# CHAPTER I

# INTRODUCTION

This chapter discusses the entire process of this research regarding the factors that influence purchase intention. This chapter consists of research background, research questions, research objectives, researcher's contribution, issue limitation, research method overview, and research outline. The flow is illustrated in Figure 1.1.
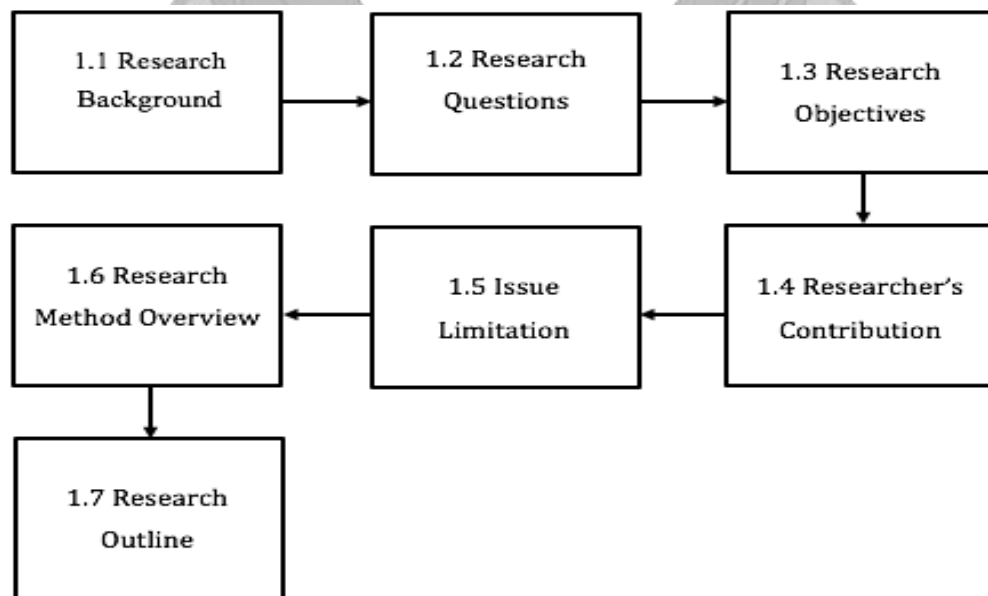
Figure 1.1 Chapter 1 Flow Chart
Source: Developed by the author for the purpose of this research (2019)

## 1.1 Research Background

In this era, businesses based on technology are more globalizing in the economic and industrial fields. Moreover, consumers are getting smarter and more thoughtful in deciding on product purchases. Marketers are becoming increasingly difficult to achieve modern consumer targets (Singh, 2010). Moreover, modern

customers utilize the internet to find, share and exchange information about products and services. In addition, extensive uses of the internet affect business models, such as e-commerce (Turban, Whiteside, King, & Outland, 2017).

E-commerce business in Indonesia has grown significantly over the last nine years as a result of increased internet use. According to Internet World Stats (2019), it is reported that internet usage reached 1.97 billion of users in 2010 and hit 4.42 billion of users in 2019. Indonesia also has a high rate of internet users as a developing country, and it reached 30 million of Indonesian users in 2010, then increased to 143 million of Indonesian users in 2019 (Internet World Stats, 2019). Therefore, a company should be able to develop and utilize its resources to adapt the technological changes.

Nowadays, e-commerce business appears to contribute in economic growth. Businesses e-commerce will operate faster, reduce inventory space, and reduce advertising and delivery cost. Thus, e-commerce systems have a positive effect on increasing a business operations' effectiveness (Rofiq, Mula, & Scott, 2011). This e-commerce draws on technology, such as supply chain management, internet marketing, and online transactions (Kutz, 2016). E-commerce business is able to use for online shopping websites for retail sales direct to consumers, marketing, and launching products and services. Additionally, modern e-commerce typically uses the World Wide Web or website (Kutz, 2016).

