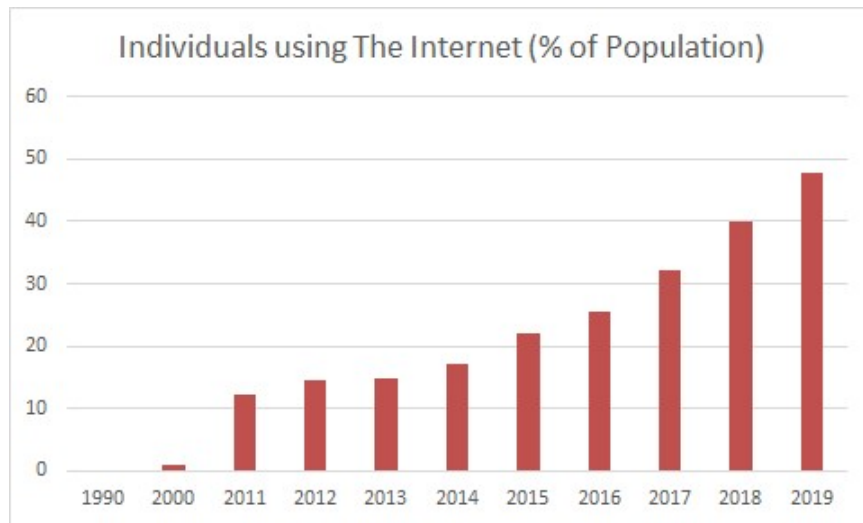


Figure 1.1. Individuals using The Internet (% of population)
Source: Worldbank, 2020

The Figure 1.1 illustrates the percentage of people in Indonesia who are using the internet compared to the population. The user percentage is increasing steadily from 1990 until 2019 it hits 47,69% of the population in Indonesia are using the internet. This rapid development of internet users in Indonesia has brought a positive perspective which business people utilize as an opportunity to build their online businesses (e-commerce). E-commerce is a concept that portrays a process when there are sellers and buyers who run the trade of goods, services, and information through computer networks including the internet (Turban et al., 2012). The existence of e-commerce made selling along with the buying transaction process much easier as it can be done anywhere and anytime. That convenience causes an immersion of changes in people's behaviour and triggers various new e-commerce in Indonesia.

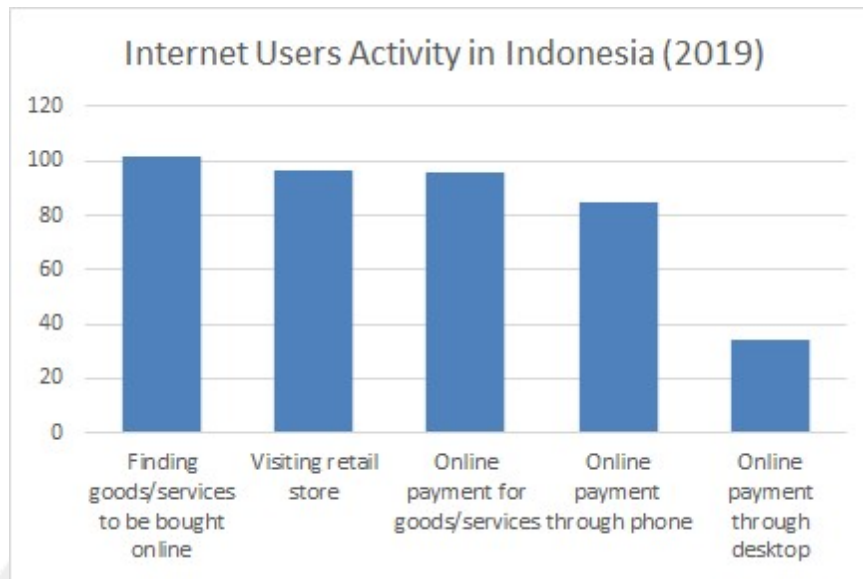


Figure 2. 1.2. Internet Users Activity in Indonesia
 Source: Katadata.co.id, 2020

The change in behaviour is visible through what the people do on the internet. In 2019, around 96% of Indonesia’s internet users have used e-commerce as shown in the graph above. Online shopping behaviour becomes a normal habit, especially during the COVID-19 pandemic. A retail seller reveals that online transactions have skyrocketed by hundreds of folds during the pandemic. This is due to the limitation of activities in public areas to prevent the spread of the virus stated by Ryan in (CNN Indonesia, 2020). As a matter of fact, the online marketplace in Indonesia is accessible from both desktop and smartphones. Both platforms provide the simplicity of online shopping.



