

# CHAPTER I

## INTRODUCTION

This academic research begins with explaining some information that will be presented in the introduction section including research background to give a brief explanation and illustration on why this study choose the topic. For the next sub-chapter, the study states the problem statement that the study will discuss which are completed with research purpose and objectives. Other than that, the introduction section will include research demarcation as well as providing the complete information on how the research construct its content, which will be presented below.

### 1.1 Research Background

The revolution of the new era in online purchasing behavior has been emerging rapidly and significantly in the digital world for the past few years and will thrive in the digital world in perpetuity. Other than that, with the rapid and significant technological advancements when the general public no longer perceive technology as a tool or media mechanism, but as a necessity which are incorporated as part of their daily routines. Technological advances have become the eyewitness of human civilization growth and world evolution, which becomes a predominant in human lives that makes people depending on the internet usage. In other words,

technological development is always categorized as a crucial element in the world's evolution and human civilization that also affects to the human habits in conducting daily activities that leads to the interdependency between digital technology and business operation managements. Therefore, the Internet has been producing customer acknowledgment in conducting purchase transaction for over a decade (Pires et al., 2006).

The use of the Internet has become a part of the day-to-day activity in human's life for a sometime, which leads to the massive amount of the users that not only dominate to the younger generations, but to the older generations as well. The repercussions of the massive use of the internet and technological advancements is evolving dynamically from time-to-time affecting human interactions and behaviors that enact customers to experience a completely new platform of electronic commerce. This can be seen from the numbers of internet users that rising interminably in a dynamic change with different pace every year, especially in some developing countries and developed countries that could be seen in the comparison figures below.

### Countries with the highest number of internet users as of December 2019 (in millions)

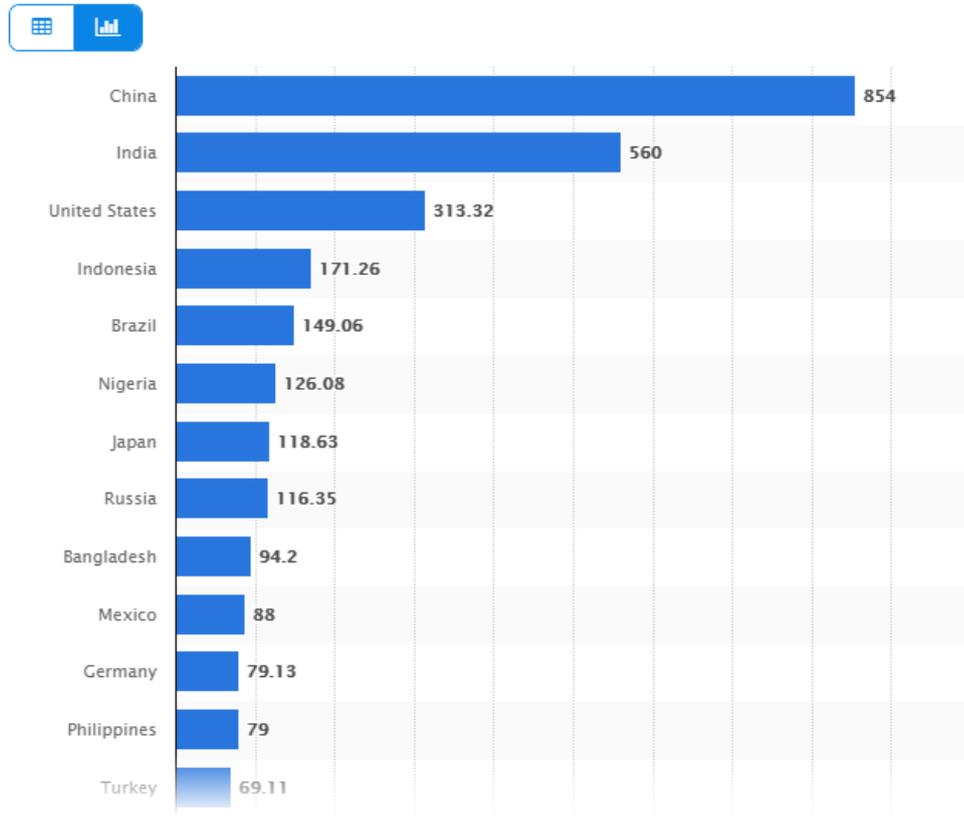


Figure 1.1: Highest Number of Internet Users Categorized by Nations as of December 2019  
Source:(Johnson, 2021b)

