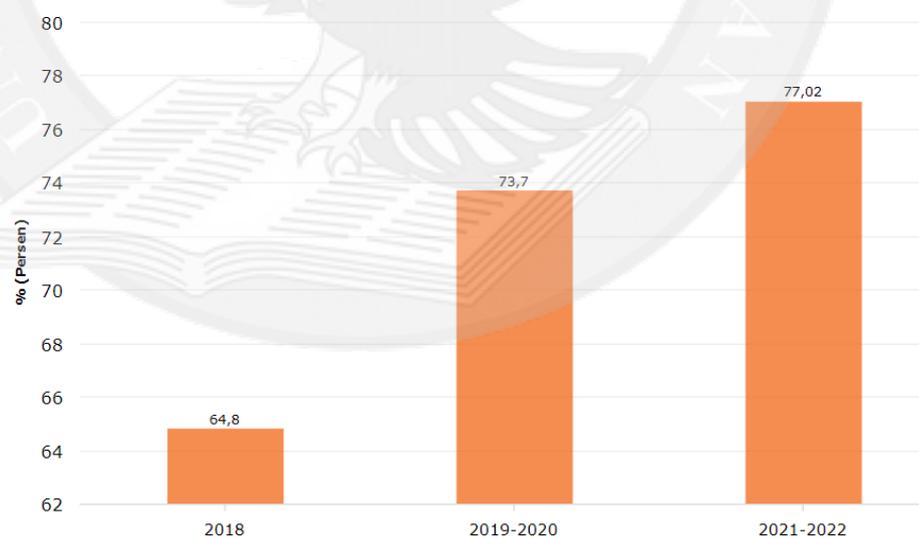


# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

Since the development of industrial era 4.0 and moving along towards 5.0, our dependability towards technology has been at all time high, creating a huge demand for technology companies to keep on developing, investing and improving towards their future technology. The increase of internet users in Indonesia as per 2021-2022 has reached 210 million users in which is 77.02% of internet users from the total population of 277.7 million people in Indonesia (*databoks.katadata.co.id*).



**Figure 1.1: Indonesia Internet Penetration**  
Source: *databoks.katadata.co.id*

With the rapid growth of digital technologies that have been adapted in Indonesia, the society has earned a big merit in conducting purchases using e-commerce services. E-commerce, also known as electronic commerce, is the act of buying and selling goods or services, exchanging items, and moving payments, services, and information through computer networks or the Internet, according to E. Turban et al, cited in Rizki et al (2019). E-commerce can also be understood as the idea of implementing E-business with a strategy of purchasing and selling goods or services using a connected electronic network that performs data transactions electronically, an automated system for managing inventory, and an automated system for gathering data. By using e-commerce, it allows people to save their time in searching for a product/service that they want, practicality in purchasing products and also earning cashbacks using vouchers that is provided by the seller or the platform. However, there would also a few drawbacks that is included when conducting transaction with e-commerce such as, the buyer can't physically try the product, a possibility of scam risk, problems in delivery of product or time of delivery, costly delivery costs, and product that is received doesn't live up to the customer's expectation.

An example of this could be taken from a customer review that was written out in the internet taken from the website *mediakonsumen.com* in June 2022. In the article the customer complained about the delivery time that it took for the customer product to arrive from the Lazada logistics to the customer using the LEX ID or known as Lazada Express ID in which is Lazada's expedition service provided by them. The customer was furious about the

delivery time taken in delivering the product to the customer due to the overload of the logistics service from LEX ID. Hence, a negative statement was stated in the blog post for the long delivery and compares it to other e-commerce that can only take 2-3 days for the delivery where as Lazada delivery took almost a week. Accidents that occur and posted online could eventually affect the trust level of the customers that is shopping in Lazada and people will be more likely to be wary when they want to use Lazada in conducting purchases or other activities within the platform.