Referring to the discussion above, this research is conducted using an e-commerce company, Zalora to be exact, as the research object. The researcher chooses Zalora because of two reasons. First, refer to *kompas.com* indicated that

there are 60% to 70% of Zalora users are twenty to thirty years old, or majority of millennials. Because the majority of individuals in UPH area are millennials, most of all have been shopping at Zalora for sure. Second, this research focuses on fashion e-commerce category, while the other e-commerce companies shown in Table 1.1 and Table 1.2 are not only focusing on fashion, but they provide a variety of products. Although Zalora is a big company, Zalora still has many problems to be faced this year. Moreover, the researcher has the data sources of Zalora, while the other companies have not. Thus, the researchers choose Zalora as the object for this research.

E-commerce companies have to compete to become the biggest and best company in Indonesia. But the data recorded shown in Table 1.1 and Table 1.2, showed that Zalora used to be the top seventh in 2018, and becomes the top tenth in 2019.

Table 1.1 Ranking of E-commerce in 2018

| Rank | Online shop | Monthly Web Visit |
|------|-------------|-------------------|
| 1 | Tokopedia | 168,000,000 |
| 2 | Bukalapak | 116,000,000 |
| 3 | Shopee | 67,677,900 |
| 4 | Lazada | 58,288,400 |
| 5 | Blibli | 43,097,200 |
| 6 | JD ID | 16,978,200 |
| 7 | ***Zalora*** | **5,518,600** |
| 8 | Sale Stock Indonesia | 4,627,600 |
| 9 | Elevenia | 3,938,000 |
| 10 | iLotte | 3,517,400 |

Source: Iprice Insight (The Map of E-commerce Indonesia, 2019)

Table 1.2 Ranking of E-commerce in 2019

| Rank | Online shop | Monthly Web Visit |
|------|-------------|-------------------|
| 1 | Tokopedia | 140,414,500 |
| 2 | Shopee | 90,705,300 |
| 3 | Bukalapak | 89,765,800 |

| 4 | Lazada | 49,620,200 |
|---|---|---|
| 5 | Blibli | 38,453,000 |
| 6 | Orami | 9,813,100 |
| 7 | Bhinneka | 7,678,900 |
| 8 | JD ID | 7,102,300 |
| 9 | Blanja | 5,511,600 |
| 10 | *Zalora* | **5,218,300** |

Source: Iprice Insight (The Map of E-commerce Indonesia, 2019)

Table 1.1 and Table 2.2 showed that Zalora's rank decreased happened in between 2018 and 2019 (The Map of E-commerce Indonesia, 2019). In addition, one of the websites is *mediakonsumen.com* which provide customer complaints from Zalora Indonesia customers.   There was a complaint about product cancellation from Zalora because the product is out of stock, but the stock information in the website was still available (Triopin, 2019).  Another complain about services not as promised, the product was not appropriate with the product ordered, and disappointed customer service (Wijaya, 2018). Moreover, the information provided in the website is not consistent, and the product color and size does not match to the actual (Lukman, 2014). Furthermore, the purpose of this research is to test and analyze the influences of perception of web design, reliability, customer service, and privacy towards purchase intention in e-commerce adaption.

This research needs to be conducted because of two reasons. First, establishing the research is to help the researcher understands the topic discussed, and to help the researcher to theorize based on the results obtained (Sekaran & Bougie, 2016). Second, to support the previous research by identifying and validating the existing model, since this research replicates the variables based on an existing model from Dang and Pham (2018) but a different environment and researcher (Chai, Saleno, & Mabry, 2010).

4

**1.2 Research Questions**

Based on the research background, the following research questions have been formulated:

1. Is consumer perception of web design positively related to consumer perception of reliability?

2. Is consumer perception of web design positively related to consumer perception of customer service?

3. Is consumer perception of web design positively related to consumer perception of privacy?

4. Is consumer perception of web design positively related to consumer purchase intention?

5. Is consumer perception of reliability positively related to consumer perception of customer service?

6. Is consumer perception of reliability positively related to consumer purchase intention?

7. Is consumer perception of privacy positively related to consumer perception of customer service?

8. Is consumer perception of privacy positively related to consumer purchase intention?

9. Is consumer perception of customer service positively related to consumer purchase intention?

**1.3 Research Objectives**

The purpose of this study is to identify the existence of the following
relationships:

1. To identify a positive relationship between consumer **perception of web design** and consumer **perception of reliability**.