Figure 3 1.3. E-Commerce User in Indonesia
Source: Statista.com, 2020

According to the data that is collected by (Statista, 2020), in 2017 alone, e-commerce users reached 28.3 million and predicted will reach 39.2 million in 2020. Along with the increase of users, e-commerce revenue is predicted to jump almost ten folds from \$8.5 billion in 2017 to \$50.7 billion in 2024 (As you can see in figure 1.4.). As an increase in e-commerce users from year to year, this can push Indonesia's economy. Bhima Yudhistira, an INDEF economist, emphasizes that the e-commerce role in encouraging the economy cannot be underestimated. Even if the contribution cannot be said significantly affecting the growth of the economy. INDEF research results in 2018 show that the existence of e-commerce itself is boosting the economic growth for about 0,75% (Post, 2018). Besides, the pandemic COVID-19 affecting the economy condition for the past few months. Sri Mulyani Indrawati, as a minister of economy in Indonesia said in the press conference that Indonesia's taxation will shift into a digital taxation as the online transactions are

increasing significantly, especially in this pandemic situation, as reported from *Bisnis.com* in early October 2020.

The increase of e-commerce users will stimulate an increase in purchase potential and each of the purchases can be taxed resulting in an opportunity to increase tax revenue for Indonesia. Moreover, an increase in e-commerce users can be seen as an opportunity for a business doer or *UMKM* entrepreneur to join the marketplace or enter their online store which possibly boosts their sales. Furthermore, those opportunities can be interesting to a market place doer because an increase in e-commerce users or named it as ‘traffic’ can push the sales revenue. That increase will raise branding for the customers so that the brand itself will become the top of mind by competing with each other to create the best customer experiences as possible. From the customers side, this fact can be a drive to business or marketplace players to provide varied products as complete as possible so customers can fulfil their needs with a diverse choice.

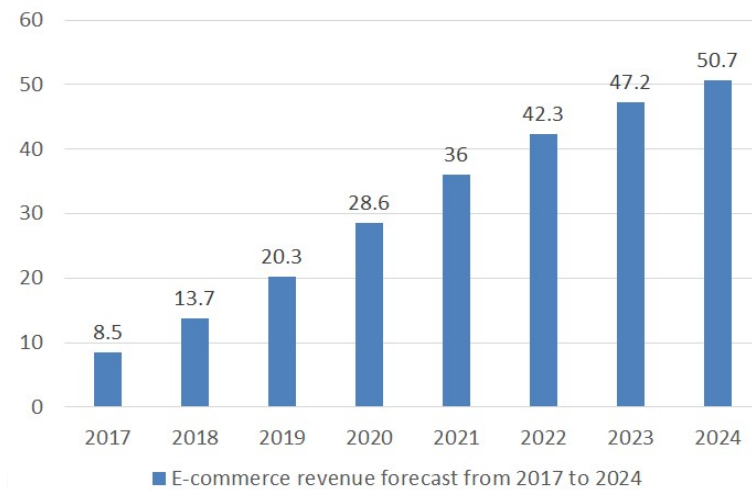


Figure 4.1.4. E-commerce revenue forecast from 2017 to 2024
Source: Statista.com, (2020)

From the data above, it can be concluded that the rapid growth of e-commerce is currently happening in Indonesia. Aside from that, there is a significant change in the shopping behaviour of sellers and buyers in the digitalized era. (Rumi, 2019) in one of the online news sites on January 25th in 2018, published “*Prediksi Perkembangan E-Commerce dan Tren E-Commerce di 2018 yang Menarik Diketahui*”. Aside from that, the General Manager of Kantar Worldpanel Indonesia research institution stated that Indonesia offers a promising e-commerce market. This is caused by half of the 250 million of population in Indonesia are people under 30 who most of them are fluent and get used to using online platforms.

In an online marketplace, prices are relatively cheap because there is pruning in operational costs such as a rent cost for a place or a building. This can affect the selling price to be cheaper, beside the customers desire to experience convenience, ease of use and easy payment method while purchasing are already facilitated by e-commerce. According to Venu as reported in Agolf, convenience

and ease to use have a significant influence, especially to the consumers who have modern lifestyles that are preoccupied with work matters (Wiyanti, 2017). Venu also said that in these circles, online marketplace can be an alternative which shall be able to help them make purchase decisions everywhere and anytime. This behavior is also pushed by the existence of an online marketplace that reigns the online market in Indonesia, such as Tokopedia, BukaLapak, Shopee, Lazada, Blibli, JD.Id, etc. Below is the Top Index Ranking E-Commerce data throughout 2017-2019.

