

CHAPTER I

INTRODUCTION

1.1 Background of Study

E-commerce is a relatively new invention in the grand scheme of things, with the majority of them only possible with the recent boom in information technologies. But in these few years e-commerce has taken the world by storm and completely changed the landscape of retail forever. E-commerce companies quickly started to dominate against their traditional counterparts and capture more market share every year. Which led some to believe that the future of retail is through an e-commerce website.

E-commerce websites provide convenience to its customers, by being able to purchase products from the comfort of their home, and have those products delivered to their house. Those two factors are the main advantage of e-commerce websites which allows them to dominate the industry. E-commerce also has evolved into an all-encompassing destination for any needs, and with suppliers and customers from all different places, they are able to supply a myriad of products that local retailer can't get a hold of, which is another advantage that made them widely popular.

Especially in 2022, where the global CoVID-19 Pandemic has changed the world towards less physical interactions, e-commerce websites are now

more relevant than ever. And moving forward, e-commerce websites will have an even stronger influence on the market. E-commerce also allows many sellers to reach a wider audience for their products. E-commerce is also in the forefront of marketing efforts throughout the internet with a big part of modern advertising being for e-commerce companies. But E-commerce does not only come from visionary entrepreneurs, the success and potential of E-commerce have attracted legacy businessman and companies to start or invest in the industry, like Djarum Group with blibli.

A major part of modern marketing is the use of information to be able to target potential customers who are most likely to want to buy the products that we sell. And there is one major way that companies now promote their products in this age of information, which is online and social media marketing. Social media marketing is a very powerful tool that allows sellers to advertise their products very effectively and efficiently, by targeting the most likely customer. This is possible through the data that many social medias and search engine has gathered about their user base. Which creates a highly accurate prediction on a person's preferences and behavior. The impact of social media marketing on sales will be large if many consumers and customers visit the site and find out what brands are on offer. One of the goals of effective marketing is to introduce the existence of a product and making said product top of mind

and becomes the choice of consumers to purchase the products offered (Kuriasari & Budiatmo, 2018).

E-Commerce websites also have changed the landscape by offering an assortment of products like nothing that came before it. Most E-commerce websites boasts an impressive selection of product, with a wide range of brands and price points, allowing them to capture more potential customer rather than their traditional counterpart, which have to choose a relatively small selection of product, from a limited amount of brand and price point. Hultman et. al (2018) suggest that having a wide range of products in the assortment increases the perceived control of the consumer, giving them more options to choose from. Consumers are more likely to make a purchase when they have more choices available to them.

Furthermore, individual sellers and/or platforms can implement their own sales promotion with their own dataset that they have gathered of their user base. By using sales promotions, e-commerce websites could incentivize its user to spend, as the products that interest them currently are on promotion, and it would be a good deal for them to buy it. Chen and Lai (2020) found that sales promotion has a positive effect on both purchase intention and behavior. Sales promotion offers, such as discounts, coupons, and free samples, are effective in attracting customers and encouraging them to make a purchase. Sales

promotion can also create a sense of urgency, prompting customers to make a purchase quickly before the promotion ends.

However, there are drawbacks to this marketing method. The drawbacks are the customer might feel that their privacy was violated and thus would refrain from using said platform any further. Which would impact the sales number of the website. This research was created in hopes to find out the influence of those variables on Purchase Decision in an e-commerce website with the basis of the study being the ever-changing digital landscape on which e-commerce websites do their business.

The e-commerce website that will be the subject of this study is Petskita or PT. Petskita Teknologi Indonesia, which based in Jakarta. Which is an e-commerce website which focuses on selling products for pets such as: Dogs, Cats, Birds, Fishes, and some exotic pets. The company was founded on 24th February 2020 and has been growing its reach ever since using social media and internet marketing as their main platform.

PT. Petskita Teknologi Indonesia started in 2020 by Mr. Gunawan Wahab, and Ms. Herpeiriati as a web-based marketplace for pet related products. But with the pandemic causing unprecedented economic downturn, people were less likely to spend on their pets, coupled with the decrease in web-based e-commerce, with most e-commerce transaction done via smartphone application, Petskita were forced to make a crucial decision in 2022, to continue

the web-based platform and ultimately risk a high likelihood of bankruptcy or pivot and invest in an application based Petskita 2.0. Petskita ultimately chose the latter option and has been growing their user base ever since to around 4000 monthly users in 2023.

Petskita have 2 main competitors in Indonesia: Satwagia and Wagginton. Satwagia is based in Bogor, while Wagginton is also based in Jakarta. Satwagia is an App for pet care and pet related e-commerce, while Wagginton is a pet centered e-commerce platform like Petskita. Both have some advantages against Petskita in their Social Media, as shown below.



