

CHAPTER I

INTRODUCTION

1.1 Background of the Study

As we live in an evolving world, marketing means have changed a lot in comparison to previous years. The use of smartphones has increased throughout the years and currently, there are 4.66 billion active internet users as of January 2021 (Statistica, 2021), which is around 59.5% of the world's population. With this astonishing amount, there's no doubt that our current world now revolves the utilizing of technology and internet to our daily lives. Traditional marketing, such as marketing via newspapers, newsletter, brochures, and etc. are no longer used as much, instead, firms have shifted to digital marketing, whereby products and services are advertised online, via social medias, television, YouTube, and also their own websites. Digital marketing plays an important role to a firm's marketing means, and one of the most crucial aspect is the social media marketing. Researches have also shown that 92% of marketers said that social media marketing plays a significant role for their business operations (Ghufran, 2016).

Social Media Marketing plays a crucial role in the marketing means of many firms as social media keeps evolving, more and more users are going online in many different platforms, allowing businesses to target a larger audience and generating more sales when proper social media marketing have been made. A few key players within the social media industry includes Instagram, Facebook and Tiktok. The

worldwide users of social medias have reached 3.6 billion users in 2020, and they are expected to reach 4.41 billion users in 2025 (Statistica, 2021). This creates a pathway for many businesses to further develop their brand, garnering more customers, and making more profit. Many firms and e-commerce sites have now adapted to the use of social media marketing, be it by using endorsements, product placements, ads, reviews and etc. Especially during this pandemic, most people are staying at home during their free time, thus, they have more time to browse through the web and be on their social medias. The safety protocols during this pandemic also encourages us to stay home, and thus, the purchasing of goods through e-commerce sites have skyrocketed during this period. With just one click, goods can be delivered to your doorsteps and we no longer have to travel a distance to purchase products. According to a survey made by Rakuten Insights, 55% of Indonesian respondents admitted that they've made more online purchases, and only 9% did not make any purchases online (Wolff, 2020).

Aside from social media campaigns, electronic word of mouth has also played a huge role in the marketing of a product and service, typically to those who operate in e-commerce sites. With the help of E-WOM, information and feedback are spread at a faster phase, and honest reviews are provided. This creates a loyal customer base as customers will engage with the brand and share it with others, leading to a wider audience range. According to researches done by Husnain et al (2016) and Zafar et al (2019), there is a positive effect between electronic word of mouth on impulse purchases, meaning that e-WOM does affect a person's stimulus to make a sudden unplanned purchase.

Nowadays during this pandemic, we get to spend a lot of time at home browsing through our phone and it is very common for us individuals to irrationally purchase goods we saw and liked immediately, without any further thoughts. Especially with the increasing amount of social media postings and electronic word of mouth that are being posted in many different platforms, customers are met with many daily temptations. Researches show that around 40 to 80 percent of purchases made by customers are a result of impulse buying, meaning that a huge portion of sales are a result of an irrational behavior made by humans (Khokhar, et al. 2019). The result of impulse buying through e-commerce sites have increased throughout the year as more and more advertisements of products are being advertised digitally. With the increase of exposure to those products through digital and social media advertisement, the likelihood of us individuals making more impulse purchases increased significantly, resulting in a larger portion of purchased are caused by impulse purchases.

Upon making an impulse purchase, there are usually many common problems that will be encountered before, during and after these impulse purchases are made. With this, the problems are addressed by the writer and CEO of Invespro, whom is also the co-author of Amazon best-selling book: “Conversion Optimization: The Art and Science of Converting Visitors into Customers”.

Table 1.1 Data regarding impulse purchases

Problems	Data provided by Invespro
Are women or men more regretful after	46% of men and 52% of women

their impulse purchases?	regretted their impulse purchases.
How many % of sales from e-commerce sites are generated from impulse purchases?	40% of the sales in e-commerce sites are made by impulse purchases.
Which generation are most likely to make the most impulse purchases?	52% of impulse purchases are more likely to be made by millennial.
Who contributes more to impulse purchases being made?	There are 45% higher percentage of impulse purchases made by single shoppers in contrast to married shoppers.
How many buyers / shoppers have made an impulse purchase in their life?	Around 84% of all shoppers have made an impulse purchase throughout their lifetime.
Are most impulse purchases made on planned or unplanned shopping trips?	13% buyers are less likely to make impulse purchases on planned shopping trips meanwhile they are 23% more likely to do so on unplanned trips.

Source: Invesproc, 2020

Furthermore, according to the Head of HiTech and Communication Media Markplus, Rhesa Dwi Prabowo (2019), around 64.6% of women in Indonesia do

not browse before purchasing a product they want in e-commerce sites. This shows that a huge percentage of women will browse through e-commerce sites and end up purchasing a product that they've had no intention to, leading to an impulse purchase being made.

One of the major predictors for the impulse purchases of customers are found to be their hedonic shopping motivation and behavior. Hedonic environment is one of the strongest stimulators that ignite impulse purchases. Especially for online purchases, it is easier for these e-commerce websites to target its customers and stimulate the hedonic behavior of the customers, simply by just conducting proper social media marketing. There are various types of hedonic shopping motivations that an individual fall under and these differs from one and another for each individual and situation. In a journal written by Astuti.S.R.T, et al in 2020, she confirmed that hedonic shopping motivations does have a positive effect on impulse buying of Indonesian Instagram users. With this, firms will usually conduct social media marketing means, in support of electronic word of mouth (E-WOM) in order to trigger the hedonic shopping motivations of each customer in order for them to make a purchase. An example of an e-commerce site that has properly utilized social media marketing that will be discussed further in this paper is Shopee.