**Figure 1. 2: A few of consumer's problems in their experience with Lazada**

Source: *mediakonsumen.com*

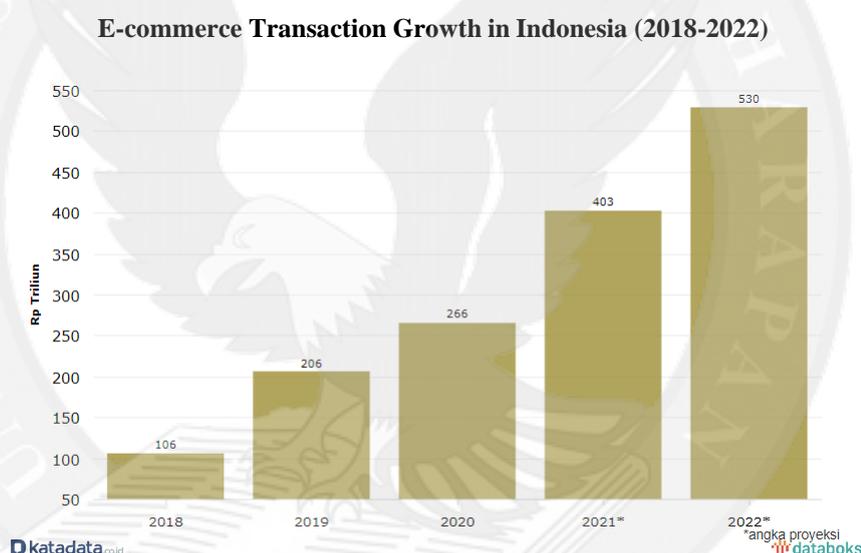
Perceived risk is an example of how every customer action will have effects that cannot be foreseen by the customer with any degree of certainty, some of which will be unpleasant. (Vo & Nguyen, 2015 cited in Haryani,

2019). Hence, a customer would have to manage on the uncertainness of either favorable or unfavorable results. Therefore, if someone thinks a common product is risky, they could be less inclined to buy it (Vo & Nguyen, 2015 cited in Haryani, 2019). According to Ferinnadewi (2008) cited in Yan (2019) Consumers' unfavorable view of a variety of activities based on poor results, which may or may not be actual, is called perceived risk. Consumers can continuously deal with issues which could result in uncertainty. A study conducted by Haryani, 2019 from the title called "*Pengaruh Persepsi Resiko Terhadap Keputusan Pembelian Online di Tanjung Pinang*" showed that there are significant influence of perceived risk towards customer purchase decision and drawn a conclusion that the lower the perceived risk of a customer, the higher the purchase decision.

Online shoppers must take some trust-worthy factors into account before making a purchase based on their own drawn conclusions to which the factors may include such as, qualities, benefits, accessible information quality which may take the form of goods, services, people or business as well as attitudes and beliefs (Mowen & Minor, 2002:312 cited in Resa, 2019). These factors can influence the customer in their purchase behavior to which if most or all of the factors are in line with the customer, then their purchase decision will increase. A study from Lestari, 2019 titled "*Pengaruh Kepercayaan dan Kemudahan Terhadap Keputusan Belanja Online (Studi Pada Pengguna Tokopedia)*" showed that trust has significant influence on customer purchase decision in which, when the level of trust increases, then the online purchase decision also increase. However, another study from Alghifari and Rahayu.

(2021) with the title “*Pengaruh Diskon, Kualitas Website, Persepsi Resiko dan Kepercayaan Terhadap Keputusan Pembelian Pada Online Shop Shopee: Studi Pada Mahasiswa Universitas Muhammadiyah Purwokerto*” showed that trust doesn’t significantly influence online purchase decision.

With the impact of the Covid-19 pandemic, a huge amount of population of people in Indonesia started to shift from traditional transactions towards online transactions to which one of the highest increases in the shift is online shopping. Below is the bar chart of e-commerce transaction growth in Indonesia taken from *databoks.co.id*.



**Figure 1.3: E-commerce Transaction Growth in Indonesia (2018-2022).**

Source: *databoks.katadata.co.id*

Looking at the bar chart above taken from *databoks.co.id* on the Indonesian e-commerce transaction growth from 2018 to 2022, the rapid growth of e-commerce transaction from 2019 which is the start of the Covid-19 pandemic in Indonesia and up until 2022 has been constantly and rapidly growing from year to year. *Bank Indonesia* (BI) had mentioned that in 2022,

the predicted growth of e-commerce transaction would be 31.4% (year on year) or equivalent to Rp 530 trillion rupiah from 2021 which is Rp 403 trillion rupiah.