Figure 1. 1 Petskita Instagram
Source: <https://www.instagram.com/petskita.id/?hl=en>



Figure 1. 2 Satwagia Instagram

Source: https://www.instagram.com/satwagia_indonesia/?hl=en



Figure 1. 3 Wagginton Instagram

Source: <https://www.instagram.com/wagginton/?hl=en>

From the image above we can see that petskita has a significant advantage against their biggest direct competitor; Satwagia. But is losing to Wagginton in terms of Instagram followers. Petskita copywriting is also significantly better which links to their webpage, and app download page rather than a contact us link from Satwagia, and a call to action but without a link from Wagginton. Petskita also gives an incentives to click their call to action link. But even with all that, from the 6 most recent posts, Satwagia have higher a higher social media engagement metric when compared to Petskita, with Wagginton's engagement metric being the lowest as seen in the figures below.

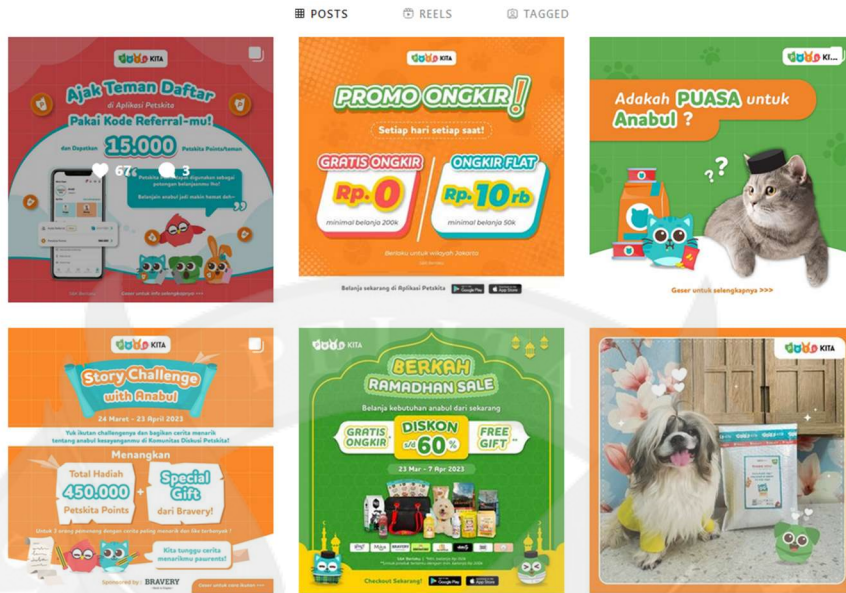


Figure 1. 4 Petskita highest engagement recent post
 Source: <https://www.instagram.com/petskita.id/?hl=en>

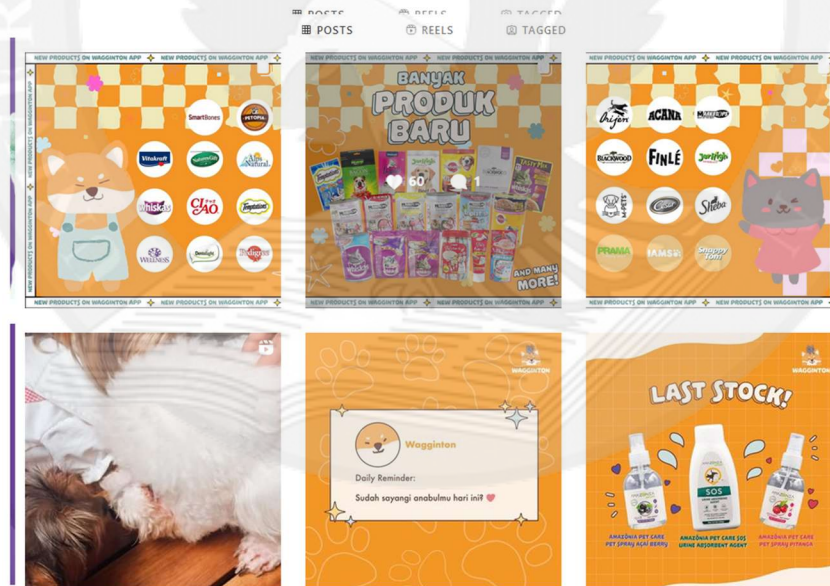


Figure 1. 5 Satwagia highest engagement recent post
 Source: https://www.instagram.com/satwagia_indonesia/?hl=en

Figure 1. 6 Wagginton highest engagement recent post

Source: <https://www.instagram.com/wagginton/?hl=en>



Figure 1. 7 Petskita's App Store page

Source: <https://www.apple.com/sg/app-store/>



Figure 1. 8 Satwagia's App Store page

Source: <https://www.apple.com/sg/app-store/>



Figure 1. 9 Wagginton's App Store page
Source: <https://www.apple.com/sg/app-store/>

Their performance on the Apple's App Store is also not faring any better with Satwagia having substantially more ratings and being the No.150th most popular app in the category, while Petskita is not on the chart. Meanwhile Wagginton also have a higher number of ratings, which could translate to having more downloads as well. This shows Petskita is clearly behind their competitor in both customer engagement and user base.

