

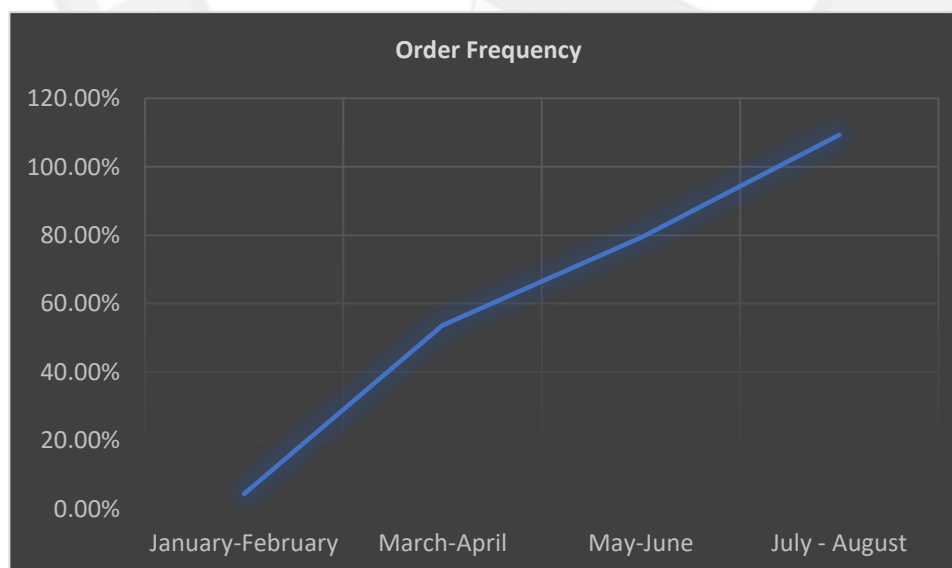
# CHAPTER I

## INTRODUCTION

### 1.1 Background of the study

In the past before money was invented, people were trading their goods with other goods or services with goods and vice versa to complete their needs and they done it directly (face to face) because gadget or internet haven't been developed yet. Nowadays, the activities of buying and selling are called business, which they use money as exchange tools. Technologies also keep growing as the time goes by. In this present time, there are many advance devices with a great application to socialize and make people work easier. Not only it used to communicate with far away friends or finding new friends, many people in this millennial era using it to expand their business. Especially, in this Covid-19 pandemic where social distancing is highly demanded in hope for minimizing the spread of the virus. Talking about the business in this Covid-19 era many companies in Indonesia had to face a downward graphic of income. This also makes more or less than 1,8 million people loss their job. In between February 2020 and 2021 there are 2,8 million people fall into poverty (worldbank, 2021). As to avoid this situation, those people alternate their activities become online to earn their own income and maintain their health, for example, doing an online meeting, online class, online business, online marketing, and etc.

In Medan there are many people who do their activities online in this pandemic situation, especially in business, many offline businesses or shops also shifted to online platform and Indonesia is no exception. Social Commerce Platform becomes quite popular these past years. In Indonesia there are 221 million e-commerce users will represent 77% of the total population by year-end with the average of spending US\$240 online (retailinasia, 2021). Social commerce is defined as a way to incorporate social media into the e-commerce experience to give shoppers real customer recommendations, created by real users, and provide customers with social proof when they are choosing what to buy (Photoslurp, 2021). It usually has two components which is social sharing and social shopping. The place where people do the buying or selling activities. Doing business online can increase the dimmed activities due to the pandemic and provide some advantages. Here are the order frequency graphics during “PSBB” or large-scale social restrictions that had been enforced in several area.



