CHAPTER I

INTRODUCTION

1.1 Research Background

In the era of digitalization, current technological advances not only make it easier for humans to solve problems, but also increases efficiency and availability when it comes to the purchasing process (Othman & Ibrahim, 2016). Convenience and ease are being prioritized as consumers have changed their shopping preferences from offline, conventional stores to online shopping which enables them to save time and effort in the process. With the high smartphone and internet penetration, rapid innovation has taken place where is it possible for consumers to shop through their personal electronic devices with the development of online marketplaces (Shopee, Tokopedia, BliBli, etc), where a wide range of goods are being bought, sold and promoted. Selling goods and services directly (direct selling) via the internet is called e-commerce. Marketplaces also include the option of payment methods using digital wallets (OVO, GoPay, Dana, etc) with a growing interest of e-wallet transaction of 173% year-on-year as of 2020 (Oxford Business Group, 2021), making the online shopping experience more enjoyable for consumers.
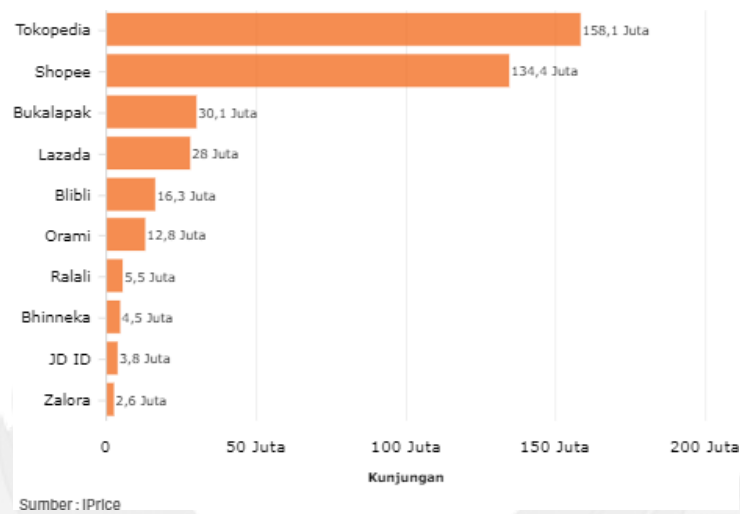
Figure 1.1. Different marketplaces in Indonesia and the number of visitors (3rd Quarter of 2021)
Source: databoks.katadata.co.id (2021)

As of today, there are many different marketplaces in Indonesia. Figure 1.1 shows the competitive map for the different marketplaces in Indonesia along with the number of visitors during the third quarter of 2021. Tokopedia is the leading Indonesian marketplace with 158.1 million visitors, followed by Shopee and Bukalapak with 134.4 million and 30.1 million users respectively.
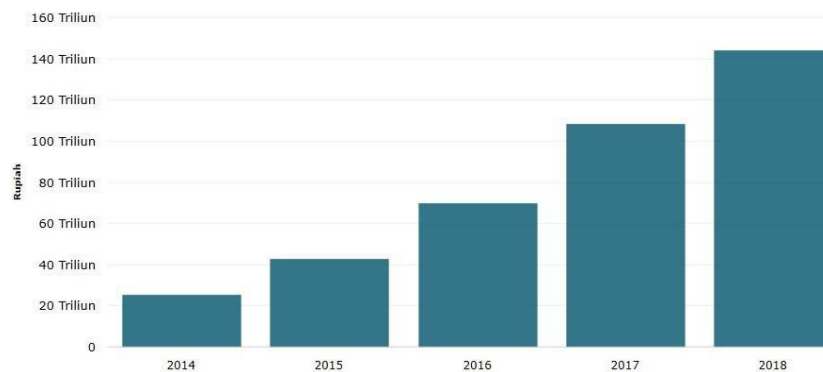
With many marketplaces available for consumers to make purchases, it is apparent that e-commerce transactions will experience an increase as well. The data in Figure 1.2 shows the constant increase in e-commerce transactions in Indonesia, with approximately Rp 20 trillion in 2014 and reaches approximately Rp 140 trillion in 2018. With an approximate of 600% increase in the span of 4 years, it isapparent that Indonesians have familiarized themselves with the incorporation of digitalization in their daily lives, making use of the advantages and innovations that come with the shift to a more digitalized era.

