CHAPTER 1

INTRODUCTION

1.1.   Background of the Study

In the current era of globalization, technology is something that is the main thing in the life of every individual. Technology development is one of the results of globalization. The growing technology has led to the emergence of several social media platforms such as Instagram, Facebook, Twitter, and others. Society must be able to adapt to technology. Times will continue to develop, and technology will accompany each individual's daily life. For example, the internet, where everyone can connect and know what is happening in other parts of the world even from far away. The internet is not only used to obtain information but can also be used to fulfill daily needs, namely with the existence of a marketplace, e-commerce, and online store. In the past, business could be done face-to-face, but now there are many successful businesses who run the company without having an offline store, relying solely on social media and e-commerce. Consumer behavior also began to change. Nowadays, many people think that shopping online is easier, more practical, and saves time because it can only be done through a cellphone without having to go to a physical store.

According to Nathasya (2018), a marketplace is a website or online application that provides facilities to carry out the buying and selling process from a wide selection of available stores. In Indonesia, the trend of e-commerce users has grown rapidly in

recent years, and is predicted to continue to accelerate in the next few years (Databoks, 2019). The development of e-commerce in Indonesia has increased rapidly over time, it can be seen in the image below.
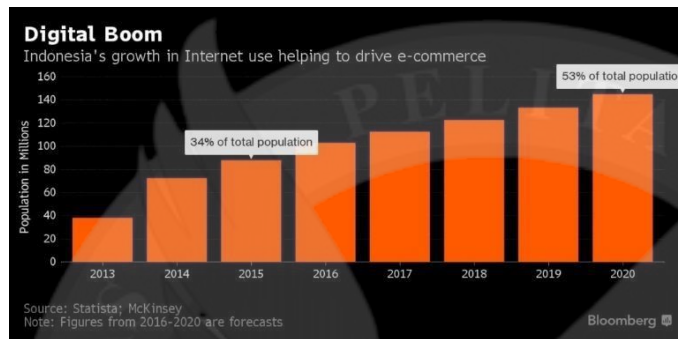

Figure 1.1. The Development of E-commerce user in Indonesia

Resource: Lampost.co

It can be seen from the graph above that the development of the use of e-commerce has increased significantly. This could be due to the increasing number of consumptive people. According to Lampost.co, the development of e-commerce in Indonesia is estimated to reach US$ 150 billion in 2025.

Online customer review is used as a means for consumers to find and obtain information that can influence purchasing decisions for the goods and services offered (Wulandari, 2020). According to Damayanti (2019), online customer review is the perspective and experience of consumers of services and products obtained from the products and services offered by a business. According to Auliya et al., (2017) Online customer reviews are the reviews given by consumers are related to the information

from the evaluation of a product about various aspects, with this information consumers can get the quality of the product they are looking for from reviews and experiences are written by consumers who have purchased products from online seller. Online customer reviews can also be referred to as electronic word of mouth (eWOM). In the online retailing industry with intense competition, companies must think of various innovative and attractive ways to win hearts and attract more customers. Online Customer Reviews can be understood as one of the customer's media to see reviews from other users on a company's service and a product. This can increase customer confidence to make transactions in the e-commerce if other users give positive responses to the seller in e-commerce.

When people shopping at a physical store, the customer can try the product directly. However, it is not the same as shopping online in a marketplace or on any platform. Consumers cannot see the product and feel firsthand how the specifications are following the expectation of the buyer or not. Therefore, online customer reviews are very useful as a consumer measuring tool in measuring the quality and service of products from other buyers.

In a business, perceived quality is very necessary for business people to be able to find out what customers feel about the quality of a company's products or services (fatmasari, 2018). Customers whose purchase decisions are driven by perceived quality are a direct result of the quality or benefits obtained by that customer. According to Simanjuntak (2018), perceived quality is the customer's opinion of the overall product

quality and has a close relationship with related brands. According to Qomariah (2018), perception of quality can also be described as the overall response of the customer to the advantages and disadvantages of a product from a brand. Companies must pay attention and understand how customers perceive the quality of the products or services offered. Perceived quality is not determined, because it is the customer perception and between the consumer and the significant differences in customers personality, interests and perspective. Perceived quality on online transactions make customers compare the overall quality they can with the quality information they get in the website.