The opportunity from the changes of people's behaviour triggers the growth of e-commerce. The more e-commerce sprung up, the tighter the competition as well. Every e-commerce company must provide the best in every aspect for their customers in order to compete fairly with its competitors and resulting top of mind for every customer. Competition can be rated with ranking and those rankings can be measured with indicators. There are 710 brands in Yougov BrandIndex that are ranked based on the index score, which is a measure of overall brand health calculated by taking the average of impression, quality, value, satisfaction, recommendation and reputation as their indicators for top index ranking. Yougov BrandIndex interviews thousands of customers every day, yielding 2,5 million interviews a year. This index operates internationally that allows us to track the brand perception in one market, compared across multiple markets (Yougov, 2019).

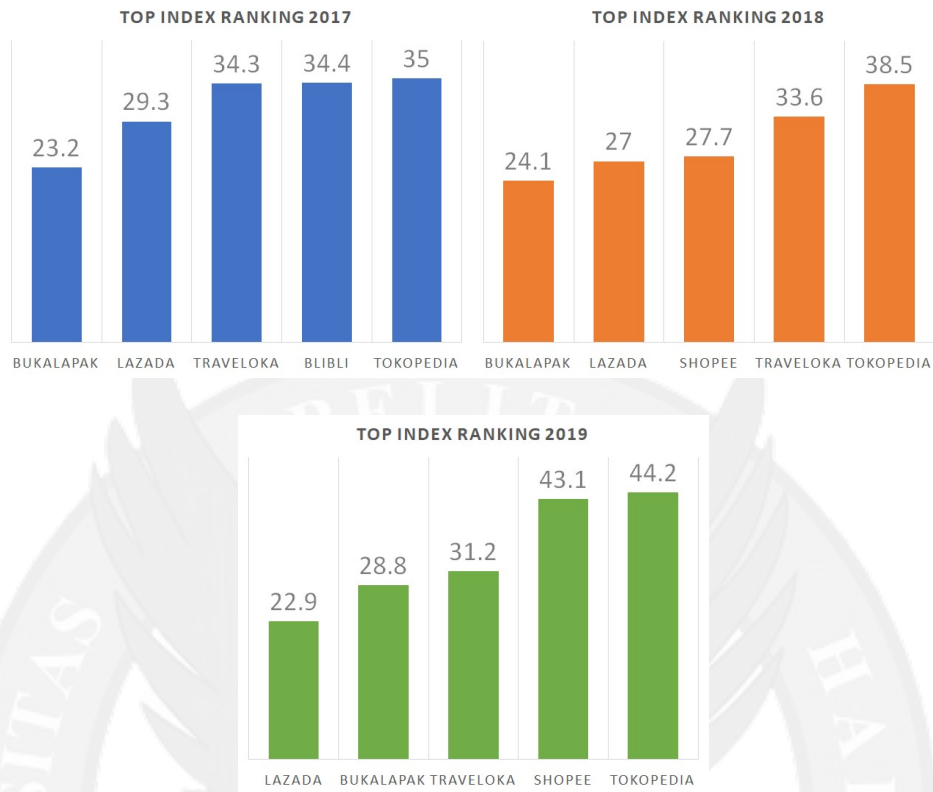


Figure 1.5. Top Index Ranking 2017-2019
Source: Yougov.com, (2020)

From the Top Index Rankings (2017-2019) above it shows that during the past three years, Tokopedia has achieved the highest rankings in the first place. Meanwhile, Lazada rankings have indicated a downward trend. From 2017 to 2018 the Lazada index score decreased by 2.3. Lazada did not show improvement in 2019 and continued to decline. Seeing this trend, it is not impossible for Lazada to continue declining in the following years. Lazada Group was founded in 2012 as a leader in e-commerce platforms in Southeast Asia such as Malaysia, Philippines, Thailand, Vietnam, Singapore and Indonesia. They provide technology, logistics and payment features in their site. Lazada is a part of the regional flagship of the

Alibaba Group and has access to the best technology infrastructure which is owned by Alibaba.

Customer website or application visits are crucial things for e-commerce, because it will trigger users to buy something or at the very least have an intention to shop. It's important that the first visit may not result in a sale, but the experience of the customers while visiting a website or an application affects whether or not they will come back to buy in the next visit (Roesler, 2018) . (iprice, 2019) Tokopedia consistently ranks first as e-commerce with the highest number of monthly web visits 140,414,500. Tokopedia managed to rank first from Q2 2018 to Q2 2019. Another local e-commerce site is Bukalapak with total monthly web visits of 89,765,800. This quarter, Bukalapak's monthly web visits decreased by 22% from the previous quarter, causing Bukalapak to drop one place to third place. Blibli is still in the same ranking since Q2 2018, which is in the fifth position with the increase in Blibli's monthly web visits increasing by 31% since last year. Shopee's average monthly web visits increased by 16 million from the last quarter, making Shopee the runner-up with the highest monthly web visits, replacing Bukalapak in the previous quarter. Shopee managed to increase 300% of its transactions this Ramadan this year with the most rapid increases in the Muslim beauty and clothing category (iprice, 2019).