Figure 1.3 shows the frequency people shop online with ten thousand samples being taken from 34 provinces in Indonesia. The results show the majority of people shop online once every few months (37.9%) followed by once every month (27.6%) and 1.5% of people shop online every day, which has the least number of respondents.
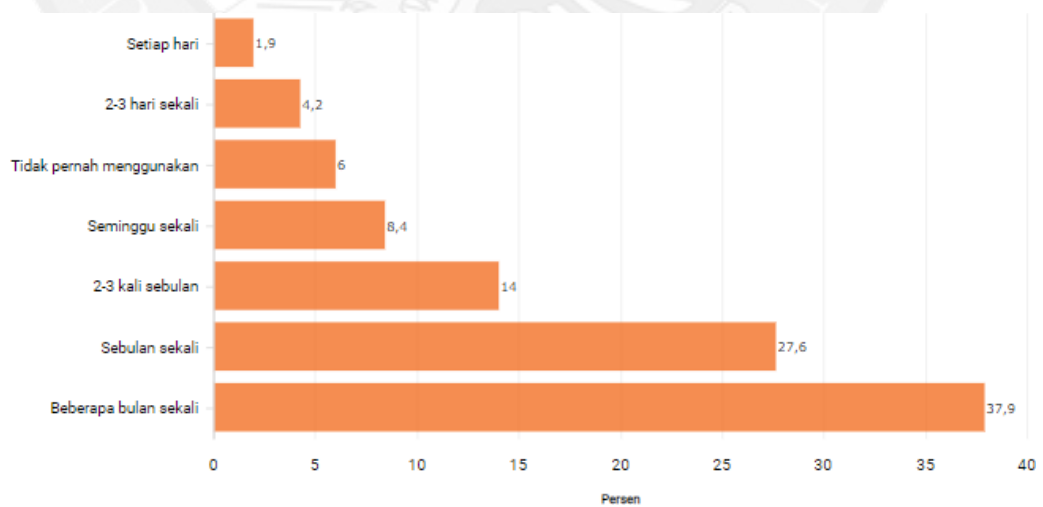

Figure 1.3. Online Shopping Frequency from 34 provinces in Indonesia
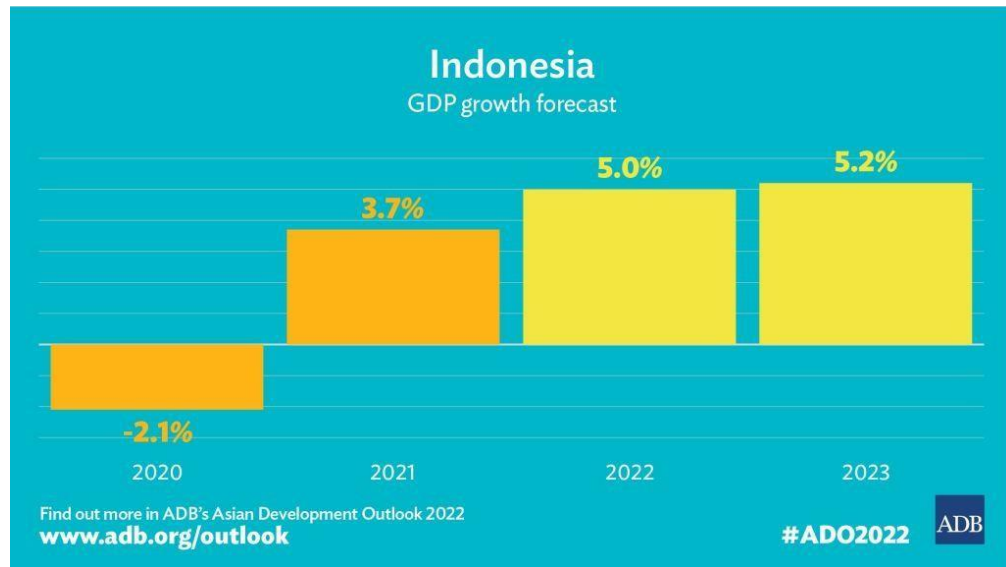Source: databoks.katadata.co.id/ (2022)