## Number of internet users in the Asia Pacific region as of January 2020, by country or region

(in millions)

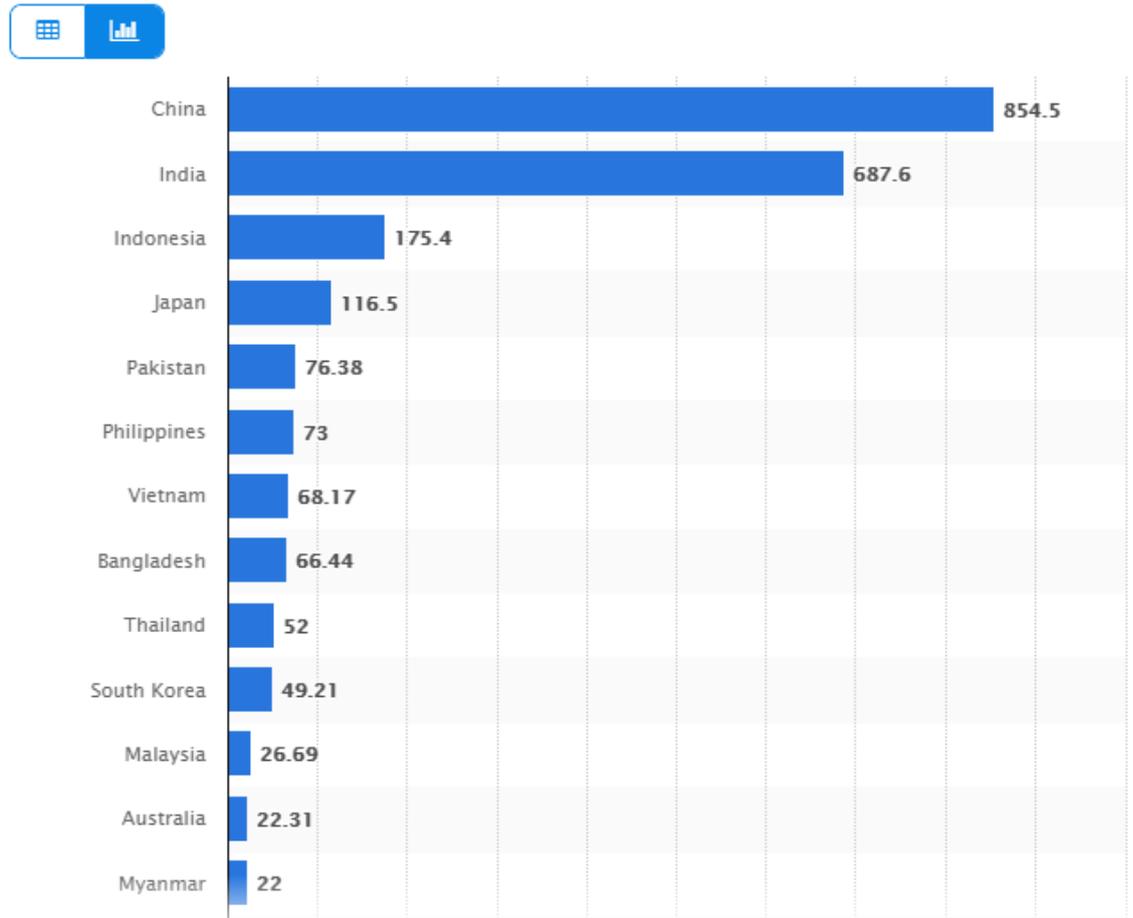


Figure 1.2: Highest Number of Internet Users Categorized by Nations in the Asia Pacific region as of January 2020  
Source:(Moore, 2020)

Based on Figure 1.1 (Johnson, 2021b), Indonesia is a part of the developing country criterion that has a high birth rate which causes it to be the top four countries, resulting the growing number of internet users, indicating approximately 171.26 million people in 2019. This numbers are still expected to grow continuously for the next decades, which also clearly stated in the research on Statista, “Internet Usage in Indonesia Statistics” by Nurhayati-Wolff

(2020). Whereas the data on Figure 1.2 shows, Indonesia to have 175.4 million people that is actively using internet, which indicates a 17% increase from year 2019 to 2020. Moreover, Statista (2020) by Nurhayati-Wolff data also show a significant increase that could also be seen in the Internet penetration rate in 2019 in Indonesia, which accumulated at 53.7%, while in July 2020 the data indicates that the internet penetration rate in Indonesia accumulated at over 68%.