Which is why it is imparitive for Petskita to find a way to be more competitive if they want to grow and be a leader in the market, and outperform their competitors. If Petskita doesn't quickly catch up to their competitors, they

would miss the opportunity to be the market leader for the growing Pets economy, like Amazon was for the E-commerce sector.



Figure 1. 10 Petskita Pop up on app's home page
Source: Petskita App



Figure 1. 11 Petskita Referral Program
Source: Petskita App

And as the figure 1.10 & 1.11 above shows Petskita's main concern currently is increasing their customer base by giving incentives such as points for referral and affiliate code which can earned the user Petskita Point & Money respectively. This is a way for Petskita to mobilize its user base to help promote and grow their business, with incentives for the user base to be invested in the growth of the company as well.

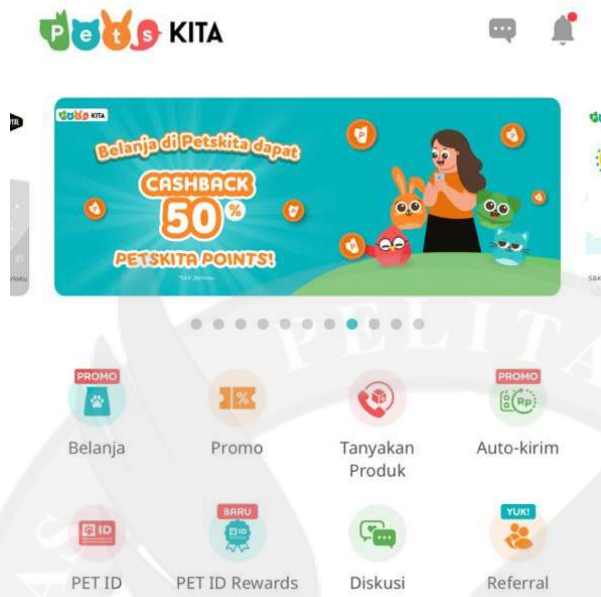


Figure 1. 12 Petskita Cashback Promotion

Source: Petskita App



Figure 1. 13 Petskita Buy 1 Get 1 Promotion

Source: Petskita App

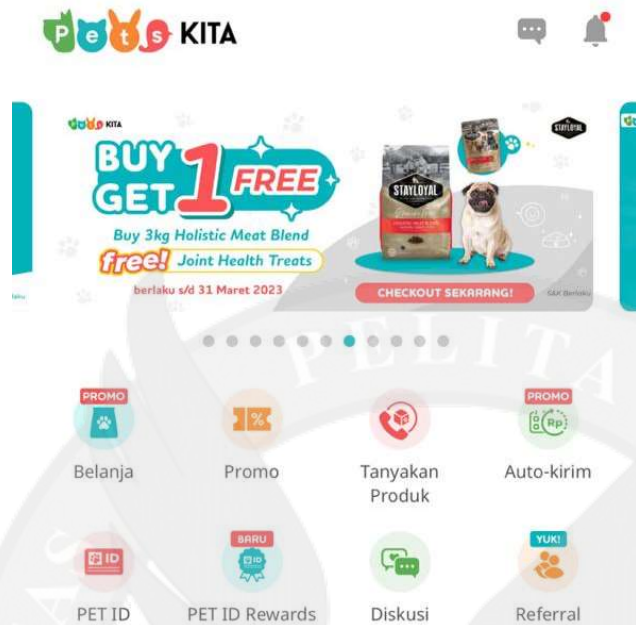


Figure 1. 14 Petskita Buy 1 Get 1 Promotion
Source: Petskita App



Figure 1. 15 Petskita Free Shipping and Flat Shipping Rate Promotion
Source: Petskita App

As seen in figure 1.9-1.12, Petskita is also offering some limited time offers like discounts, price packs, free shipping, etc. Which is a core strategy for most internet based businesses to grow their user base. It also encourages impulse purchase, which could lead to an increase in sales, user base, and future sales. These types of sales promotion also allows Petskita to boost the sale of their worse performing items, and at the very least minimize loss in case of expiry. Petskita is also showing these on the front page of their App, which means it is a core and important aspect of their marketing strategy.