Figure 1.4. Indonesia GDP Growth Forecast (2020-2023)
Source: www.adb.org (2022)

The recovery of the Indonesian economy from the COVID-19 pandemic has also made it possible for Indonesians to go back to normal spending patterns. Figure 1.4 shows the economic growth from the start of the pandemic in 2020 with a negative GDP, but steadily starts to increase and is expected to keep increasing with a GDP of 5.2% (Asian Development Bank, 2022). As a result, consumer spending and manufacturing activity in Indonesia continues to grow as individuals now have more stable incomes, employment and increased optimism. Economic growth was also supported by household consumption in Indonesia, which grew 4.34 percent compared to the previous year. According to Sri Mulyani, this is the result of government policies in handling the Covid-19 pandemic enabling people to continue their daily activities without any restrictions (Winarto, 2022). With an increase in purchasing power, people still have the preference to shop online rather than going to physical stores. Research *titled 14th Annual Global Shopper Study* showed that 77% of respondents preferred purchasing online and 73% of

respondents showed a preference for having the products purchased delivered to their houses (Jati, 2022).

A survey conducted which showed 83% of respondents expressing that convenience during the shopping experience is a factor which has more importance compared to 5 years ago (National Retail Federation in *Smart Insights*, 2020). With the increase usage of e-commerce platforms, it is easier for users to engage in impulsive buying behaviour (Wandira, 2022) as the nature of online transactions can increase spontaneity in purchase decisions. Impulsive buying behaviour can be defined as being compelled to purchase an item without the consideration of its implications or consequences beforehand (Sharma et al., 2010). It involves making an unplanned purchase of a product without prior knowledge or research of its quality and benefits where decisions are influenced based off the individual's personal lifestyle and behaviour regardless of whether or not there is a need for the product. This consumer behaviour becomes a point of interest for online shopping platforms and merchants as they are able to create more opportunities and increase the potential for consumers to spend more money through marketing strategies and tactics (Winantri, 2016).

With the ever-growing pace of online consumption, certain types of individuals are more inclined to buying on impulse for a multitude of different reasons. According to Iyer et al. (2020), marketing stimuli such as sales promotion, reasons such as emotionality and practicality, consumer assets such as wealth and time, characteristics such as desires and feelings are primary drivers for consumers to purchase on impulse. DW Rook & Fisher's (1995) claims that the desire for

consumption comes from each individual, rather than the product. Therefore, marketers who put sole emphasis on the product will more likely spark impulse in consumers as a limited perspective is provided. It is stated that prior promotional activity and purchase influence is one of the main reasons behind purchase decisions rather than taking into account brand usage (Bridges et al., 2006).

The lifestyle of Indonesians also experiences a shift along with the development of information technology and the internet with the users of social media and e-commerce platforms being the most impacted by this shift. The ease of access has resulted in shopping becoming incorporated in people's daily activities, impacting their lifestyle (Rahman & Nurlatifah, 2020). An individual's lifestyle reflects how consumers choose to allocate their time and money to purchasing various products, services, technology or fashion. A lot of the times what someone values and priorities can be seen through their lifestyles (Japarianto & Sugiharto, 2011).

When consumers purchase based on their wants rather than purchasing based on needs and logic, they strive for self-gratification through materialistic values as they put immense significance on worldly possessions. Individuals who are materialistic consume for the sake of consumption as the purpose of their life stops at the acquisition of goods and possessions. They view possessions and money as the key to happiness and social success, as well as the importance of social relationships, experiences, and achievements. They are driven by hedonic motivation, which refers to the driving factor behind an individual's purchasing decisions. It prioritizes the emotional states that arise when making a purchase,

such as sensory stimulation, amusement, fun and enjoyment with the purpose of hedonic fulfilment (B. Babin et al., 1994), as opposed to the alternative shopping motivation which is utilitarian and focuses on the functionality and practicality of making a purchase.