There are many online shopping services that are available in Indonesia namely, Tokopedia, Shopee, Lazada, BliBli, and others. Therefore, the author has picked the company Lazada as the main focus of the paper. Lazada itself is a company that has been around since 2012 in which was built by Rocket Internet and has based their headquarter in Singapore and in 2016 it has become a sub company of Alibaba Group, a large e-commerce group that originated in China. Lazada itself is an e-commerce platform that allows people to sell and buy any kind of products or services such as, electronics, fashion, appliances, daily necessities, housewares, and many other sub ranges of products that the user can choose upon with various payment methods and delivery options. Up until now, Lazada has been fiercely competing inside the Indonesian e-commerce market position. Lazada have created many campaign strategies and marketing activities to attract people to go to their platform and has invested a huge resource to attract people to use their service platform to which they are able to obtain the 3<sup>rd</sup> rank as the largest e-commerce platform in Indonesia as of now based on the website traffic. The first position was obtained by Tokopedia, and the second position was taken by Shopee.



**Figure 1.4 : E-commerce platform ranks on Indonesia marketplace**

(Source: similarweb.com)

Based on the graphic shown above taken from *similarweb.com*, it may seem that Lazada can be considered doing well in the competition, being on the top 5 of the Indonesian e-commerce marketplace categories, taking a lead from Bukalapak and BliBli. However, when the author compares the traffic rate between Tokopedia and Lazada also Shopee and Lazada, the author found out that the result has a big differentiation gap between each of the website platforms. Lazada do create many promotional campaigns such as, discounts are given by Lazada towards its users to make people retain towards their platform and trust their platform. For example, 7.7, 8.8, 11.11, 12.12, etc. promotional sales, free deliveries, cashbacks, and discounts are created to attract purchases and engage other customers to visit or use their platform. But even with the amount of marketing activities, the traffic rate of Lazada seems to result in lower from Tokopedia and Shopee to which the graph can be seen below.



**Figure 1. 5: Comparison between Lazada and Tokopedia Traffic Rate for the Last 3 Months (March – May 2022)**

(Source: similarweb.com)



**Figure 1. 6: Comparison between Lazada and Shopee Traffic Rate for the Last 3 Months (March – May 2022)**

(Source: similarweb.com)

Based on the data above taken from *similarweb.com*, it can be seen that even though with many efforts invested in Lazada, the statistic has shown that the growth of Lazada when compared to other e-commerce is slower. Additionally, with the huge difference gap between Lazada and the other 2 e-commerce, it may show that consumers are much more fond and more trusting towards the other 2 e-commerce rather than Lazada in their purchasing decisions.

Website quality, according to Widagdo & Roz (2021), is a tool used to assess the usability, features, and advantages of the interaction process between customers and service providers. Website quality is defined as the overall judgement of the quality of the online shopping website from the perspective

of the customer (Shin et al., 2013 in Tandon et al., 2017). The user satisfaction may be impacted by a website's quality, to which could end with an increased usage. This statement is backed up on a study conducted by Alghifari and Rahayu. (2021) with the title “*Pengaruh Diskon, Kualitas Website, Persepsi Resiko dan Kepercayaan Terhadap Keputusan Pembelian Pada Online Shop Shopee: Studi Pada Mahasiswa Universitas Muhammadiyah Purwokerto*”. The study results that there are a positive significant influence on website quality towards customer purchase decision.

A study from IPSOS a survey research company in France taken from *katadata.co.id* conducted research on the most used e-commerce in Indonesia at the end of 2021. The survey was placed in Jakarta and other regions with taking in 1,000 respondents within the age of 18-35 years old. The survey used 3 of the most used e-commerce in Indonesia which is, Tokopedia, Shopee and lastly Lazada to be evaluated. In the study, there are 4 indicators that are used in evaluating this research namely, brand use most often, top of mind, market penetration, and transaction value. The study shown that Shopee had dominated all of the indicators from the 2 e-commerce.