According to Statista (2020) by Hanadian Nurhayati-Wolff on the survey about the growth of internet users in Indonesia, the data indicates the significant changes in the past 6 years from 2015 – 2020 and will be rising drastically for the next few years. Therefore, these data indicates that digital technology has changed the way customers interact and engage with the brand that might help marketers to get a better understanding as the competition level in the market by which increasing in intensity. The competition level has been increasing in the digital business sector that leads to the prominent sign of impact in the bricks-and-mortar business settings as well, which influence the level of new entry market and low entry barriers due to the rapid, dynamic, and constant changes in technological advancement (Wang et al., 2016). Thereby according to Colton (2012), the high number of internet users in Indonesia and the technology advancement have affected to the rising level of competition, which makes customers demanding brands to be more innovative.

Most of the businesses must embrace the notion of the market competition as the rapid and dynamic changes are evolving around these dimensions such as technology, economics, and consumers (preferences, trends, demographic shifts)

which leads to the uncertainty for marketplace. Therefore, the company must reconsider to innovate and not only focus on the product and services but the business model as well, in conjunction with reconstructing and recreating the potential value of the business. According to the previous research by Salim et al. (2019) stated as to attract and get the customers to do repeat purchase intention, it needs an easy to access application as well as the product must meet their expectation especially for the millennial generation. In consequence, the product must have a good standard and quality, as well as providing a good competitive price, which includes considering a good shipping cost without any deficiency.

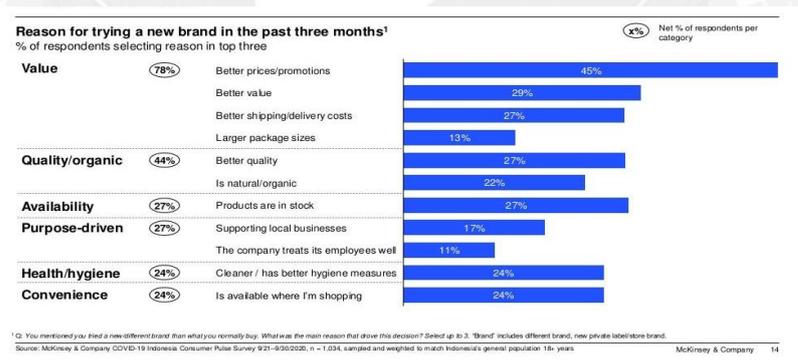


Figure 1.3: McKinsey Survey Consumers Value Driven Elements  
Source: (Potia & Praseco, 2020)

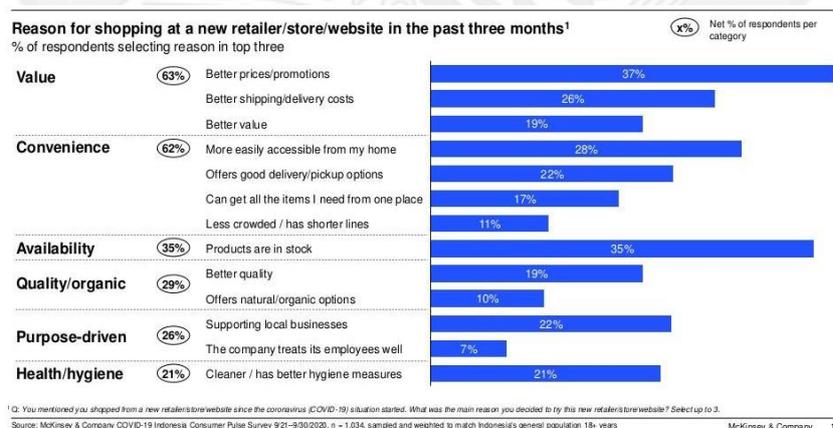
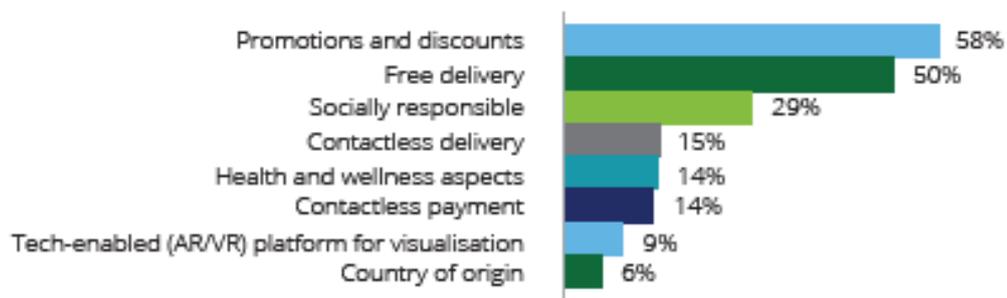