Technology does not only result in the growing preference for online shopping, but also an increase in social media usage. Figure 1.5 shows the number of social media users in Indonesia which increases drastically throughout the years, with 124.47 million users in 2017 and 180.67 million users in 2020. These numbers are expected to keep increasing until 2026 with a forecasted figure of 236.97 million social media users.
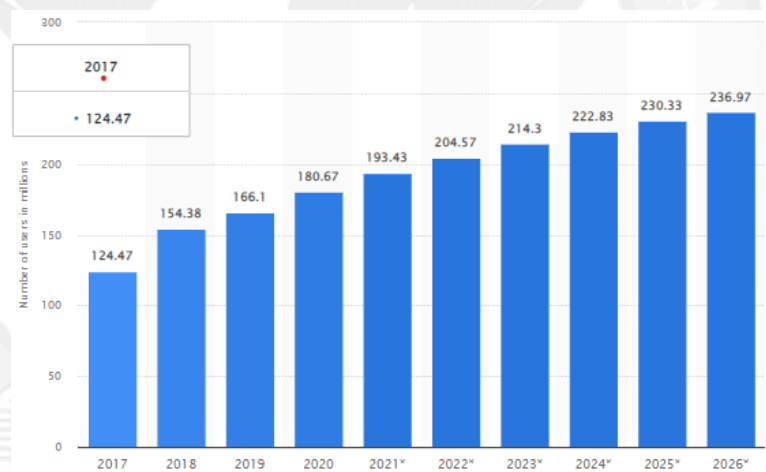

Figure 1.5. Social Media Users in Indonesia
Source: www.statista.com (2020)

Among the numerous social media websites that are available, some of the most popular platforms include Instagram, WhatsApp, TikTok, Line, etc. As of January 2021, 29.6% (82.32 million) of the Indonesian population were users of Instagram consisting of mostly men and women aged 19-24 (NapoleonCat, n.d.). On a platform that allows users to post about their personal lives, Instagram has

become has turned into a website filled with posts curated to show viewers the best version of themselves. Some people will even go as far as faking their posts to make it seem like the reality they are living. People like to flaunt their wealth, happiness, achievements and happiness, setting unrealistic expectations for their followers, causing negative emotions such as envy and dissatisfaction to arise upon realizing their lives are far from the ideal standards

Having peers with who possess a higher social standing might lead to individuals to compare themselves and become insecure over their own achievements which can be explained with the social comparative theory proposed and examined by Festinger (1954). The urge to compare oneself with another individual is stronger when there is no internal benchmark to use to evaluation, therefore causing them to seek outside opinions. This will cause individuals to ignore their inherent characteristics to follow external conditions which have been deemed as socially acceptable in order to gain social recognition (White et al., 2006). Cohesion that arises from a group of individuals living together allows each individual to learn from another and strive to reach their full potential. As a result, individual differences that exist in social comparison is a factor that influences how they behave on a daily bases, compelling them to make different decisions (Festinger, 1954).

Furthermore, social comparison might cause negative emotions or negative affect to arise in individuals (Chatterjee et al., 2019). Negative affect refers to the classification of moods which indicates negative emotional states an individual experiences such as sadness, disgust, contempt, envy or anxiety. With the

incorporation of social media usage throughout our daily lives, it is impossible to escape a day without opening social media platforms such as Instagram, TikTok, Facebook, etc. The goal of uploading pictures on Instagram is to be seen and recognized by other people with the need to obtain external validation and gain acceptance from other people (Manampiring, 2015). Royal Society of Public Health and Youth Health Movement (2017) stated that Instagram is the number one social media which negatively impacts teenager's mental health. This is a direct result of people purposefully displaying their best selves on social media, causing social comparison among viewers which can trigger psychological pressure on an individual. According to a study conducted by Budury et al. (2019), individuals who utilized social media for more than 2 hours a day are more susceptible to experience anxiety, depression and stress. As a result, individuals who experience negative emotions are more prone to make purchase decisions to alleviate the negative emotions. As enjoyment and pleasure arises when shopping, individuals will constantly seek for that feeling, resulting in more frequent purchases in order to fill that emotional need and to meet excessive aesthetic, lifestyle and social demand (Widagdo & Kenny, 2021). Thus, unwise spending decisions such as purchasing items on impulse is more likely to occur, failing to consider the benefitsand uses of the product beforehand through the prioritization of emotional gratification.