Shopee is a leading e-commerce site in South East Asia whom was first launched in Singapore in 2015. Within a few years of operations, they've continuously expanded their operations to many different parts of the world, which include Malaysia, Thailand, Taiwan, Vietnam, Philippines, Brazil and lastly,

Indonesia. In Indonesia, Shopee is considered one of the best e-commerce sites, with an approximate of over 127 million visits a month in the first quarter of 2021 (Statistica, 2021), taking the 2nd spot for having the greatest number of visitors. The products being offered by Shopee varies and this is why a lot of people actually prefer Shopee in comparison to other e-commerce sites. Additionally, Shopee has stepped up their marketing game by advertising in various platforms, targeting many different segments, and also providing many engaging contents in many different platforms. This allows them to dominate within the Indonesian market. Aside from Shopee itself, there are a few other e-commerce sites that have dominated the Indonesian market, which are then mentioned in the table provided below.

Table 1.2 Competitors data

E-commerce & year established	Products Offered	Visitors (first quarter of 2021)	Gross Merchandise Value (2020)	Market share (2020)	Market position (2020)	App store rating
Shopee (2015)	Fashion & Accessories, Electronics, Home decor,	127.4 million	US\$14.2 million	37%	1st	4.6/5 stars with over 718,00

	automotive, health, sport products and etc.					0 ratings
Tokopedia (2009)	Electronics, Fashion & Accessories, automotive, health, kitchenware, and etc.	135 million	US\$14 million	35%	2nd	4.8/5 stars with over 389,000 ratings
Lazada (2012)	Household goods, toys, sport equipment, electronics, groceries and etc.	30.52 million	US\$4.5 million	11%	3rd	4.8/5 stars with over 428,000 ratings
Bukalapak (2010)	Electronics, health, fashion,	34.17 million	US\$3 million	7%	4th	3.9/5 stars with

	industrial, home ware, sports, and etc.					over 128,00 0 ratings
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Source: Prepared by writer (2021)

Since Shopee's mainly focused on creating campaigns and mass marketing in different platforms, they might not have the full knowledge regarding their customer's perspective, and also the impact of their social media marketing means has on a customer's impulse buying behavior. With this research, we can gain deeper customer insight regarding Shopee. Additionally, up to date information is also required to meet the needs of the ecommerce industry as it's a very fast paced industry, thus, updated information and insights regarding customers are frequently required. With this paper, I aim to analyze the correlation of Shopee's social media means and electronic word of mouth, alongside what impact they have created to customers that will result in impulse purchases being made. An analysis regarding external behavior, such as the hedonic shopping motivation of customers will also be taken into account in this research paper. Other variables are not included in this paper as they might not be related to impulse purchases made by customers. Additionally, these independent variables are proven to have significant impact to impulse purchases based on previous researches, thus, the writer would like to see whether it is applicable to Shopee customer in Medan.

A quantitative research method is chosen as it requires quite a large pool of

responses, thus, a quantitative method will allow the writer to have better accessibility to reach out to the respondents. Additionally, statistical inferences will be a better representation of the data obtained as it can be statistically analyzed, resulting in better accuracy. Lastly, convenience sampling will be used to collect data from the respondents as the pandemic makes it hard for the writer to reach out to a larger pool of people, and moreover, not everyone is so willing to fill out the questionnaires.

1.2 Problem Limitation

This research paper has potential limitations. The indicators of the variables will be limited to what is mentioned below, other indicators will not be taken into account. Additionally, research is conducted in reference for Shopee's customers in Medan, Indonesia, and will be based on their point of view only.

There are three main independent variables and one dependent variable that will be mentioned in this paper, alongside the indicators for each.

X1: Social Media Marketing Indicator = Accessibility, Credibility, Interaction, Online communities, Sharing of content

X2: Electronic Word of Mouth Indicator = Intensity, Valence of Opinion and Content

X3: Hedonic Shopping Motivation Indicator = Adventure shopping, Social shopping, Gratification shopping, Idea Shopping, Role shopping and Value

Shopping.

Y: Impulse purchases= Spontaneous, Strength, Compulsion, Intensity, Enthusiasm, Simulation, Disregarding of consequences.

1.3 Problem Formulation

Based on the background, the formulations of the problem are:

1. Does Shopee's social media marketing measures leads to the customer's impulse purchase behavior?
2. Do hedonic motivations affect Shopee customer's impulse buying behavior?
3. Does electronic word of mouth (E-WOM) brings an impact to Shopee customer's impulse purchase behavior?
4. Does social media marketing, hedonic motivations and electronic word of mouth simultaneously lead to impulse purchases made by Shopee's customers?

1.4 Objective of the Research

This study aims to:

1. To examine whether there is a significant relationship between Shopee's social media marketing measures and customer impulse buying behavior.

2. To analyze whether hedonic shopping motivation and behaviors affect a Shopee customer's impulse buying behavior.
3. To analyze whether electronic word of mouth has an impact on Shopee customer's impulse purchases.
4. To analyze whether all of the variables including social media marketing, hedonic shopping motivation and electronic word of mouth will simultaneously impact a customer's impulse buying behavior in Shopee.

1.5 Benefit of the Research

1.5.1 Theoretical Benefit

This paper aims to increase the knowledge of the readers regarding marketing, especially, social media marketing and also the electronic word of mouth and hedonic motivation of customers.

1.5.2 Practical Benefit

This paper is expected to contribute additional information regarding marketing, social media marketing, electronic word of mouth, and hedonic motivation to marketers in order for them to conduct marketing measures effectively in the future. And to the readers, it serves as a guideline and understanding on how a firm's social media marketing, especially Shopee's, will lead to impulse purchases being generated.