Figure 1.4: Trying New Places to Shop Elements  
Source: (Potia & Praseco, 2020)

However, according to the Mckinsey COVID-19 Survey, value have the biggest influence in the consumers' purchase decision, especially on the price elements which placed at 45% from the overall 78% of the value. Furthermore, Figure 1.4 shows that Indonesia population place 'value and convenience' as their key drivers to try new places to shop for more than 60% as a result in considering the changes in the shopping habits and behavior due to COVID-19 circumstances. Moreover, in the Deloitte survey (Meng & Oka, 2021, p.26) indicates that Indonesia's population in general are leaning more to the "Promotions and Discounts", positioned at 58%, to make their purchase decisions due to the pandemic circumstances which is shown in the figures below.



Source: Deloitte Consumer Insights survey (2020)

Figure 1.5: Deloitte Purchase Decision Drivers during COVID-19  
Source: (Meng & Oka, 2021)

The information will be presented on the survey conducted by the Top Four Companies below:

1) PWC Survey

Based on PWC Consumer Insight 2020 report, there are some other factors that might causes a different perception due to the pandemic situations such as are safety guarantees, the affordability levels, and the employments rates

that might also give another perspective in developing the strategy for marketers.



Figure 1.6: PWC Indonesia Perspectives Before and After COVID-19  
 Source: (Advisor & Kwan, 2020)

## 2) Mckinsey Survey

Based on the McKinsey Company Survey 2020 (Figure 1.7), there are five basic factors that are drive the shift of consumer behavior during the pandemic such as:



Figure 1.7: Five Fundamental Shifts Consumer Behavior during Pandemic 2020  
Source: (Potia & Praseco, 2020)

Other than that, as for June 19 to September 30 2020, there are approximately over 60% of Indonesia population that is experience in slight reduction of their savings and income, but there is still approximately 50% of Indonesia population indicate that there is increasing in the spending percentage which is presented in the Figure 1.8.

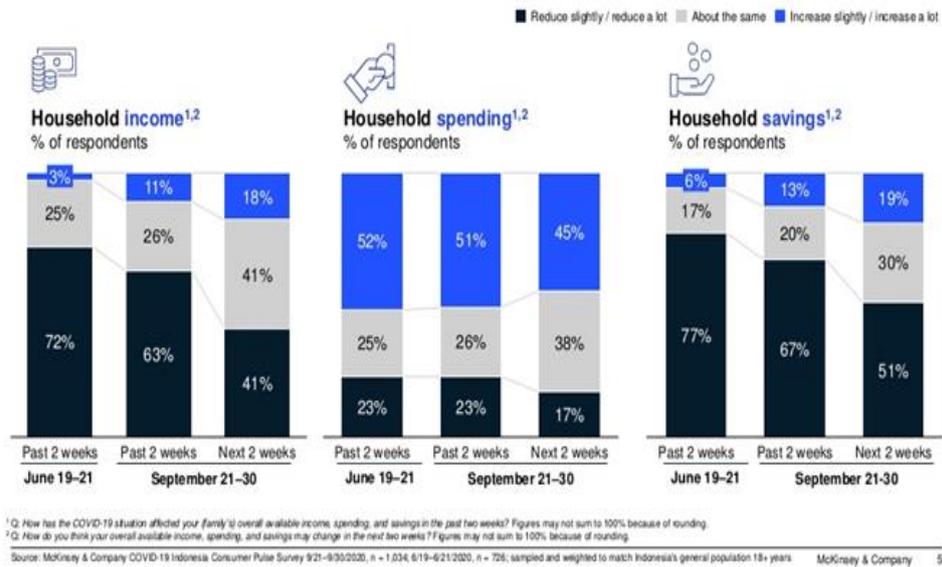


Figure 1.8: Reduction in Income and Savings & Increasing in Spending  
Source: (Potia & Praseco, 2020)