**Figure 1. 1 Graphic of Order Frequency**  
(Source: Riset LPEM FEB UI, 2020)

Figure 1.1 show a significant increase of orders in social commerce platform with the period of half a year. The advantage that people get from this social commerce platforms are: they got a better time flexibility, reduce the loss of income during PSBB, have smaller risk than offline business (they don't have to rent or have a physical building or low amount of stock), and make people easier to search or buy the things they needed at the moment. However, it also has some disadvantages, such as: there are maintenance on the platform, the risk to loss data, risk of scam or fraud in the platform and the things that arrived didn't reach customer expectation. In that case, people choose their social commerce platform carefully to buy or sell their things and ask for their friends or family opinion about the platform, vendors, things and etc. The shop in e-commerce platform usually called as Online shop. It is a shop that exist in virtual world where there is no accurate location for customers to go to the shop and buy the things directly, sellers and customers only interact through chatting or messaging features on the apps. It is the opposites of offline shop that have a physical appearance and customer can also go to the store directly.

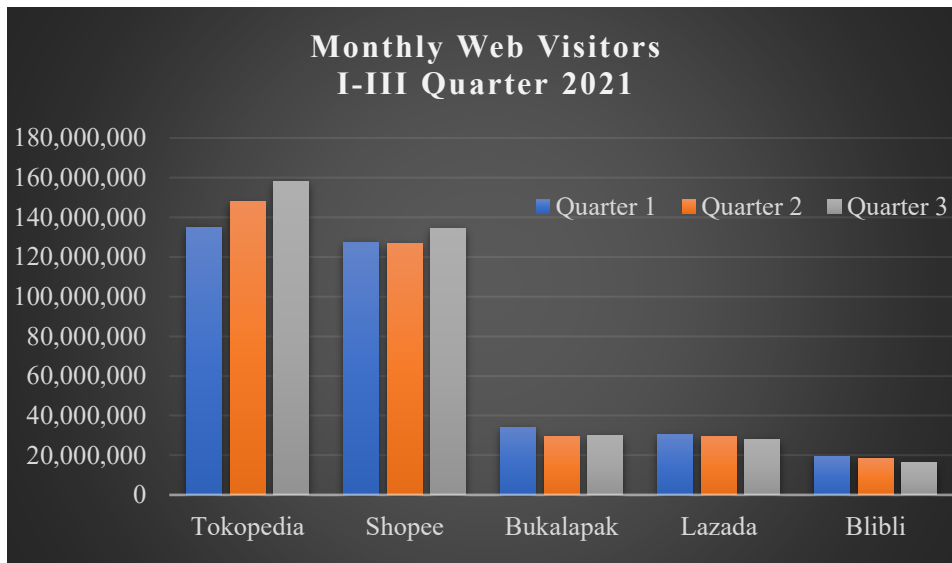
Bukalapak become one of e-commerce platform, where they provide a marketplace with various types of merchants. People can buy the thing they want to complete their needs and can also be one of the merchants or sellers in there. Bukalapak was founded by 3 (three) young entrepreneurs on 10<sup>th</sup> January 2010. Those entrepreneurs are Achmad Zaky as CEO, Muhammad Fajrin Rasyid as CFO, Nugroho Herucahyono as CFO. The initial purpose of this site was very noble which is to provide an online platform for SMEs in Indonesia. SMEs themselves

have an important role in the process of advancing economic development in Indonesia. Their mission is to create a better community life through online and offline business models, including Bukalapak Partners who help street vendors to the next level. After one year of functioning, Bukalapak began to attract a lot of attention from investors with the Batavia Incubator company led by Takeshi Ebihara as the first investor.

In 2014, Bukalapak also received additional investment from aucfan, IREP 500 startup and also GREE Ventures. There are several awards achieved by Bukalapak, such as: HR Asia Awards 2021 – Best Company to work for Achmad Bakrie XVI Award 2018 – Entrepreneurships and Technology, Youtube Pulse 2018 = Best ads – Nego Cincai, Citra Pariwara 2017 – Bronze – digital viral dan email marketing, Citra Pariwara 2017 – Silver – digital integrated campaign, Tangrams awards – E-commerce Asia Pacific, and so on. Despite all the awards they achieved, the hardships they faced also become part of their journey. In 13 February 2019, because of Achmad Zaky tweet about 4.0 industry where offended the president of Indonesia become viral, it makes #uninstalbukalapak become trending topic on twitter. After that issues Achmad Zaky delete and apologize about his statement and meet with Jokowi to resolve the problem. In 2019, there are case where Pakistan hacker who goes by the name Gnosticplayers claimed that they stole the data of Bukalapak users. However, Bukalapak confirms there was an attack attempt by hackers but there is no consumer personal data has been stolen.