The average Lazada visitor is still in the top 5 in Indonesia but the average number of visitors to Lazada in Q2 2018 to Q2 2019 was 49,620.200, making it still in 4th place same as the previous quarter. Nonetheless, Lazada received a splash of IDR 27 trillion from Alibaba with a bonus of the presence of Lucy Peng who is one

of the eighteen founders of Alibaba now serving as CEO in 2018 (Alibabaneews, 2019). But in fact, Lazada has not managed to dominate Indonesia as the number one e-commerce. On the top of that, Lazada has not made any progress and continues declining; this can be seen from the web visitors in Q2 2020 with only 22,021,800 visits (iprice, 2019). Even though Lazada is an e-commerce pioneer in offering a fast, safe, and comfortable online experience. But, this tight competition within the market will make the business itself take note of several factors that could lead customers to repurchase products/services so that the business will keep its existence as the 'top of mind' of the customers. As the visitor continues to decline from time to time, transactions can be declining as well because every visitor has an opportunity to do purchase.

Customers' review is one of many important factors that should get attention. Negative reviews could become problematic for Lazada.co.id as the customers with a bad impression could spread the news to 10 to 20 or more people, thus making the company build a better strategy to restore the customers' impression (Tarofder et al., 2016). According to (Schiffman & Wisenblit, 2015), a person that is used to buy a product or the product's information is easy to receive, will not be affected by others' opinions. However, those who aren't used to buying products nor they found a piece of information about the product easily will be easily affected by other people's opinions. This is another reason that customers' reviews are important. According to ecommerce IQ research, ratings and product reviews help brands increase sales on marketplaces in three ways. Firstly, ratings and product reviews will help e-commerce get more traffic. It will make the e-

commerce ranking on google page increase and drive more SEO traffic as well resulting in more sales. Secondly, those content will increase the conversion rates because social proof and friend or relatives recommendations can be a top-three acquisition channel for marketplaces. Lastly, it will improve and defend brand equity because the genuine reviews will help to discriminate from 'grey sellers'.

Lazada, for the past few years, has had a bad review for its services and some of them went viral. Danis Darusman is one of Lazada's users, he ordered an iPhone 6 plus from a seller in this e-commerce and what was sent to his house was a soap (Kompas, 2015). Another complaint happened during *Hari Belanja Online Nasional (Harbolnas)*. Furthermore, *Yayasan Lembaga Konsumen Indonesia (YLKI)* said that the largest general or non-Umrah consumer complaints throughout 2017 were aimed at online shopping. The contribution of complaints reached 16 percent of the total of 642 complaints. YLKI Complaints and Legal Affairs Officer, Abdul Basith, said the portion of complaints against online spending had increased from 2016 which was only nine percent. Then, Akulaku was ranked second with a portion of 14 complaints. Followed by Tokopedia 11 complaints, Bukalapak 9 complaints, Shopee 7 complaints, Blibli 5 complaints, JD.ID 4 complaints, and Elevenia 3 complaints. Meanwhile, personal blogs were reported with a portion of eight complaints and social media for six complaints (Audriene, 2018).

As if not enough, the problem got bigger during *Hari Belanja Online Nasional (Harbolnas)* in December 2017. Abdul said, the share of complaints related to Harbolnas last year increased to 46 percent compared to December 2016 which was only 40 percent (Audriene, 2018). Hani, another Lazada user, does an

IPL order at Lazada with order number 266864040950958 for IDR 704,000. The goods are sent from abroad with an estimated delivery deadline until May 27, 2019. The person said that the status of the item has not been delivered since May 10, 2019, until the estimated delivery time is up. The person had contacted Lazada customer service but did not get a satisfactory answer whereas the delivery status was extended again until May 29, 2019. Until this article was posted on 19 June 2019, the person has not got what was ordered (Hani, 2019). Those kinds of reviews got published in an online newspaper, in fact, it might affect the repurchase intention of Lazada users.