Therefore, in the Figure 1.9 McKinsey Survey shows a significant transition from offline shopping behavior (brick-mortar-setting) to the online shopping behavior, accumulated to more than 165% growth in online purchases after the COVID-19 pandemic hits.

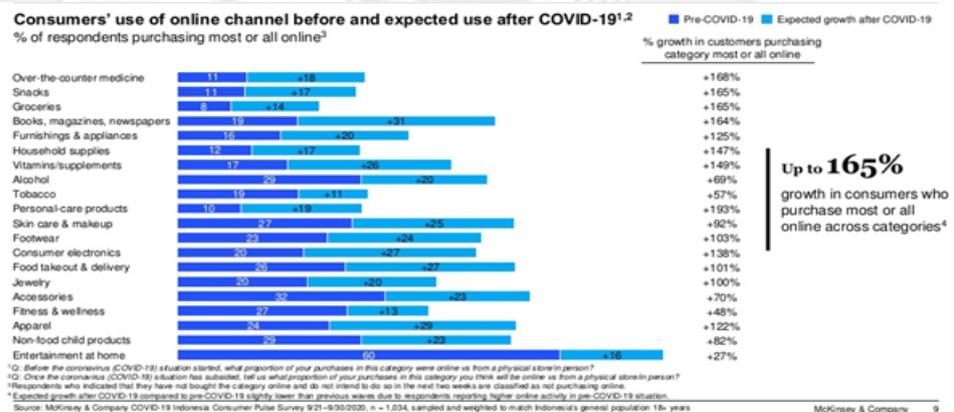


Figure 1.9: The Expected Rising Growth of Online Purchase Behavior  
Source: (Potia & Praseco, 2020)

Furthermore, with the overall results of the McKinsey survey 2020 concludes that there are a huge transition of shopping and purchasing behavior, positioned at 66% of Indonesia populations (Figure 1.10), where they are beginning to shift from brick-and-mortar settings shopping behavior to the online shopping behavior due to the COVID-19 situations. This survey proves the importance of customer hope and brand innovativeness in the Indonesia market strategy disposition.

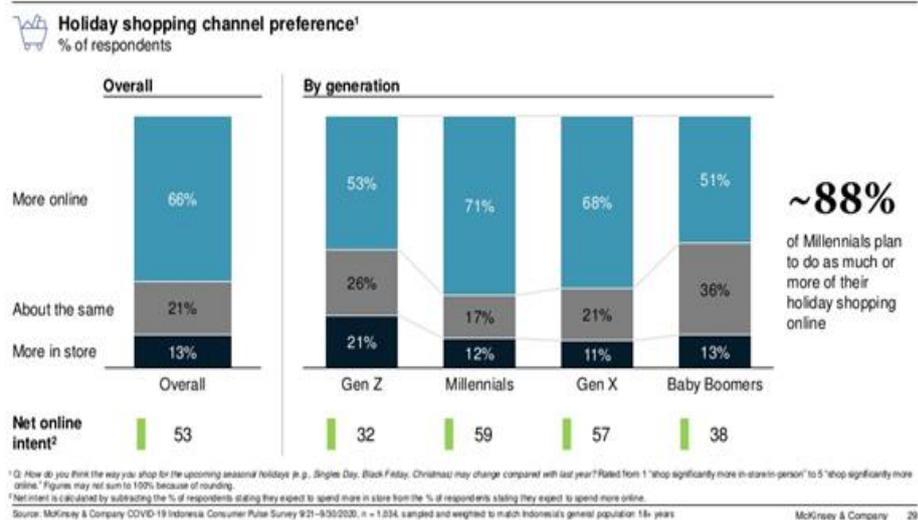
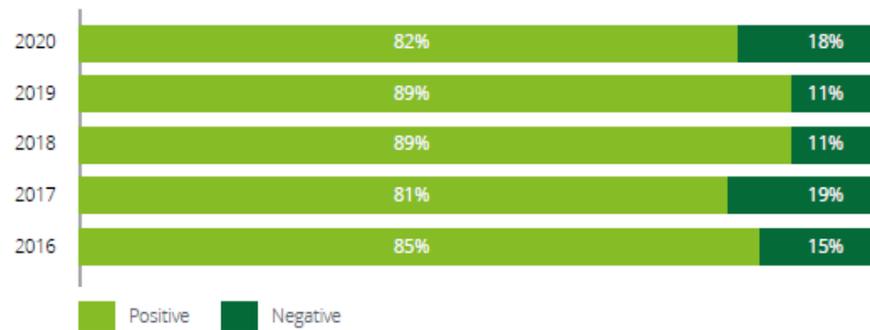