Today Bukalapak ownerships are held by Suitmedia and also Kreatif Media Karya where Willix Halim as CEO, Teddy Oetomo as President and Natalia

Firmansyah as CFO (bukalapak.com, 2021). While, Achmad Zaky only focus on become advisor of Bukalapak and also become startup tech mentor. In the first quarter of 2021, the number of Bukalapak's monthly visitors amounted to approximately 34.17 million (Statista, 2021). The construct which represents the "Number" is Perceived Herd Behavior. The definition of herd behavior is the behavior of individuals in a group acting collectively without centralized direction (Wikipedia, 2021). In another words, people will feel more intrigued to use the platform that already got many users and buy the things in a vendor that have many followers in it. This means the individual tends to be influenced by the significant number of referents (Otsatuyi & Turel, 2019). Bukalapak has six million *pelapak* and five million partners, both agents and stalls which is an increase from last year (Annur, 2020). From Katadata.co.id around 3.5 million new MSME join Bukalapak platform. Bukalapak have 1.8 million followers in Instagram, 2.3 million followers in facebook, and 387,273 followers in LinkedIn. With the employee size of 2,983 employees. Medan become the second largest Bukalapak platforms users. According to Ahmad Sanuary Kamil (Ame) as the brand Manager Assistant of Bukalapak.com Medan have a good potential in online business and transactions, especially the one who are using Bukalapak platform. Medan people wieved from the user's perspective, there are 40 percent of transaction for both buying and selling. Which is a good achievement. The goods that have the most transaction are electronics and fashion (Waspada, 2016).



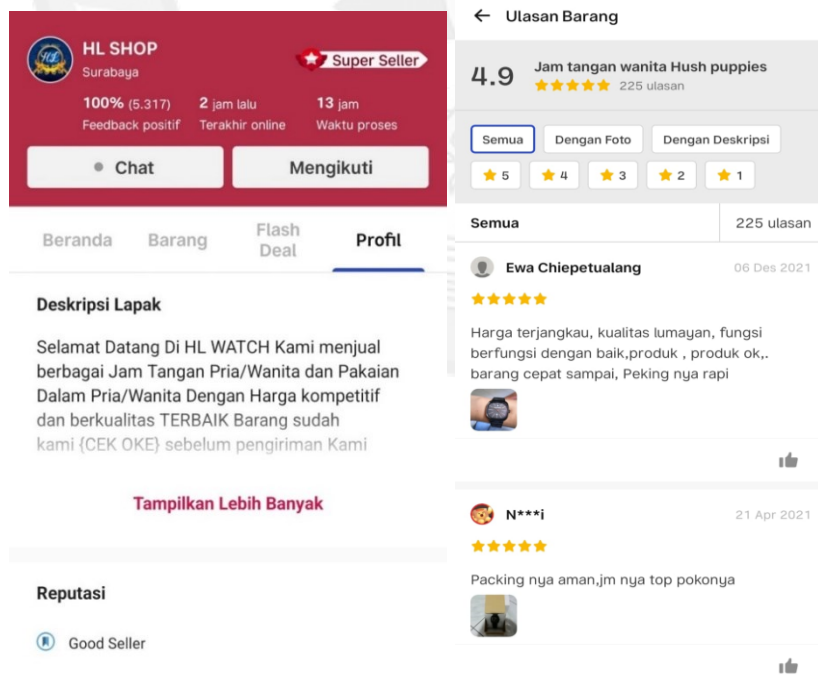
**Figure 1. 2 Graphic of Monthly Web Visitors**  
(Source: iPrice Kuartar I – III, 2021)