Many factors can affect repurchase intention and enjoyment, one of them is the perceived ease-of-use. It can be a representative of impression, satisfaction and recommendation in the brand index ranking too. Consumers have two things that motivate them for online shopping: intrinsic (Anne Wan-Ling Hu; William Ming-Hone Tsai, 2009) explains extrinsic motivation as a subjective norm, an image, perceived ease-of-use, perceived usefulness, and perceived risk. Whilst intrinsic motivation as enjoyment, curiosity, and concentration. Several other studies also defined perceived ease-of-use and perceived usefulness as extrinsic motivation, and expected enjoyment as intrinsic ones (S. Ha & Stoel, 2009). More research has been conducted to focus on extrinsic motivation, thus the Technology Acceptance Model was further developed by the introduction of expected enjoyment as intrinsic motivation. The relationship between both motivations has been investigated by Davis in (S. Ha & Stoel, 2009) which found a positive effect of perceived ease-of-use on enjoyment.

Another factor that can affect the repurchase intention and also enjoyment is perceived usefulness. (Shah et al., 2019) identified that consumers enjoy buying products and services from a website as it fulfils their needs. Trust Sun in (Lukito & Ikhsanb, 2020) investigated a Turkish online marketplace, GittiGidiyor--which is owned by eBay. The study found that trust among consumers and sellers rises when they know the person they are engaging in a transaction with. This is necessary as trust will increase happiness and at the same time, reduce consumers' hesitation due to the probability of data privacy abuse and any other similar risks.

The purchase of goods and services is usually based on the usefulness of the product and how the product can fulfil the consumer's satisfaction. Good quality products will lead customers' intention to repurchase products from the same marketplace. Furthermore, a good quality will make the customer happy which they will enjoy while shopping on the Lazada site. Repurchase intention is a consumer's behaviour towards the goods and services performance that they consume (Sullivan, 2011). Thus, making the customer buy products from the same marketplace.

E-commerce Users by Age in Indonesia (2017)

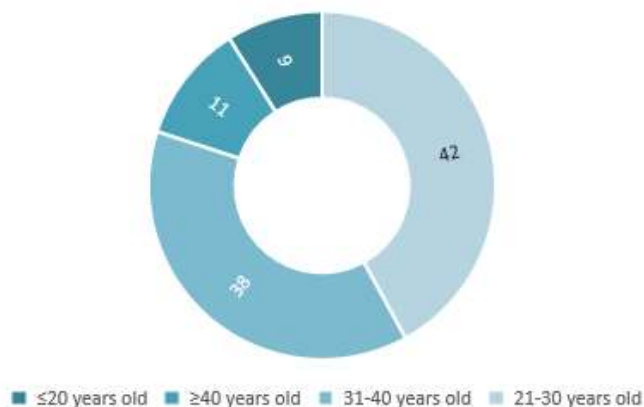


Figure 1.6. E-commerce Users by Age in Indonesia (2017)
Source: Statista.com

One of the biggest challenges in the online industry is how to shape the shopping experience so that consumers want to repurchase their intention (Lin & Lekhawipat, 2014). In the online industry, it is difficult to build stronger relationships with customers in business because buyers can easily switch to retailers with minimal switching costs associated with it (Agag, 2017). Today's consumers use the advantages of the online environment to find information about products and services that are integrated into their purchasing decision process (Tan & Chang, 2015). When customers trust online companies and they are satisfied with their purchases, they will buy again in the future, e-commerce companies must continue to work hard to increase customer satisfaction and loyalty in shaping repurchase intentions (Nader S. Safa; Rossouw von Solms, 2013).

The low repurchase intention must be addressed immediately given the increasingly competitive e-commerce industry in Indonesia. The high growth of internet users in Indonesia opens up opportunities for the emergence of B2C e-commerce in Indonesia with various kinds of promotions offered so that in driving sales growth, internet retailers are constantly challenged to attract new customers to their sites and retain existing ones (Shah et al., 2019). The impact that occurs if a decrease in the level of customer loyalty and satisfaction can affect the transfer of customers to other brands so that it has a negative effect that will affect future intentions (Gaol & Hidayat, 2016). Academics and practitioners recognize the importance of loyal customers, loyal customers usually spend more time, purchase more frequently, have more motivation to seek information, are more resilient to competitor promotions, and are more likely to spread positive word of mouth and

have substantial effects longer than traditional marketing actions (Moslehpour et al., 2018).

Based on the preceding elaboration this research intends to investigate the factors that can affect enjoyment and repurchase intention. Furthermore, repurchase intention and enjoyment can represent the brand index ranking which could be the cause root of Lazada's ranking declined compared to the other e-commerce. The results of this study are to enhance the quality of Lazada with the known factors that affect online transactions, especially in enjoyment and repurchase intention. This study will be conducted to some of the Lazada users in Indonesia with the consideration that these groups of people can represent all of the Lazada users in Indonesia. Acknowledging perceived ease-of-use, perceived usefulness and trust can affect enjoyment and repurchase intention, this study will use "**Factors Affecting Enjoyment and Repurchase Intention to Shop at Lazada**" as its title.