Figure 1.10: Overall Shifts To Online Shopping  
 Source: (Potia & Praseco, 2020)

### 3) Deloitte Survey

Despite all the uncertainty and challenges, the survey (Figure 1.11) shows a moderate downturn on the consumer sentiment in Indonesia from 89% in 2019 to 82% in 2020 which accumulated for approximately decrease 7% in 1 year period.

**Figure 1: Overall consumer sentiment (2016-2020)**



Source: Deloitte Consumer Insights survey (2016, 2017, 2018, 2019, and 2020)

Figure 1.11: Deloitte Consumer Sentiment 2016-2020  
Source: (Meng & Oka, 2021)

However, there are different outcomes in the level of optimism based on the survey conducted in Jakarta city that can be seen in Figure 1.12 that shows a declining shift in the consumer outcomes for 29% as Jakarta population have a high economic uncertainty conditions due to the loss of employment and the reduction of incomes. Other than that, based on Deloitte 2020 Survey, it shows that 83% of the respondents are positioning the price elements as the main consideration on their purchases decisions which reflects the priority shifting and the level of prudence changing as the adaptability to the new habits and adjusting to the new lifestyles amidst the recent events.

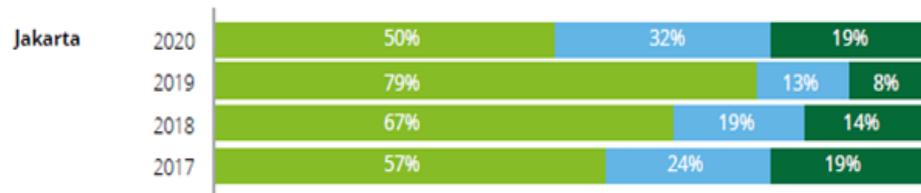


Figure 1.12: Optimism Level in Jakarta City  
Source: (Meng & Oka, 2021)

Due to the rapid change and development in the business sectors which impact not only the operational activity but to all the processes and growth that is becoming too dependent on digital systems. Given the current mass global pandemic circumstances, the businesses must advance its marketing strategy in understanding the importance of Brand Innovativeness and Customer Hope, especially consumers are now relying on and evolving more towards digital purchases that leads to the other factors and causes that giving a solid reasoning to the online purchase transitioning.

From the presented figures above, the survey data indicate that the change of purchasing behavior and purchasing pattern leads to the high level of competition and low barrier of entry, by which the increase of new market entry rate forces all markets to step up their Brand Innovativeness in the online repurchase. Therefore, considering Customer Hope in the businesses' marketing strategy especially in the Indonesia markets might allow customers to be satisfied with their online purchases due to several conditions. There are several conditions that need to be considered such as the consumers are incapable of observing the product physically, the consumers are unable to touch the product physically, and the consumers are unable