The graphic above show that Bukalapak placed the third rank from several ecommerce that have the most monthly visitors. According to the previous research by Handarkho (2020), numbers of people in SC who buy a specific vendor will influence the individual intention to buy from him/her. Despite in the reality there are more businessman than businesswoman in Indonesia, Bukalapak and their partners use this opportunity to facilitated more than 2 million female MSME actors in running their own businesses, including providing financial facilities and business management training. Throughout 2021, Bukalapak has provided training sessions, workshops, and seminars to 15,000 women in various regions in Indonesia, of which 83% are from outside Java. Until now there are 38% high level employee in Bukalapak that occupied by woman. Not only women but men can also start their own business despite being an amateur. This will increase percentage of SME and the growth of Indonesian economic. In Indonesia SMEs can be defined as enterprises whose personnel numbers fall below certain limits, for example:

agriculture, construction, retail trade, manufacturing, mining, forestry, and oil and gas extraction, and etc. Medium, Small and Micro Enterprises contributes to Indonesia's national economy through gross domestic product formation and labor absorption. In Medan, as many as 672,000 MSMEs were affected by the corona pandemic. Because of this, they experience difficulties in paying existing costs such as salaries, employee salaries, and other operational and non-operational costs. The digitization of MSMEs absorb 97% of the workforce and contribute 56% of the country's GDP.

According to Indotelko.com (2022) there are several impacts of Bukalapak on MSME in Indonesia: Indonesian MSMEs absorb 97% of the workforce and contribute 56% of the country's GDP by expanding its technological capabilities, Bukalapak contributes to the 3 SDGs (Sustainable Development Goals), Bukalapak has embraced more than 10 million MSMEs (Micro, Small and Medium Enterprises) across Indonesia to transform their business and position them on a par with modern businesses. Bukalapak Partners are noted to have succeeded in increasing their income by up to 3 times and getting 6x more transactions on average since joining as a Bukalapak Partner. According to research conducted by Nielsen in 2021, Bukalapak also leads the digitization of MSMEs through the online to offline (o2o) platform with 42% penetration. Social experience become an important role in Bukalapak, as it was the result of cognitive and practical activities of individual, manifested in synthesis of knowledge about the social reality, experiences of performing the methods of activity and emotional relationships (Safronova, 2014). Digital social experiences arises when a

technology enable wider, faster, and more frequent social interaction helps to meet physiological need for safety, love/belonging, self-esteem and actualization and the resultant emotions evoke. If there are many closed related people who recommended to use Bukalapak platform and it gets good review from other customer in the community, the familiarity or tie strength towards Bukalapak will increase which is also increase customers intention to purchase in Bukalapak platforms. According to Mattie et al. (2018) tie strength can be strong and weak, people in general have a close relationship with only a few friends or family member and a weaker tie with a larger group of individuals. When a platform got most of 5 stars rating it will attract more people to use the platform. This rules also applies to the vendors on the platforms. The images below will show the rating and reviews of one trusted merchant in Bukalapak,



**Figure 1. 3 Profile of trusted merchant & product rating in Bukalapak**  
(Source: Bukalapak-HLShop, 2022)



Tie strength is defined as level of intensity of a social relationship between the source of eWOM (electronic word of mouth) message and the consumer (Rani and Shivaprasad, 2019). Don and Wand (2018) believed that the tie strength relationship happens not only with family and close friends in real life, but it also happened with the strangers they meet online. Hence, customer's intention to purchase in Bukalapak can also be influenced by other customers opinion even when they didn't know each other in the Bukalapak community. The 2 (two) construct that represent types of tie strength, are: Subjective Norms which refers to people perception or view of the belief of others that will affect interest in doing or not doing the behavior under consideration (Zahro, 2018) and Peer Communication that can be considered as suitable attribute because tie strength can also develop in virtual community. It refers to the process of an individual learning other customers' attitudes. Behaviors, or knowledge toward particular products or services through online social interaction (Huang, 2016; Wang et al., 2012). Consumers are inclined to learn through recommendations, feedback, ratings, and reviews provided by their online peers in terms of purchase decisions (Beyari and Abarashi, 2019). Back to the Images 1.1 in Bukalapak, people can read the feedback and see the rating and review of the product on the vendor profile which leaved by other customer.