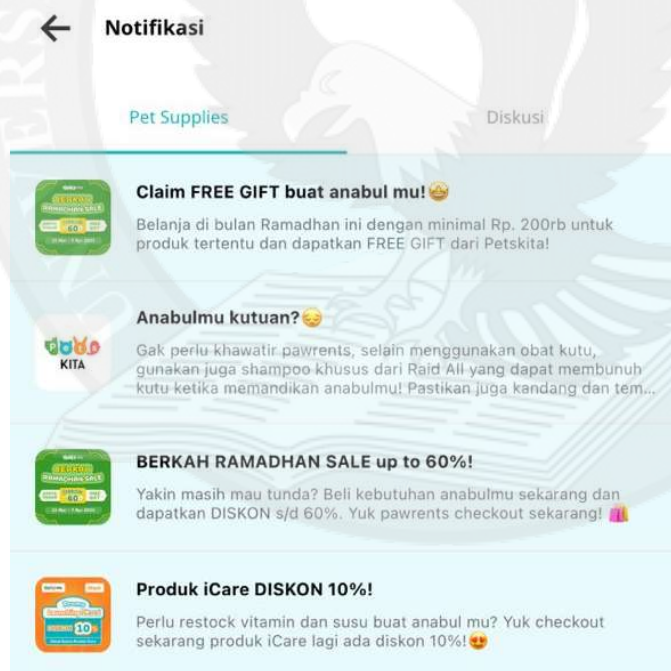


Figure 1. 16 Petskita Notification Page
Source: Petskita App

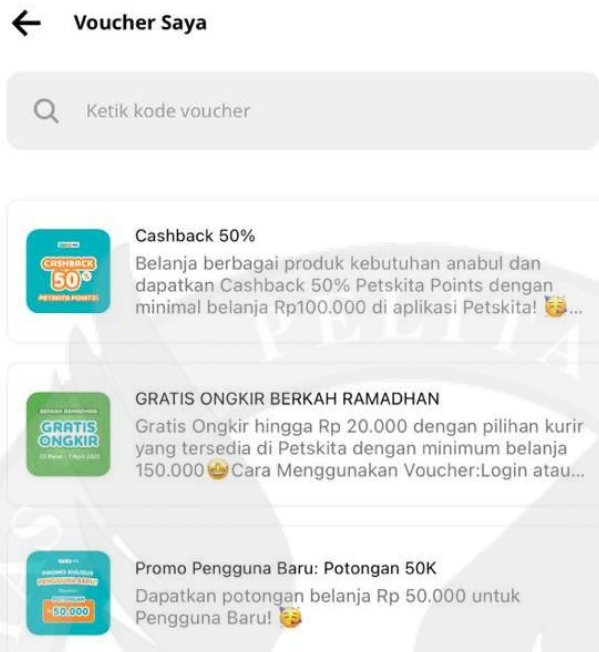


Figure 1. 17 Petskita Voucher Page
Source: Petskita App

Petskita also notify and help keep track of promo and vouchers that they have given to their customer, as a way to remind them of the Sales Promotion and encouraging purchase. Notification also helps to keep the Application in the minds of its existing customer, especially when partnered with interesting Sales Promotion and correct timing on the delivery of the notification.

1.2 Problem Limitation

This research has been done by the writer and is limited to the knowledge of the writer. This research is only limited to the independent variables of social media marketing, product assortment, and sales promotion, and the dependent variable of purchase decision of PT Petskita Teknologi Indonesia. The data collection will be done by a questionnaire . The sampling method used is purposive sampling, a non-probability sampling method. And the analysis method that this research uses is Regression Analysis.

1.3 Problem Formulation

The problem that the writer has determined are as below:

How effective is social media marketing in influencing purchase decisions?

How effective is product assortment in influencing purchase decision?

How effective are sales promotions in influencing purchase decisions?

1.4 Objective of The Research

The objectives of this research are as listed below:

To determine the effectiveness of social media marketing in influencing purchase decisions.

To determine the effectiveness of product assortment in influencing purchase decision.

To determine the effectiveness of sales promotion in influencing purchase decision.

To weigh the benefits to the cost of social media marketing, product assortment and sales promotions.

1.5 Benefit of The Research

The benefits of performing this research are as below:

1.5.1 Theoretical Benefit

This research will allow a better understanding of social media marketing, product assortment, and sales promotion which is and will continue to be an important marketing tool. This research will allow companies to

understand better how to utilize and maximize the benefits of social media marketing, product assortment, and sales promotion.

1.5.2 Pratical Benefit

For the company

This research will allow the company to understand better their marketing strategy moving forward and make decisions that would be most beneficial for them in the long run.

For researchers

This research will provide more data in digital marketing study, which is a rapidly expanding subject that is highly demanded in the market and is lagging behind compared to traditional marketing research.