

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

The growth and development of technology in the era of globalization has already bring huge changes in human life. Since the existence of the internet, human life has become much easier, one of which is being able to shop online. Since the existence of the internet, buying and selling via online has become a new trend in society, especially during a pandemic like today's. In Indonesia itself, the growth of e-commerce has also continued to increase over time, one of which is the Shopee marketplace which is also arguably the largest marketplace in Indonesia.

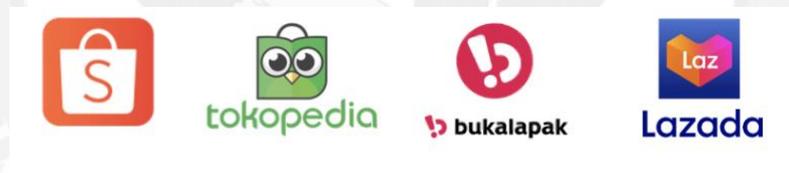
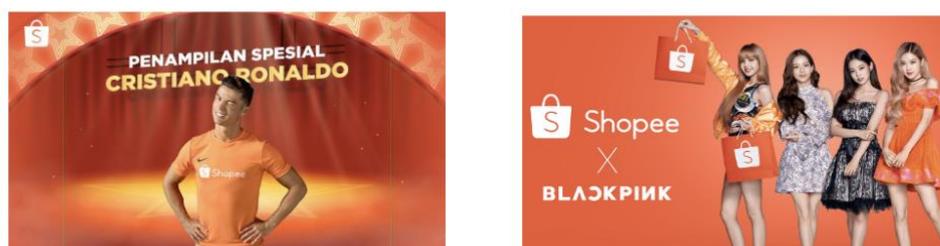


Figure 1. 1 Shopee Logo and Its Competitors in Indonesia

Source: Prepared by the Writer (Shopee, 2022)

Shopee's growth in Southeast Asia over the last five years has been meteoric. The mobile commerce site, which is operated by Singapore-based tech Behemoth SEA Group, had the most-downloaded shopping app in the six regions biggest markets last year, which is Indonesia, Malaysia, Thailand, Vietnam, the Philippines, and Singapore. Last year, Indonesia one of Southeast Asia's largest economy, had an average of 90 million monthly website visits (Yuniar, 2021).

According to Chandra Tjan (2021), co-founder of Alpha JWC Ventures Jakarta, Shopee's expansion has been remarkable. The company is backed by SEA's stability and capital, allowing it to take its marketing to new level, noting how the company had enlisted the help of celebrities like Blackpink and Cristiano Ronaldo as their brand ambassadors, and enticed consumers with gamified features on the app and discounts.



**Figure 1. 2 Shopee X Cristiano Ronaldo and Blackpink**

Source: Prepared by the Writer (Shopee, 2022)

Among industries that existed to satisfy customer's needs, retail industry is one of the biggest industries and is still growing until now. Especially in developing country like Indonesia, the retail industry is one of the industries with bright prospects. These can be seen from the number of modern retail stores being opened in various cities in Indonesia. Brands from other countries have also opened their chain stores in Indonesia. Brands from overseas are interested in opening their store in Indonesia because Indonesia has one of the most active retail markets in the world. On top of that, Indonesia has the population of 272 million as of 2021.

**2021 Global Retail Development Index**

2021 rank	Country	Population (million)	GDP PPP per capita (US\$)	National retail sales (US\$ billion)	Market attractiveness	Country risk	Market saturation	Time pressure	Final 2021 score	Rank vs. 2019
1	China	1,402	17,192	4,072	100.0	88.4	13.1	100.0	72.8	0
2	India	1,400	6,461	1,163	59.1	50.7	63.7	82.7	64.4	0
3	Malaysia	33	27,402	112	74.5	74.0	27.2	43.9	54.1	0
4	Indonesia	272	12,222	407	51.3	30.7	57.6	60.7	53.0	+1
5	Bangladesh	170	5,307	171	15.7	2.4	96.0	88.4	53.0	New
6	Morocco	36	7,620	46	31.5	92.6	66.5	51.8	52.2	+6
7	Egypt	101	12,790	200	34.3	20.5	71.5	73.8	52.0	+19
8	Ghana	31	5,693	24	13.5	70.2	96.5	52.7	51.9	-4
9	Vietnam	96	10,869	125	27.8	42.2	56.0	98.4	51.8	+2
10	Dominican Republic	11	18,608	25	44.5	70.2	62.2	39.7	51.4	+4