In 2021, Bukalapak launch a program called Pilihan Jagoan that presents various types of products from household appliances, car & motorcycle accessories, industrial equipment, electronic goods and etc. which can be onbtained by users while enjoying many attractives promos and offers such as Cashback to IDR 1

million, flash deal with discounts up to 70% every day and unlimited free shipping. In this program Bukalapak also collaborated with 2 well-known presenters, actors, and musicians Vincent and Desta as their brand ambassadors (pressrealease.id, 2021). CEO of Bukalapak, Rachmat Kaimudin said that brand ambassadors are people who work together so that they participate in promoting their brand. The reason he chooses them to become Bukalapak ambassadors because there is match between Vincent and Desta with Bukalapak. Bukalapak itself is a very “Indonesia” brand. At first Bukalapak join many hobbies community, like: bicycle, motorcycle, photography, and etc. So can be conclude that most of Bukalapak users are man especially fatherly age. Erick Wicaksono, vice president of Marketing Bukalapak said, “Bukalapak is committed to always innovating and developing all its services, features, and programs in order to continue to meet the needs of dynamic users. Currently, household, automotive and hobby items are among the most sought after.

In 2022, to commemorate of Eid Mubarak 1443 Hijri, Bukalapak made many promotions and one of them is called as “*Bobol Potongan Ekstra*” with Song Joong Ki as the commercial star. Song Joong Ki is a well-known actor from South Korea who already play in variety shows, dramas and even movies, such as Running Man (2010 – 2011), The Innocent Man (2012), Descendants of the Sun (2016), Vincenzo (2021), Space Sweepers (2021) and etc. He also won several awards, such as Outstanding Korean Actor in Seoul International Drama Awards (2016 and 2021), Most Popular Actor (TV) in Baeksang Arts Awards (2016), Best Actor Film in Brand Customer Loyalty Award (2021) and etc. From all the achievement, of course shows the fact that he got many fans that supported him, especially

Indonesian mom that likes to watch drama. Which, Bukalapak took that opportunity to promote their Brand. This collaboration and events hopefully will increase the closeness of customers to Bukalapak and eventually increase customer decision to purchase in the platform. The closeness in this context is defined as the fact of being connected by shared interest and shared feeling such as love and respects (Macmillandictionary, 2022). There are 2 (two) constructs purposed to represent the closeness, namely: Emotional Support and Parasocial Interaction. Emotional Support refers to any form of encouragement, empathy, or understanding that occurs among members of the community (Chen and Shen, 2015). While Parasocial Interaction is one-sided relationships that individuals form with characters from television and other media, it can have negative and positives outcomes (Jarzyna, 2020). This usually happened with celebrities and their fans through television or social media. Chies is one of *pelapak* (name of seller in Bukalapak) that focus on selling bicycle and its accessories said that Bukalapak's key advantage is their communication. At Bukalapak.com, Chies feels a close relationship and it's easy to communicate like a community, both with admins and with other fellow sellers (Indotelko, 2015).

Social experience in e-commerce customers has been an interesting topic to examine due to its popularity as a relevant solution for internet technology utilization issues such as the inadequacy of human and financial resources faced by many micro, small and medium enterprises (MSME) (Braojos et al., 2019). Since the Covid-19 pandemic, the implementation of Community Activity Restriction (PPKM) forces people to spend the majority of their time at home. The development

of SMEs has felt the impact of this. Most of people do their activities online including purchasing and offering goods or services. MSMEs need to be encourage to be able to partner with foreign and local investors and Bukalapak is one of the platforms that support SMEs. With the number of followers / members in Bukalapak platform, the rating and review of peer through the platform and opinion of people around the environment, as well as the collaboration and features that Bukalapak have, the writer interested to do research with the title **“The Effect of Perceived Herd Behavior, Subjective Norms, Peer Communication, Emotional Support, and Parasocial Interaction on Customers’ Intention to Purchase in Bukalapak during Covid-19 Pandemic Situation”**