2. To identify a positive relationship between consumer **perception of web design** and consumer **perception of customer service**.

3. To identify a positive relationship between consumer **perception of web design** and consumer **perception of privacy**.

4. To identify a positive relationship between consumer **perception of web design** and consumer **purchase intention**.

5. To identify a positive relationship between consumer **perception of reliability** and consumer **perception of customer service**.

6. To identify a positive relationship between consumer **perception of reliability** and consumer **purchase intention**.

7. To identify a positive relationship between consumer **perception of privacy** and consumer **perception of customer service**.

8. To identify a positive relationship between consumer **perception of privacy** and consumer **purchase intention**.

9. To identify a positive relationship between consumer **perception of customer service** and consumer **purchase intention**.

**1.4 Researcher's Contribution**

A research is carried out to generate a solution to a particular problem through scholar study and the analysis of the variables of the subject (Sekaran & Bougie, 2016). In this study, the researchers are conducting a study on the relationship between the website and application of Zalora Indonesia as an e-commerce platform towards consumer purchase intention. The researchers need to determine the research problem. The process involving the interrelated activities: identify and clarify information needs, define the research questions, and specify research objectives and confirm the information value. After determining the research problem, in order to understand the study, researchers should be able to obtain reliable sources containing information needed (Hair *et al.*, 2014). Secondary data can be used as an information source (Sekaran & Bougie, 2016). This study conducts a literature review as the theoretical foundation as well.

A literature review can be defined as a process for the identification of secondary data related to the study subject (Sekaran & Bougie, 2016). The theoretical background obtained in the literature review is represented as 'objective evidence' supporting the statements written in the study. The term 'objective evidence' perceived to be unbiased evidence, supported by empirical findings. Theoretical considerations provide information on how the variables should be operationalized and measured, as well as how the research design and sample should be selected. A theory also acts as a foundation on which the author can organize and interpret a successful theory's practicality in order to develop research models (Malhotra, 2017).

The research model in this study is replicated from a previous study done by Dang and Pham (2018) titled "An empirical investigation of consumer perceptions of online shopping in an emerging economy: Adoption theory perspective". This research will also take relevant variables and hypotheses from the previous study. According to Malhotra (2017), there are three types of analytical models. The most common are verbal, graphical, and mathematical structures. Verbal models are analytical models that provide a written representation of the relationships between variables. Graphical models are analytical models that provide a visual picture of the relationships between variables. Mathematical models are analytical models that explicitly describe the relationships between variables, usually in equation form.

Since Dang and Pham (2018) uses a graphical model, the researchers have also decided to stick to the graphical model as well. The use of a graphical model also helps researchers to easily visualize and identify the variables as well as the related hypotheses. Besides theoretical contribution, this study also contributes to the company of choice (Zalora). Zalora Indonesia or any other Indonesian e-commerce companies can use the findings and end results of this study to enhance their marketing strategy through website and application. It also helps Zalora to understand the relationship between consumer perception of web design, consumer perception of reliability consumer perception of customer service, consumer perception of privacy and consumer purchase intention.

**1.5 Issue Scope**

Due to the current subject's wide scope and limited time, the author uses two limitations on the topic for this analysis. The aim of the limitation is to establish a comprehensive research study, but centered on a specific topic. The first limitation of this study is the target respondent used, which includes only individuals who have interacted with the Zalora online shop website for the past 3 months. This reduces the number of respondents while keeping the chosen subject appropriate and up to date. The second limitation is that the researcher analyzes only fifth of the following variables, which consist of: web design perception, customer service perception, privacy perception, reliability perception, and purchase intention.

**1.6 Research Method Overview**

The first step, the researcher must choose a research paradigm for this analysis that is considered important for business research (Sekaran & Bougie, 2016). There are four types of research paradigms that include positivism, constructionism, critical realism, and pragmatism. The researcher adopts a paradigm of positivism for this particular research. This paradigm can be described as a set of philosophical beliefs that views the existence of objective reality independent of research (Leavy, 2017)

The second step, the researcher will choose between quantitative and qualitative research. For this analysis, the researcher has used a quantitative research method. Quantitative analysis is a method of scientific research that uses

numerical data and quantitative statistics to describe and analyze a certain phenomenon (Yilmaz, 2013).