If customers have a positive perceived quality of a product, then it can affect buyers purchase intention and take the initiative to repurchase or purchase a product. However, if customers have a negative perceived quality, then it is likely that these buyers will not purchase or repurchase a product or service offered by a business. In today's era, where customers are faced with a wide choice of products that are reliable and have complete services. Therefore, every business must be careful and smart in changing the competitive products or services offered to be more attractive which results in good perceived quality from the perspective of customers (Eames, 2021).

Customer purchase decision describes a person's attitude when transacting and willingness to pay for the desired product or service. According to Yofina Mulyati & Grace Gesitera (2020), customer purchase decision is consumer treatment that reflects

the purchase plan for several products with a particular brand. In marketing, customer

purchase decision is needed to understand the tendency of consumers to buy a product.

Figure 1.2. E-commerce rank in Indonesia
Source: iPrice (2020)

Lazada Group is a Southeast Asian e-commerce company established in 2012

which was founded by Rocket Internet and Pierre Poignant and was owned by Alibaba

Group in 2016 following the acquisition. Lazada is a startup company that already

holds unicorn status with an investment of US$ 4.2 billion raised from nine funding

rounds, with Alibaba, the largest e-commerce company from China, being one of

Lazada's biggest investors (Lazada, 2018).

According to Lazada Group (2021), Lazada Indonesia is a part of the Lazada

Group's online retail network that operates in several countries, namely Singapore,

Indonesia, Malaysia, Vietnam, Philippines, and Thailand operated in 2014 with a total

of 550 million users and successfully made a profit of around US$ 647 million from

several investors such as Tesco, Summit Partners, Rocket Internet, JPMorgan Chase,

Investment AB Kinnevik, and Temasek Holdings. Lazada itself emphasizes that its services are the cheapest and 100% original, to provide assurance and trust for customers to shop at Lazada.
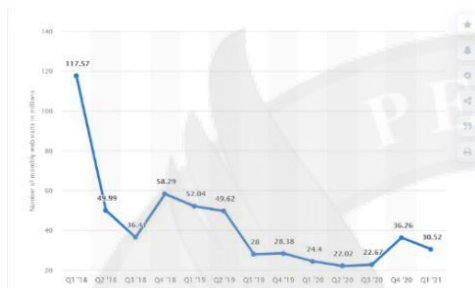

Figure 1.3. Monthly visitor number of Lazada Indonesia Q12018-Q12021
Source**:** Statista (2021)

Through the graph above, it can be seen that there was a significant decrease in Lazada Indonesia's monthly visitors. This can happen because of complaints, decreased service, and bad reviews from other customers that affect customer purchase intention. Even in Figure 1.2 above, Lazada is not included in the top three e-commerce sites with the most visitors after Shopee, Tokopedia, and Bukalapak. The level of complaints on Lazada is quite circulating on Lazada's official social media, such as Instagram, TikTok, and customer blogs. Lazada Indonesia uses social media as a medium to interact with customers and provide information about ongoing promotions. Lazada Indonesia itself has several official social media accounts such as Instagram (Lazada_id), TikTok (lazadaid), and twitter (lazadaID).

According to Yayasan Lembaga Konsumen Indonesia (2017), Lazada is ranked number one in the level of consumer complaints on online shopping (e-commerce). People complain about goods that have not arrived, ineffective refunds, slow response from Lazada customer service, and allegations of fraud. On Lazada's official social media accounts, there are complain about Lazada application which are often not followed up by customer service. The following evidences from several Lazada social media will be shown below.
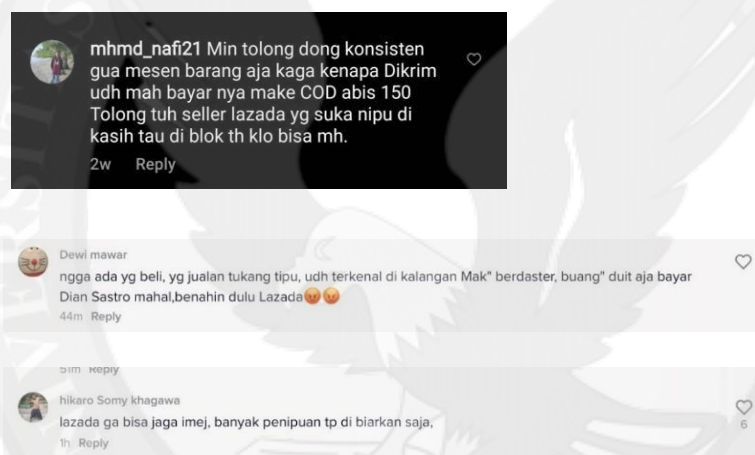