to feel and try the product directly. Especially given to the on-going or recent events and situations that have been affecting globally for over a year. Thus, considering Customer Hope becomes a pivotal element in influencing the customer online purchases as the mass global pandemic affects the change of purchasing patterns as well as the consumer behavior that will shape the trajectory of marketing strategy in Indonesia. Several conditions that have been mentioned also become crucial circumstances in developing the customer's Product Knowledge which is known as the overall judgements and personal emotions on the online brand (Fazal-E-Hasan et al., 2019). Furthermore, from the generated consumer's product information, the customer could familiarize themselves with the overall product information such as features, functions, and qualities (Fazal-e-Hasan et al., 2018). This information could be used to help motivate customers in conducting the online brand purchases and enhance the customer's confidence in purchasing online brands (Fazal-E-Hasan et al., 2019). Simultaneously, when customers feel benefited with their overall purchase experience and receive positive cognitive responses, the customer will show their commitment through buying the same brand constantly and become a loyal consumer to the brand (Ballantyne et al., 2006). The emotions or cognitive response gained from the customers could potentially lead to the Brand Repurchase Intention. As according to previous research (Hellier et al., 2003), Repurchase Intention is defined as a judgement made by the individual regarding repeat purchase only for the selected product or service from the same company considering the individual's situation and circumstances. Thus, prior study also

found that the Satisfaction resulting from online shopping experience could increase the possibility of repeat purchase (Grewal et al., 2009).

This study is constructed based on the previous research regarding the correlation between brand innovativeness and customer hope in the repeat purchase Intention based in Australia. This study aims to modify some of the sample data that will be divided into several group preferences and geographic location will be based in Indonesia specifically covering the JABODETABEK (Jakarta, Bogor, Depok, Tangerang, and Bekasi) area. Other than that, the study is concentrate in the online business setting as it might help the study provide the indication of a distinct potential in the role of customer hope towards brand innovativeness especially with the current global pandemic situation.

## **1.2 Research Problem**

Given the rapid technological advancement and growing number of internet users in Indonesia, especially with the on-going global pandemic that occurred for over a year makes customers relying and evolving more towards digital shopping which urges the marketers to dramatically shift its marketing strategy to the online shopping settings. This phenomenon has changed the interactions and approaches in interconnecting the brand and customers as it is affected by the change of purchasing patterns as well as the consumer behavior that will shape the trajectory of marketing strategy in the Indonesia markets. Thereby, the online brands must provide unique characteristics of the brand features so that customers perceive the brand as innovative to compete among marketplace and enhance their

brand value or known as Brand Innovativeness (Alexander, 2014; Colton, 2012; Shams et al., 2015). The obtained Product Knowledge will become a great benefit to the customer emotional response where it has a big influence in customer decision making, given the customer has zero capability in observing the product physically (Liu et al., 2017). Due to the limited access and capacity in evaluating or assessing the tangible products physically or directly in the online purchase context, the brand needs the high level of Hope to help persuading and re-assuring customer purchase decision, as well as to deliver a positive result resulting from the transaction process so the customer could satisfy with their purchase. This could be concluded as Brand Satisfaction as research of Oliver (1993) declared that the overall Brand Satisfaction is resulting from the customers' purchasing process experience which denotes sign of cognitive response towards the process (Fazal-e-Hasan et al., 2018). If the customer satisfied with the brand purchase, the customer will show their commitment through buying the same brand constantly and become a loyal consumer to the brand (Ballantyne et al., 2006), which known as Repurchase Intention.

Overall, the study is focusing on the online purchase context by which expanding from the previous research framework by Fazal-e-Hasan et al. (2018) to evaluate the related attributes or elements in this academic research such as Brand Innovativeness, Product Knowledge, Customer Hope, Brand Satisfaction, Brand Repurchase Intention. There are two elements that concluded as Control Variable such Number of Hours of Internet Usage and Online Purchase Frequency as these

variables could be used as an element to help the researcher avoid the potential bias in the consumers' consumptions.

### **1.3 Research Objective**

This academic research is constructed to acquire a better perspective and further knowledge on the several objectives that will be presented below:

- a. To examine whether the Brand Innovativeness has positive influence on the Customer Hope of online repurchase in Indonesia.
- b. To examine whether the Product Knowledge has positively moderates the relationship between Brand Innovativeness and Customer Hope of online repurchase in Indonesia.
- c. To examine whether the Product Knowledge has positive influence on the Customer Hope of online purchase in Indonesia.
- d. To examine whether the Customer Hope has positive influence on the Brand Satisfaction of online purchase in Indonesia.
- e. To examine whether the Brand Satisfaction has positive influence on the Brand Repurchase Intentions of online purchase in Indonesia.