1.2 Research Questions

Based on the background above, this study will have several research questions. The questions are listed below.

1. Does perceived ease-of-use positively affect enjoyment?
2. Does perceived usefulness have a positive effect on enjoyment?
3. Does the trust have a positive effect on enjoyment?
4. Does perceived ease-of-use have a positive effect on repurchase intention?
5. Does perceived usefulness have a positive effect on repurchase intention?
6. Does the trust have a positive effect on repurchase intention?

1.3 Research Objectives

Based on the research questions, the objectives of this study is to identify the relations between perceived ease-of-use, perceived usefulness, trust, on enjoyment and repurchase intention (Aren et al., 2013).

1.4 Research Contributions

This study will have benefits and impact in practical and theoretical to the parties below:

1. Other parties

This study will provide new information and will become a trusted reference for the readers that will do a similar topic.

2. E-commerce practitioners

This research will give valuable information for Managers and the marketing department of E-commerce companies in general in order to improve their understanding and performance in enjoyment and repurchase Intention.

1.5 Scope of Study

Due to the current pandemic of Covid-19 that is happening and with the limited time and resources, the scope of study for this research will include the following:

1. This research is conducted with focus on Lazada users in Indonesia who are 18 years and above
2. The time required for completing this thesis was around 3 months which granted enough time to complete the necessary steps required in conducting this research and compiling it into one.
3. The data required in coming up with hypothetical conclusions for this research is using a data collection technique using online questionnaire gathering numerical data. The other form of data required for this research is gathered through relevant journal, books, websites and other form of data that can be found in the internet.
4. The research model that is used in this research is based on the previous research that has already been conducted by (Aren et al., 2013).

