

CHAPTER I

INTRODUCTION

1.1 Background of the Study

In this era, interactions between producers and consumers are increasingly occurring through internet media. According to a poll conducted by the Association of Indonesian Internet Service Providers (APJII) in 2023, internet penetration in Indonesia reached 78.19 percent, accounting for 215,626,156 individuals out of a total population of 275,773,901. The high number of internet users in Indonesia is in line with the growth of online businesses, or more commonly known as e-commerce (Janah, 2023).

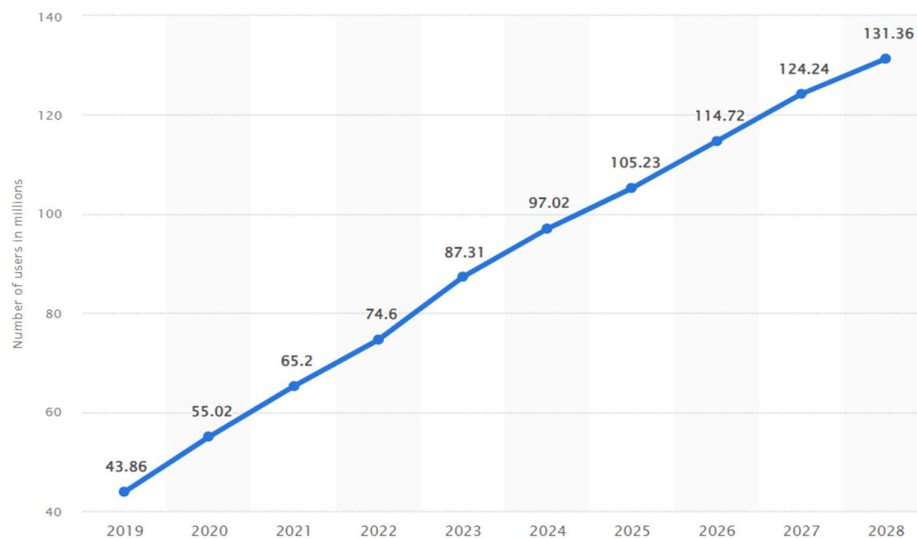


Figure 1.1: Number of users of e-commerce in Indonesia from 2019 to 2028
Source: Statista (2024)

Online shopping is an implementation of one form of progress in the use of digital technology, online shopping also changes consumer behavior from what

used to be offline to online. The use of electronic media and the internet to transact in products and services is referred to as e-commerce, or electronic commerce (Jain et al., 2021). E-commerce in Indonesia is experiencing rapid growth in line with the Industry 4.0 Revolution. As seen in Figure 1.1, it is projected that the number of users in Indonesia's e-commerce market will rise by an additional 34.3 million users (+35.35 percent) between 2024 and 2028.

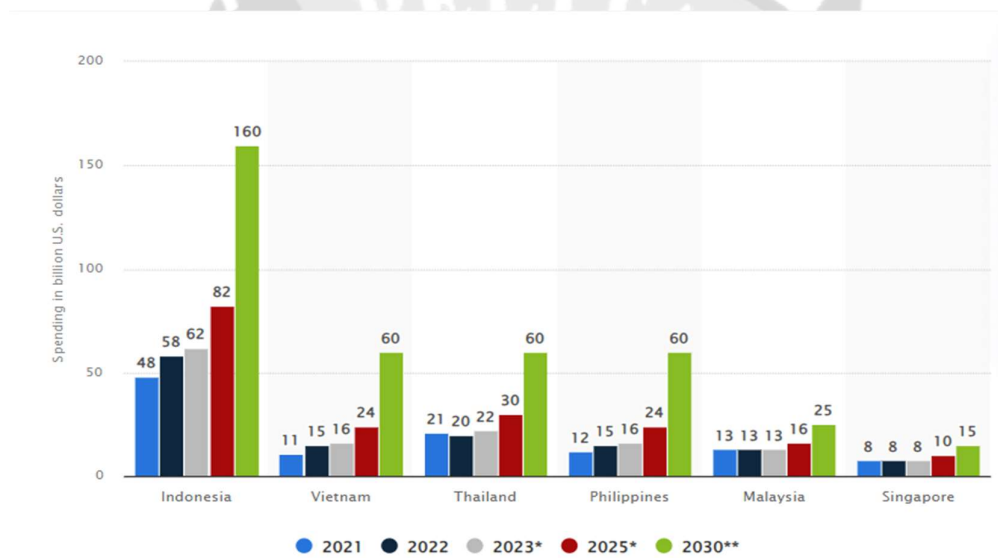


Figure 1.2: E-commerce market volume in Southeast Asia from 2021 to 2022, with forecasts from 2023 to 2030, by country (in billion U.S. dollars) by S. Ganbold

Source: Statista (2023)

With a value of about 48 billion USD in 2021 and 58 billion USD in 2022, respectively, as illustrated in Figure 1.2, Indonesia has the largest e-commerce market volume in Southeast Asia, greatly outpacing that of other nations in the region.