## 1.4 Research Questions

In this section, the research paper will give a more detailed information regarding the role of customer hope towards brand innovation specifically in JABODETABEK area by constructing some of the research questions to help this study in discovering a better understanding of the importance between emotional connection and brand innovativeness. This research question is constructed so it can be used as the report's fundamental in creating the proposed design process to find the best results on role of customer hope and brand innovativeness in JABODETABEK area. To help the author in creating the proposed strategic design process, the author needs to find the relevant and most suitable resources by constructing some of these research questions:

1. Does the Brand Innovativeness have positive influence on the Customer Hope of online repurchase in Indonesia?
2. Does the Product Knowledge have positively moderated the relationship between Brand Innovativeness and Customer Hope of online repurchase in Indonesia?
3. Does the Product Knowledge have positive influence on the Customer Hope of online repurchase in Indonesia?
4. Does the Customer Hope have positive influence on the Brand Satisfaction of online repurchase in Indonesia?
5. Does the Brand Satisfaction have positive influence on the Brand Repurchase Intentions of online repurchase in Indonesia?

## 1.5 Research Demarcation

There are several limitations on this study that might help future researcher to get a better vision and perspectives, as well as providing a potential prospect on the concept of customer hope and brand innovativeness towards the online purchase intention. Some of the crucial elements that can be improved are presented below:

- a. This study will limit its geographic condition to the JABODETABEK area.
- b. The study sample will be divided based on several group preferences such as Students, Employee Private Company, State-owned Company Employee, Entrepreneurs, Housewife, and Others.
- c. The study may result in a different outcome due to the COVID-19 global pandemic situation as the purchasing behavior might differ from the conditions before the pandemic.
- d. The concentration of the study is for consumer behavior in the online setting business as it is more predictive.

## **1.6 Research Structure**

In this section, the academic paper will provide a brief outline and explanation regarding the extent that will be covered in this study, which will be explained below:

### **a) Chapter I - Introduction**

This chapter is generally building the context and narrative of the research by presenting and introducing the topic of discussion supported with the general background on why the research chose the topic. Other than that, this chapter must state its objective(s) and clarify the main problem that is discussed and analyzed in the research paper following by showing and establishing some of the facts collected from the findings. In general, this chapter will assist the study to evaluate all the research plans and structures as well as to get the logical and rationale reasoning behind the topic, which might lead the study to the hypothesis development, and proposing the research questions. Introduction section is categorized into several sub-chapter such as:

1.1 Research Background

1.2 Problem Statement

1.3 Research Objective

1.4 Research Questions

1.5 Research Demarcation

1.6 Research Structure

## **b) Chapter II - Theoretical Background**

In order to get further knowledge and help the readers broaden its perspective as well as allowing the readers to draw and perceive more extensive lenses on this study, the theoretical background consists of a specific overview by giving some explanations from a reliable source and providing some definitions from the previous research conducted by the most reliable researcher. The critical overview helps the study to outlining the scope of the problem on the advance stage (give clear picture) and will accommodate the study with relevant variables or elements that is related to the topic discussion, which later will be used to help the study developing its hypothesis and designing the research model.

## **c) Chapter III - Research Methodology**

In Chapter III, the study will focus on the data collection and finding other relevant information as much as possible to assist in evaluating and identifying the connections between the variables stated in the hypothesis, mainly using qualitative techniques. The results and findings from Research Methods will integrated to the Research Design that helps create a framework and allowing the study to analyze and conclude the results better.

## **d) Chapter IV - Discussion and Data Analysis**

The Discussion are based on the established hypothesis and research questions, where the results are analyzed critically and thoroughly to provide the

best explanation and analysis based on the data gathered. This chapter will be addressing some key points of the study such as the perspectives, assumptions, as well as its limitation.

**e) Chapter V - Conclusion and Recommendations**

This part generally provides a summary by stating a few key points that is related to the context of the academic research paper that have been discussed in Chapter IV and explaining the significance of the research findings. Moreover, this study will provide a few suggestions and recommendations for future research to further improve the quality of the research paper, as well as addressing its limitations.

**f) Appendices**

**g) References**