Moreover, there has been a link made among individuals with materialistic values and an increase in negative affect (Islam et al., 2018). Individuals who prioritize acquiring materialistic goods does not guarantee living a happy and

fulfilling life as they are temporary in nature. It could lead to financial stress, increased feelings of anxiety and might cause feelings of worthlessness if one day they are unable to fulfil their lifestyle demands.

In addition to that, an individual's self-confidence directly impacts their perspective on life and the decisions they make. People who carry themselves with confidence are also naturally confident with the decisions they make and think the choices they make are the right ones. In this research, confidence acts as a moderating role in order to find out whether it either strengthens or weakens the relationship of social comparison towards materialism and impulse buying. According to Chusniah et al. (2020) social comparison can foster positive self-evaluation and confidence if it is done to imitate positive attributes possessed by other people. Social comparison encourages confidence as the success of others inspires people to improve and become optimistic of future success, leading to positive changes in self-concept (Aspinwall & Taylor, 1993).

Subsequent to comparing oneself with others, individuals might feel more confident in purchasing items when they see their other people purchasing it as well. According to the survey conducted by Global Web Index in Lidwina (2019) consumers put great importance on customer reviews. 92% of people trust peer reviews more than advertisements where positive reviews looking at positive reviews results in consumers to purchase on impulse (Tumanggor et al., 2022). Hence, they are less afraid to makes spending decisions and reportedly have higher levels of materialism, increasing the tendency that an individual will behave impulsively when purchasing products (V. D. Tran, 2022).

1.2 Research Problem

The era of globalization has led to a preference for online shopping as it is easily accessible to everyone through online marketplaces. Surely, this convenience and ease has led to an increase in online transactions as the purchasing process is quicker compared to going to physical stores. With this in mind, the decision-making is formed at a much faster pace as individuals are exposed to various marketing stimuli such as sales promotion, increasing chances that consumers are going to purchase on impulse.

Although the rapid innovation of technology has certainly brought numerous benefits such as increased productivity and efficiency, it certainly comes with detrimental effects as well. Social media has risen in popularity over the years, which has allowed individuals to share details about their personal lives through pictures or videos. As a result, the posts seen on social media unconsciously become the benchmark for individuals who will make comparisons with their own lives, causing negative feelings such as dissatisfaction and a decrease in self-confidence. In order to fulfil the lifestyle people wish to possess, individuals might prioritize purchasing materialistic items in attempt to increase their social status or receive validation from other people. Purchase decisions based on emotions and not necessity is more likely to be impulsive in nature, in which decisions made are not being carefully thought out (Koh, 1993).

With the increased number of online transactions in Indonesia, it is apparent that consumers become susceptible to purchasing items on impulse. It can be

concluded that consumers who do not have any prior intention to purchase a product but suddenly feel the urge to make a purchase engage in impulse buying behaviour. Unnecessary or rash purchase decisions show that there are internal stimuli; such as one's psychological state, or external stimuli; such as store promotions that are being triggered (Muruganantham & Bhakat, 2013). Large gaps between intention and behaviour is a phenomenon that should be assessed to better understand the nature of the complex relationship (Hassan et al., 2016) as it becomes an issue for consumers. In this research, social comparison being the main cause suggests that a consumer's perception regarding something is being shaped by the messages obtained from comparison to others (Li et al., 2015) instead of holding on to their personal beliefs.

The respondents for this research include consumers living in Jabodetabek who are over the age of 15 and shop online. Previous research by Tran (2022) states that there is still a limited amount of research regarding impulse buying behaviour along with their psychological motivations, especially in post Covid-19 conditions. Therefore, this research aims to conduct further research on impulse buying behaviour, with variables which explain why consumers purchase impulsively from a psychological perspective in Indonesians during post Covid-19 conditions.