**Table 1.1: Indicator Table for Brand Used Most Often**

<b>Indicator: Brand Used Most Often</b>	
Shopee	54%
Tokopedia	30%
Lazada	13%

Source: *katadata.co.id*

**Table 1.2: Indicator Table for Top of Mind**

<b>Indicator: Top of Mind</b>	
Shopee	54%
Tokopedia	27%
Lazada	12%

Source: *katadata.co.id*

**Table 1.3: Indicator Table for Market Penetration**

Indicator: Market Penetration	
Shopee	41%
Tokopedia	34%
Lazada	16%

Source: *katadata.co.id*

**Table 1.4: Indicator Table for Transaction Value**

Indicator: Transaction Value	
Shopee	40%
Tokopedia	30%
Lazada	16%

Source: *katadata.co.id*

Based on the information of survey that has been conducted by IPSOS taken from *katadata.co.id*, Lazada is lacking in every aspects of the indicator shown for the evaluation of rankings of the survey in which shows that customer is using Shopee and Tokopedia most of the time in doing transaction in their purchase decisions. Purchase decisions, according to Alma (2011) cited in Prasetyono *et al*, 2019, are made by customers and are impacted by factors such as economy, finance, technology, politics, culture, product, cost, location, promotion, physical evidence, people, and process. As a result, customers develop a mindset that allows them to digest all available information and come to decisions about what products to buy.

Therefore, based on the information of the background explained, the author is interested in researching if whether perceived risk, website quality and trust can influence the customer purchase decision at Lazada in North Sumatra and therefore the title of this research paper is titled as **“The Influence of Perceived Risk, Website Quality and Trust Towards the Customer Purchase Decision at Lazada Indonesia (A Case Study on Lazada Customers in North Sumatra).**

## **1.2 Problem Limitation**

There are a few possible factors that may contribute to determine the customer purchase decision such as, security, ease of transaction, ease of use, promotions, brand ambassadors, brand image and more. However, due to the limitation of time, power and crucial conditions going on, the writer will focus solely on perceived risk, website quality and trust of Lazada Study Case in North Sumatera Customers in Medan as the independent variables and the influence towards the customer's purchase decision as its dependent variable. Hence, in this paper, the limitation is set as followed, Limit on the surveys to Lazada customers in North Sumatera in Medan. Limiting on the variables for survey only on Perceived Risk, Website Quality and Trust on Customer Purchase Decision.

## **1.3 Problem Formulation**

Based on the information and the background of the study written, the author have listed out several problems to be answered.

- a. Does perceived risk has partial influence on customer purchase decision at Lazada in North Sumatera in Medan?
- b. Does website quality has partial influence on customer purchase decision at Lazada in North Sumatera in Medan?
- c. Does trust has partial influence on customer purchase decision at Lazada in North Sumatera in Medan?
- d. Do perceived risk, website quality and trust simultaneously have influence on customer purchase decision at Lazada in North Sumatera in Medan?

#### **1.4 Objective of the Research**

The objective of the research will be mentioned below

- a. To know whether perceived risk has partial influence towards customers purchase decision at Lazada in North Sumatera in Medan.
- b. To identify whether website quality has partial influence towards customers purchase decision at Lazada in North Sumatera in Medan.
- c. To assess whether trust has partial influence towards customers purchase decision at Lazada in North Sumatera in Medan.
- d. To analyse whether perceived risk, Website Quality and Trust have simultaneous influence towards customers purchase intention at Lazada in North Sumatera in Medan.

#### **1.5 Benefit of the Research**

There are two types of benefit that can be gained from the research of The Influence of Perceived Risk, Website Quality and Trust Towards Customer Purchase Decision at Lazada Indonesia (Case Study on Customers in North Sumatera in Medan) namely:

##### **1.5.1 Theoretical Benefit**

The theoretical benefit from this research is to prove if Perceived Risk, Website Quality and Trust can influence the Customer Purchase Decision in Lazada or not and to provide as other reference for others regarding in this research.

### **1.5.2 Practical Benefit**

#### **a. For the writer**

It gives a greater insight and increase the knowledge regarding the perceived risk, website quality and trust

#### **b. For the company**

The results from this research are hoped to be able to be used as a guide for the company to find out how perceived risk, website quality and trust can influence on the purchase decision of customers in Lazada.

#### **c. For other researchers**

It is hoped that this research can be a reference for another researcher that is related within this topic