1.6 Research Gap

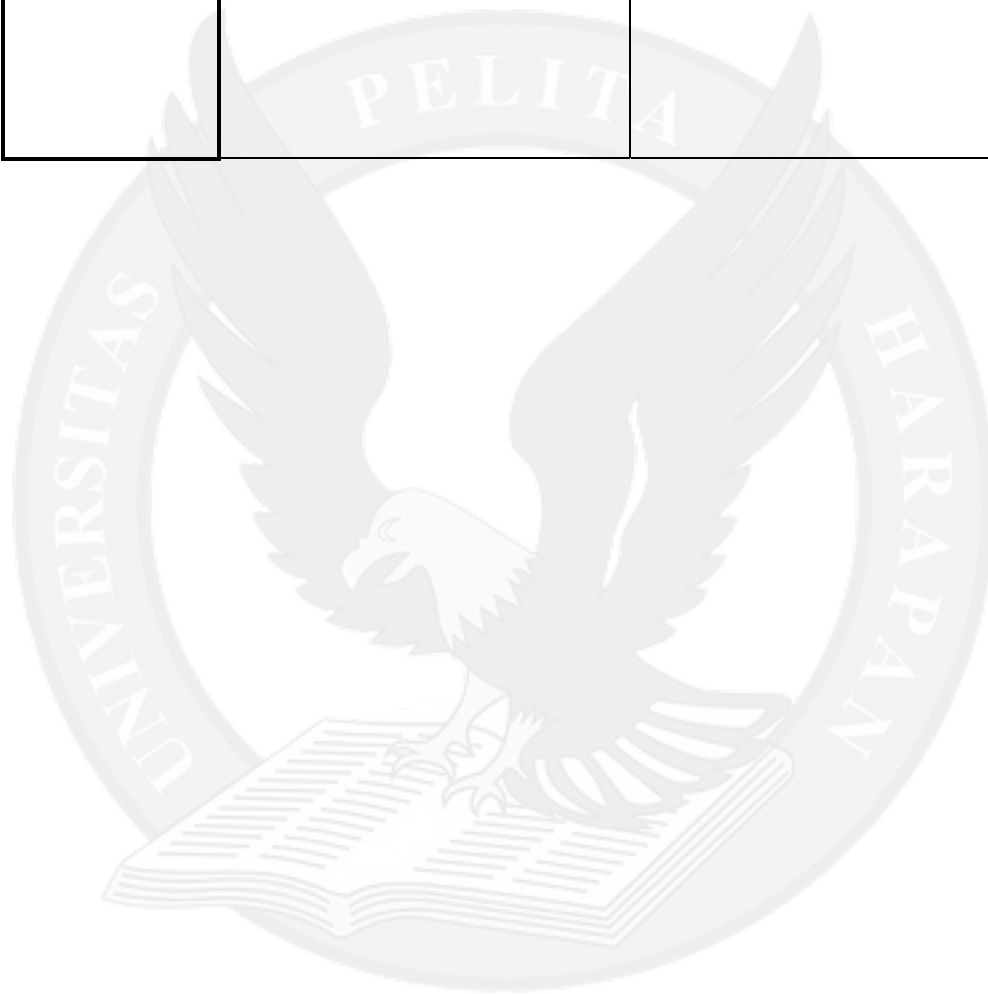
Table 1.1. Research Gap

No	1	2
Journal	Difference between Leisure and Work Contexts: The Roles of Perceived Enjoyment and Perceived Usefulness in Predicting Mobile Video Calling Use Acceptance	Factors Affecting Repurchase Intention to Shop at the Same Website
Author & Year	(R. Zhou & Feng, 2017)	(Aren et al., 2013)
Independent Variable	Perceived ease-of-use	Perceived usefulness
Dependent Variable	Enjoyment	Enjoyment
Results	The perceived ease-of-use has a positive effect on enjoyment	The perceived usefulness has a positive effect on enjoyment

Gap	The study explored factors (especially perceived enjoyment) influencing the intention of users to employ video calling in different contexts (a work and a leisure context) by applying the technology acceptance model (TAM) combined with the theory of planned behaviour. While this study used e-commerce as study case.	Data in this research was applied factor and regression analyses by SPSS analytic software while this study used PLS-SEM analytic software
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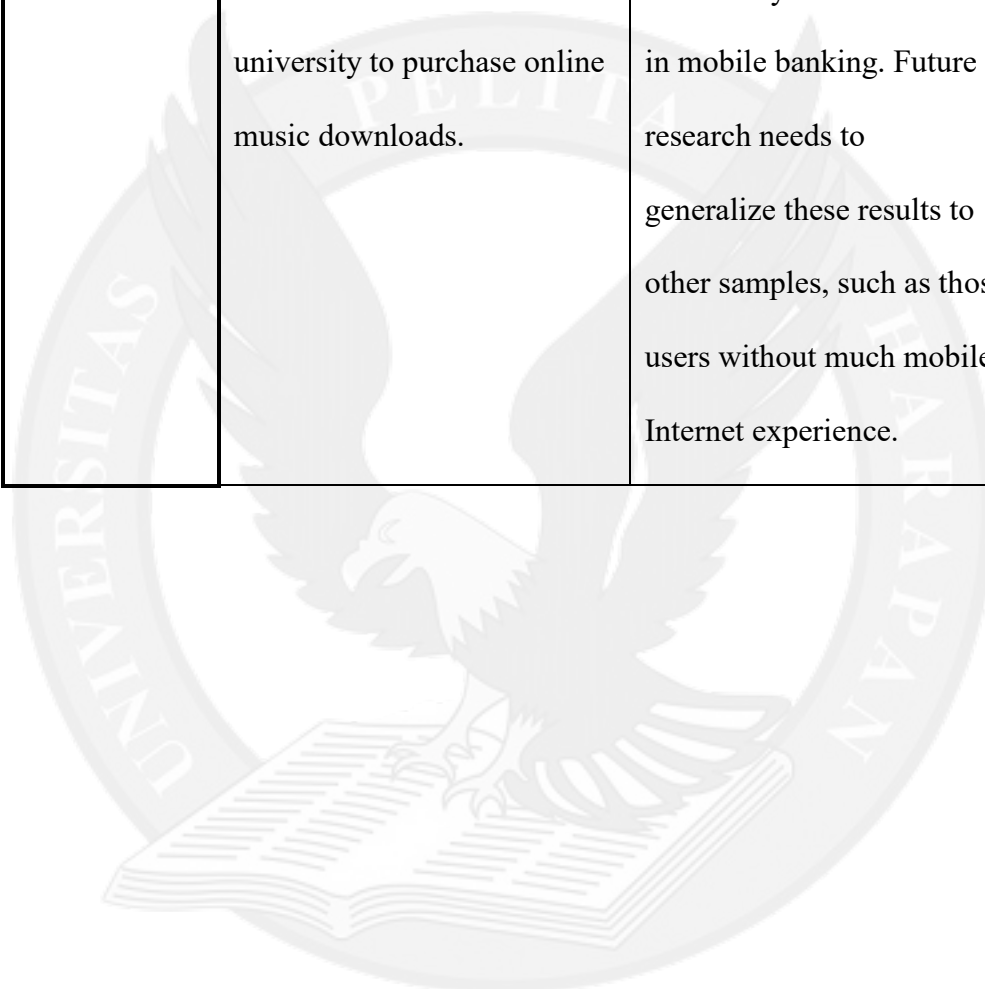
No	3	4
Journal	Factors Influencing Information-Sharing Behaviours in Social Networking Sites	Determinants of Perceived Ease of Use: Integrating Control, Intrinsic Motivation, and Emotion into the Technology Acceptance Model
Author & Year	(Sukhu et al., 2015)	(Venkatesh, 2000)
Independent Variable	Trust	Perceived ease-of-use
Dependent Variable	Enjoyment	Enjoyment
Results	Trust has a positive effect on enjoyment	The perceived ease-of-use has a positive effect on enjoyment
Gap	The study investigates the antecedents of traveller's intention to participate in exchanging travel-related information on SNSs while this study investigates the	The study using TAM, TRA, TPB and Social Cognitive Theory as a theoretical backgrounds, while this study only focused on TAM