1.3. Research Questions

Based on the context that has been provided, the following research questions have been developed:

1. Does social comparison have a positive impact on materialism?

2. Does social comparison have a positive impact on negative affect?

3. Does social comparison have a positive impact on impulse buying?

4. Does materialism have a positive impact on negative affect?

5. Does materialism have a positive impact on impulse buying?

6. Does negative affect have a positive impact on impulse buying?

7a. Does confidence moderate the relationship between materialism and social comparison?

7b. Does confidence moderate the relationship between impulse buying and social comparison?

1.4 Research Objectives

Based on the context that has been provided, the following research objectives have been developed:

1. To examine whether social comparison has a positive impact on materialism.

2. To examine whether social comparison has a positive impact on negative affect.

3. To examine whether social comparison has a positive impact on impulse buying.

4. To examine whether materialism has a positive impact on negative affect.

5. To examine whether materialism has a positive impact on impulse buying.

6. To examine whether negative affect has a positive impact on impulse buying?

7a. To examine whether confidence positively moderates the relationship between materialism and social comparison.

7b. To examine whether confidence positively moderates the relationship between impulse buying and social comparison.

1.5 Scope

The scope for this research is limited as it is tailored to the problems and objectives of this research carried out. The scopes of this particular research are as follows:

1. This research revolves around the following variables: impulse buying behaviour, social comparison, negative affect and materialism. The variable confidence moderates the correlation between social comparison and materialism, along with social comparison and impulse buying. This research explores how impulse buying behaviour is impacted by the stated variables.

2. The respondents of this research are citizens of Jabodetabek.

3. The respondents of this research are people over the age of 15.

4. This research focuses on people who frequently shop online.

1.6 Theoretical Contribution

This research paper hopes that the general views and perspectives being concluded will be able to make a contribution towards this particular research topic. The following research contributions were made:

a. Theoretical Contribution

f which aims to establish a relationship between the factors being highlighted (Gioia & Pitre, 1990). Graphic models act as a framework for researchers to formulate a hypothesis by showing the path of correlation between the moderating, dependent and independent variables in order to come up with an informed perspective. This research is done though the replication of the model created by Tran (2022) which can be used as reading material for the readers to better understand the role of confidence in moderating impulse buying behaviours in consumers. This research is conducted to find out how confidence moderates the relationship between social comparison and impulse buying as well as social comparison and materialism.

b. Practical Contribution

This research is able to act as a guide for conventional store owners to realize that registering their store in marketplaces can potentially increase sales as opposed to just opening a brick-and-mortar shop. Furthermore, the researcher also hopes this research can get merchants a better understanding of how consumers behave and what motivations they have behind their purchase decisions to use it to their advantage through incorporating the right marketing tactics.

This research can also act as a reminder for individuals that too much social media usage is detrimental to their mental health as it enables comparison. Furthermore, it is also important for individuals to note that the benchmark that has been set by social media for social status or wealth should not be applied to

everyone. Pursuing status through materialistic values should not be one's priority in life, therefore should be mindful of their spending decisions.

1.7 Research Outline

This study consists of five chapters which will outline the outline of the research conducted. The following is a description of the contents of each chapter below:

a. Chapter I - Introduction

Contains the outline of the problems that will be discussed and resolved in accordance with the objectives that have been formulated such as research background, problem identification, objectives, scope and limitations of the research. The data used to support the research background is aligned with the current trends among Indonesians in order to give an informed perspective on the subject.

b. Chapter II – Literature Review

Contains the theories that support and underlie this research in order to give readers a good understanding of the consumer behaviour behind Indonesians who frequently shop online and attempts to show how each variable interacts with one another.

c. Chapter III – Research Methodology

Contains details regarding this research's framework which includes the research design, as well as the methods being used.

d. Chapter IV - Research Findings and Discussion

Chapter four contains the statistical data that has been obtained from questionnaires as well as the analysis of each of the results. Through the processing of data, it is possible to find out the reliability and validity of each indicator being tested, which will help the researcher in coming up with conclusions.

e. Chapter V – Conclusion and Recommendation

The fifth chapter contains conclusions that can be derived from the results gathered and it is made known whether the hypotheses formulated in Chapter One are rejected or accepted. Furthermore, limitations of the research are also being explored, along with recommendations and modification in variables or context for future research in order to gain further knowledge and understand regarding the topic.