## **1.2 Problem Limitation**

As of the research will be more accurate, the writer decided to conduct the research by setting up several limitations, such as:

- a. Because of the geographical and pandemic situation, the writer will gather the data of this research from Bukalapak customers in Medan by online questioning.
- b. The range of respondent age in this study is between 18 – 60 years old. According to RBCkotler it was the age of people who can decide for themselves in making purchase.
- c. The research will use 6 (six) variables which are: Perceived Herd Behavior as variable X1 (first independent variable) whose indicators are: number of members/followers in Bukalapak, the number of acquaintances that purchase in Bukalapak, the number of people that purchase in Bukalapak, and the

choices of other users, Subjective Norm as variable X2 (second independent variable) whose indicators are: believes on friend's support, believes on close related person's support, and believes on important peoples support, Peer Communication as variable X3 (third independent variable) whose indicator are: talk with other members/followers about the product from the vendor in Bukalapak, talk with other members/followers about purchasing the product from the vendor in Bukalapak, advice about the particular product from the vendor in Bukalapak, obtained the product information from other members/followers, other members/followers encourage to buy the product from the vendor in Bukalapak, Emotional Support as variable X4 (fourth independent variable) whose indicators are: safety needs – get the comfort and encouragement from some people in Bukalapak, some people listen to their problems, and some people express their interest and well-being to each other, Parasocial Interaction as variable X5 (fifth independent variable) whose indicator are: the transparency, the interaction, the comparisons, and the trustworthiness and lastly, Intention to purchase as Y variable (dependent variable) whose indicator are: customer intention to buy in vendor from Bukalapak in the future, customer firm intention to purchase in Bukalapak if the product recommended by others, customer choose to consider and accept product recommendations from others without any hesitation when decide to purchase in Bukalapak.

### **1.3 Problem Formulation**

Based on the research that had already been explained in the background of the study, the problem formulations of this study are:

- a. Does perceived herd behavior have significant effect on customers intention to purchase in Bukalapak during pandemic Covid-19 situation?
- b. Does subjective norm have significant effect on customer intention to purchase in Bukalapak during pandemic Covid-19 situation?
- c. Does peer communication have significant effect on customer intention to purchase in Bukalapak during pandemic Covid-19 situation?
- d. Does emotional support have significant effect on customer intention to purchase in Bukalapak during pandemic Covid-19 situation?
- e. Does parasocial interaction have significant effect on customer intention to purchase in Bukalapak during pandemic Covid-19 situation?

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

Based on the research that had been explained in the background and the problem formulation that had been decided in the study, the purposes of this study are:

- a. To acknowledge the effect of perceived herd behavior on customer intention to purchase in Bukalapak during pandemic Covid-19 situation
- b. To discover the effect of subjective norm on customer intention to purchase in Bukalapak during pandemic Covid-19 situation
- c. To determine the effect of peer communication on customer intention to purchase in Bukalapak during pandemic Covid-19 situation

- d. To determine the effect of emotional support on customer intention to purchase in Bukalapak during pandemic Covid-19 situation
- e. To analyze the effect of parasocial interaction on customer intention to purchase in Bukalapak during pandemic Covid-19 situation

## **1.5 Benefit of the Research**

Theoretical Benefit and Practical Benefit are the two (2) forms of benefit in this research.

### **1.5.1 Theoretical Benefits**

As far as the educational context is concerned, the accomplishment of this research will send as a means of extra learning about the influence of social experience on customers purchase decision in Bukalapak. As a result, it can, enrich the writer understanding and improve future educational discussion of the similar topics.

### **1.5.2 Practical Benefits**

The writer expects that this research will deliver three (3) benefits which are as follows:

- a. Increase the writer's knowledge and insight about perceived herd behavior, subjective norms, peer communication, emotional support, parasocial interaction and customers intention to purchase in practical way.
- b. Become a helpful solutions and additional information for the company about the relation between social experience and customers purchase decision.
- c. Become reference that can be a consideration of others researches with the similar object and to develop a study that have the same topic, in the future.