Figure 1.4. Complain to Lazada's Social Media

Source: TikTok, Instagram

Figure 1.5. Complaints for Lazada Indonesia
Source: Mediakonsumen.com

It can be seen from figures 1.5 above that many customers have complained about Lazada, which is due to several reasons such as the disappointing delivery process, holding back and even not paying seller sales, fraud that was not followed up directly by Lazada, service that not satisfied customers, and more. In choosing online e-commerce, customers tend to seek as much information as possible and reviews from other users so that they don't make the wrong choice. Ratings and reviews for Lazada are also lower than other e-commerce sites such as Tokopedia, Shopee, and BukaLapak, as can be seen in the image below.

Figure 1.7. E-commerce ranking in Indonesia in 2017
Source: iPrice (2017)

In 2017, Lazada was able to rank first with the highest number of visitors, which was 49 million visitors per month. However, in figure 1.2 it can be seen that there has been a decline in the ranking where Lazada is in fourth place, with Shopee in the first

place, Tokopedia in second, and BukaLapak in third position. This shows a decrease in customer interest in making transactions at Lazada Indonesia.

The author is interested in seeing how much influence online customer reviews and perceived quality have on customer purchase decisions at Lazada Online Retail Company. Therefore, based on the background described above, the writer will compile this thesis with the title "The Influence of Online Customer Reviews and Perceived Quality toward Customer Purchase Decisions at Lazada Online Retail Company".

1.2.   Problem Limitation

This study only analyzes three variables with two independent variables, namely Online Customer Review and Perceived Quality, and one dependent variable, namely Customer Purchase Decision. The writer conducts research to find factors that can influence customers' purchase decision at Lazada Online Retail Company. The research will be limited by customers who have transacted at Lazada Online Retail Company located in Medan and Jakarta.

1.3.   Problem Formulation

Based on the background above, the writer can conclude some problem formulation which is as follows:

1. Does online customer review have an influence on customer purchase decision at Lazada Online Retail Company?

2. Does perceived quality have an influence on customer purchase decision at Lazada Online Retail Company?

3. Do online customer review and perceived quality have an influence on customer purchase decision at Lazada Online Retail Company?

1.4.   Objectives of Research

Here are some research objectives that have been prepared by the researcher, which is as follows:

1. To examine the impact of online customer reviews that leads to customer purchase decision at Lazada Online Retail Company.

2. To examine the impact of perceived quality that leads to customer purchase decision at Lazada Online Retail Company.

3. To examine the impact of online customer review and perceived quality toward customer purchase decision at Lazada Online Retail Company.

1.5.   Benefit of the Research

The two benefits that are expected from this research are theoretical benefits and practical benefits, which are:

1.5.1. Theoretical Benefit

The writer of this research hopes that this thesis can provide new knowledge and references for entrepreneurs and other fellow researchers in the future in terms of

how customer's view in online social reviews and perceived quality of a company can influence customers' purchase intention.

1.5.2. Practical Benefit

This research also has practical benefits for readers, including companies and other fellow researches who can use this research as references in the future if they want to conduct research in the same context.

1. For Lazada Online Retail Company

   After the results of this research have been determined, the researcher hopes that Lazada will get a better understanding and insight on how the customer's view on how online customer reviews and perceived quality can influence customers' purchase intentions at the company.

2. For Author

   The writer got a better understanding and wider knowledge about how the customer's view on how online customer reviews and perceived quality leads to customer purchase intention at a company.

3. For Researches

   This research can be used as future references to other fellow researchers and provide additional knowledge for researchers who will conduct research in the same context in the future