**Figure 1. 3 10 Countries with Highest Score of Global Retail**

Source: <https://www.kearney.com/global-retail-development-index>

One of the Shopee's strategies is Shopee tends to make a flash sale or discounts temporarily as well as the free shipping, the propensity of customers to purchase goods at reduced rates, which causes consumers to be in a rush if the discount is only available for a limited time, such as during a Shopee's Flash Sale, resulting in a rise in the amount of sales due to consumers' impulsive purchasing behavior during the flash sale period. Delivery fee is inseparable from the costs that the buyer will bear when buying via online. But in this case, Shopee has a free delivery fee program, meaning that buyers no longer need to pay delivery fee if they buy via Shopee. This is one of the Shopee strategies to attract consumers and to compete to its competitors. In fact, it has been more than 5 years for several online sales platforms (Shopee, Tokopedia, Lazada, Bukalapak, etc) have been competing tightly. Furthermore, the investment related to the free delivery program was made on a large campaign program.

The free delivery program was presented as a stimulus to build online buying behavior. The Free Delivery program is the most common strategies in online purchases. This situation gives the impression of indulging consumers

as a new style in shopping. Shehu (2020) argues that the Free Delivery variable is proven to have an effect on purchasing decisions. In addition, free delivery is seen as an added benefit (it can be said as a bonus) in Online purchases. Added advantage means bonus, it reinforces a positive impression in Online purchases. Therefore, in this research will be analyzing does Free delivery and Discount really influence the purchase decision toward Shopee's consumers.

Based on the background of study above, the writer would like to conduct a research with a title **“Influence of Free Delivery and Discount on Consumer Purchase Decision in E-Commerce Shopee”**.

## **1.2 Problem Limitation**

Due to limited time, knowledge and access towards this company, the writer will limit the research and will try to focus on achieving the objective about Free Delivery and Discount as the independent variables (X) and Customer Purchase Decision as the dependent variable (Y) at “Shopee E-Commerce” which is located in Indonesia.

The indicators in free delivery according to Sari (2019) are: pays attention, encourage purchasing, increase the impulse to buy and encourage repeat business.

The indicators in discount according to Chao and Liao (2016) are: draw attention, offering competitive pricing, offer consumer benefits and the quantity of price reductions.

The indicators in customer purchase decision according to Kotler in Rohmawati (2019) are: stability on a product, the habit of buying products, giving recommendation to others and making repeat purchase.

### **1.3 Problem Formulation**

Based on the research that are going to be conducted, the writer will prepare some research question, as follow:

- a. Does Free Delivery give effect or impact towards Shopee's customer purchase decision?
- b. Does Discount give affect or impact towards Shopee's customer purchase decision?

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

The main objective of the writer doing this research are as follow:

- a. To identify the effect of Free Shopee Delivery on consumer purchasing decisions.
- b. To identify the effect of Shopee's Discount on consumer purchasing decisions.

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

To find out whether the Shopee's Free Delivery as well as Discount has an effect on online shopping decisions of the people in Indonesia. This study is also beneficial for readers to clear and better understanding of how discount and free delivery factors that could influence or trigger consumers' behavior

or decision in Indonesia. This research aims to bring some benefits, which are divided as below:

### **1.5.1 Theoretical Benefit**

This research is expected to provide contributions both in terms of literature as well as reference for other students who are interested in this research related to advertising, business communications, and marketing management.

### **1.5.2 Practical Benefit**

As an evaluation for the company in determining the strategy in marketing especially in the advertising field. As a further implication of this research is expected to be able to provide information in order to improve and enhance a company's ability in marketing management that hopefully leads to better conditions.

The following are the practical benefit expected to be gained from this research:

- a. For the writer, the writer will get more knowledge about the free delivery, discount and customer purchase decision.
- b. For Shopee, the platform will get benefit from this research, they could get a recommendation that are being provided by the writer to improve and solve the problems that are being faced by the platform service.

- c. For other researchers, this research can be used as a reference in doing their research and have more understanding about the variables that are similar to the topic.