factors affecting online repurchase intention on e-commerce.
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No	5	6
Journal	TOWARDS UNDERSTANDING INTENTION TO PURCHASE ONLINE MUSIC DOWNLOADS: A SOUTH AFRICAN SURVEY	An empirical examination of initial trust in mobile banking an empirical examination of initial trust in mobile banking
Author & Year	(Bounagui & Nel, 2009)	(T. Zhou, 2011)
Independent Variable	Perceived usefulness	Trust
Dependent Variable	Enjoyment	Enjoyment
Results	The perceived usefulness has a positive effect on enjoyment	Trust has a positive effect on enjoyment

Gap	The primary objective of this research is to identify factors influencing the intentions of undergraduate Internet users at a mid-size South African university to purchase online music downloads.	The sample was mainly composed of users having rich mobile Internet experience, which may affect their trust in mobile banking. Future research needs to generalize these results to other samples, such as those users without much mobile Internet experience.
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No	7	8
Journal	Predicting online repurchase intentions with e-Satisfaction as mediator: a study on Gen Y	The Influence of Perceived Usefulness, Perceived Ease of Use, and Perceived Security on Repurchase Intention at Tokopedia.com
Author & Year	(Trivedi & Yadav, 2018)	(Kahar et al., 2019)
Independent Variable	Perceived ease-of-use	Perceived usefulness
Dependent Variable	Repurchase intention	Repurchase intention
Results	The perceived ease-of-use has a positive effect on repurchase intention	The perceived usefulness has a positive effect on repurchase intention
Gap	Data in this research was applied structural equation modelling by AMOS analytic software while this study used SEM by PLS-SEM analytic software	Respondents in this study are previous customers who have made transactions on the Tokopedia while this study used Lazada's customer as respondent.

No	9	10
Journal	Investigating Influence of Trust on Repurchasing by Mediating Role of Customer Satisfaction in Online Stores	The Effect of Trust Towards Online Repurchase Intention with Perceived Usefulness As An Intervening Variable: A Study on KASKUS Marketplace Customers
Author & Year	(Akhondi & Kafashpor, 2016)	(Setyorini & Nugraha, 2016)
Independent Variable	Trust	Trust
Dependent Variable	Repurchase intention	Repurchase intention
Results	Trust has a positive effect on repurchase intention	Trust has a positive effect on repurchase intention
Gap	Data in this research was applied structural equation modelling by LISREL analytic software while this study used SEM by PLS-SEM analytic software	The respondents in this study consist of KASKUS customers in Indonesia while this study used Lazada's customer as respondent.

Source: Processed by researchers from a collection of previous journals (2020)

1.7 Research Outlines

The outline of this research proposal consists of five chapters which contain:

CHAPTER I INTRODUCTION

The first chapter discusses the background of the research, the questions for the research, the research objectives, the contributions from the research, and its limitations.

CHAPTER II LITERATURE REVIEW

The second chapter discusses the underlying theories for this research, the previous studies, and other related concepts to the research topic.

CHAPTER III RESEARCH METHODOLOGY

The third chapter discusses the design and method for the research. Using a quantitative approach, this part of the study explains the method of data collection.

CHAPTER IV DATA, RESULTS, ANALYSIS AND DISCUSSIONS

The fourth chapter elaborates on the findings of this research within the scope of quantitative results in discussions.

CHAPTER V CONCLUSIONS AND RECOMMENDATION

The fifth chapter discusses the conclusion of this study and explains recommendations related to this topic of interest-based on the findings of this study that can be utilized for business improvement.