The third step, the researcher chooses between three types of research design. There is an exploratory, descriptive and causal design of the research. This study uses a descriptive research study, which is an objective research approach involving a large pool of data collection participants (Sreejesh, Mohapatra, & Anusree, 2015).

The fourth step, the researcher selects one of the five available units of analysis. There are people, dyads, groups, organizations, and cultures. For the purpose of this study, the researcher will choose an individual unit of analysis. The individual unit analysis focuses on collecting data from each person and the responses are analyzed separately (Sekaran & Bougie, 2016). In general, the units to be evaluated are individuals who have engaged with the Zalora Online Shop over the past three months.

The fifth step, the researcher must choose from four types of measurement scale, which consist of nominal, ordinal, interval and ratio scale measurements. For the purpose of this study, researchers will choose interval scale measurement interval scale, also known as equal interval scale, is a scale that reflects numerical equivalent intervals within the measured characteristics (Sekaran & Bougie, 2016). The specific type of interval scale used in this study is a Likert scale. Likert scale is a scale measure designed to show how the respondent strongly agrees or disagrees with a specific statement on three, five, seven or more scale points (Hair *et al*., 2014).

The sixth step is to choose between two types of data, primary data and secondary data. The researchers select primary data for this particular study. Primary data were obtained first-hand by the researcher (Sekaran & Bougie, 2016). Researchers have selected primary data searching through survey strategies. Survey is a method of collecting data from individual knowledge perceptions and behavior (Sekaran & Bougie, 2016). Data from the survey shall be obtained via questionnaire. Questionnaires are written set of questions to be answered by the respondents in order to record their answers (Sekaran & Bougie, 2016).

The seventh step is to choose between three types of questionnaire, personally administered questionnaires, mail questionnaires, and electronic questionnaires. The researchers used personally administered questionnaires. Personally-administered questionnaires distributed questionnaires directly to the respondents in the local area to collect the data (Sekaran & Bougie, 2016).

The eighth step is to choose between two forms of sampling method. There is a probability and no probability of sampling. For the purpose of this study the researcher will choose a non-probability sampling design. Non-probability sampling suggests that the population elements may not meet the criteria for being chosen as test subjects (Sekaran & Bougie, 2016). In more depth, there are three types of non-probability sampling, including convenience sampling, judgment sampling, and quota sampling. The researchers used the testing of decision. Judgment sampling refers to the subject chosen on the basis of their subject matter expertise (Sekaran & Bougie, 2016). As a consequence, a sorting question occurs in the questionnaire to enable the intended respondent.

The ninth step is to process the data obtained for its reliability and validity. In this analysis, the researcher uses SPSS to check the reliability of the data before checking the validity of the data. The researchers then choose SmartPLS 3.0 software to test the validity of the data. In addition, PLS-SEM (Partial Least Squares Structural Equation Modeling Analysis) technique was chosen to analyze the data. Smart PLS 3.0 will also be used to perform PLS-SEM analysis.

## 1.7 Research Outline

The researchers have systematically organized this research paper into five chapters to simplify and provide a straightforward, detailed picture of the study. There is an introduction, a literature review, research methodology, results and discussion, and finally conclusion and recommendations. The first chapter is the introduction. In the first chapter, the research background, research questions, research objectives, researchers' contribution, issue limitation, research model, research method and writing procedure are explained.

The second chapter is the literature review. In the second chapter, theoretical explanations are shown to support the research model and its variables. In addition, the methods used in this chapter will help the researchers in this study analyze and solve the hypotheses. The third chapter is the research methodology. The third chapter explains the kind of methods used for the study, including data collection, data analysis, as well as hypothesis testing. The fourth chapter is the result and discussion. In the fourth chapter, data collected through questionnaire is analyzed and statistically tested towards variables.

Lastly, the fifth chapter is the conclusion and recommendation. In this chapter, the conclusions are drawn from the discussion in the previous chapters in. In addition, the resulting conclusion may be used as a recommendation for future studies.