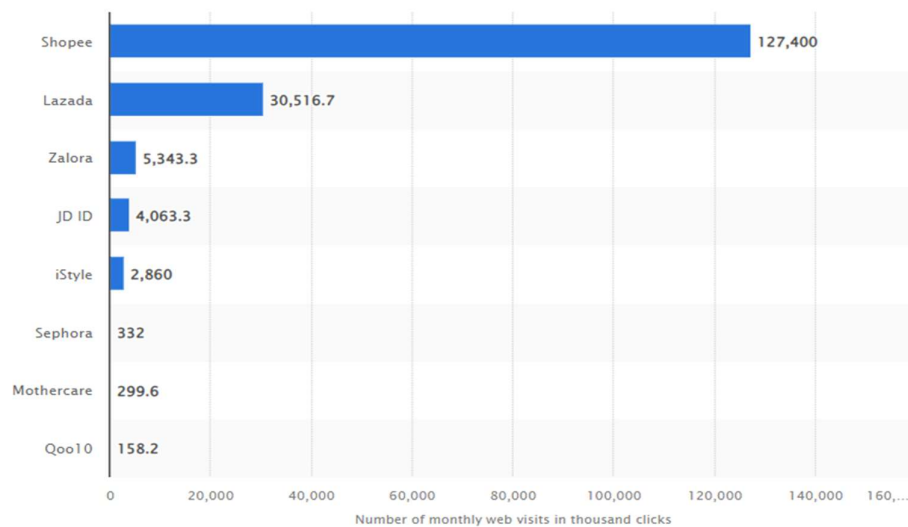


Figure 1.3: Most popular international marketplaces in Indonesia as of 2nd quarter 2022, by monthly web visits (in 1,000 clicks) by Hanadian Nurhayati-Wolff

Source: Statista (2023)

In the second quarter of 2022, as indicated in Figure 1.3, Shopee emerged as the most popular international marketplaces with around 127.4 million monthly web visits. Six marketplaces accounted for the majority of Indonesia's Gross Merchandise Value (GMV) in 2022. According to the International Trade Administration (2024), such marketplaces' breakdown and estimated contributions to the overall GMV are as follows:

- a. Shopee – 36% or around USD 18.7 billion (IDR 277.6 trillion)
- b. Tokopedia – 35% or around USD 18.2 billion (IDR 269.7 trillion)
- c. Lazada – 10% or around USD 5.2 billion (IDR 77.1 trillion)
- d. Bukalapak – 10% or around USD 5.2 billion (IDR 77.1 trillion)
- e. TikTok Shop – 5% or around USD 2.6 billion (IDR 38.5 trillion)
- f. Blibli – 4% or around USD 2.1 billion (IDR 30.8 trillion)

This reflects Shopee's popularity among Indonesian consumers who choose the platform for their shopping needs as a marketplace. Shopee is a one of e-commerce in Indonesia used as a meeting place for buyers and sellers to make buying and selling transactions like a market in general (Tumanggor et al, 2024). Shopee provides business opportunities for the community to sell products, exchange information, make product purchases, and provide reviews of products (Septiyani & Hadi, 2024).

Since the introduction of live commerce, the practice of shopping via e-commerce has demonstrated more fascinating trends. Live commerce has successfully changed the online retail landscape, with several companies implementing it into their strategy. Unlike static e-commerce platforms, live commerce provides a dynamic experience. Live commerce was initially introduced in 2016 by Taobao Live, an e-commerce site operated by Alibaba Group, one of the world's top technology firms. Shopping through live commerce began in China and has since moved to Southeast Asia, where it has become a popular way for people to shop online as more consumers want interactive shopping experiences (Zellatifanny, 2024).

Many industries and various marketplaces have adopted this live shopping concept as a marketing strategy in which to create behavior where people seem to be hunting and waiting for the products included in the live feature. In this case, Shopee has launched a live streaming marketing feature called Shopee Live. This feature allows sellers on Shopee to engage in direct marketing by selling and interacting directly with buyers through live broadcasts on the Shopee app.

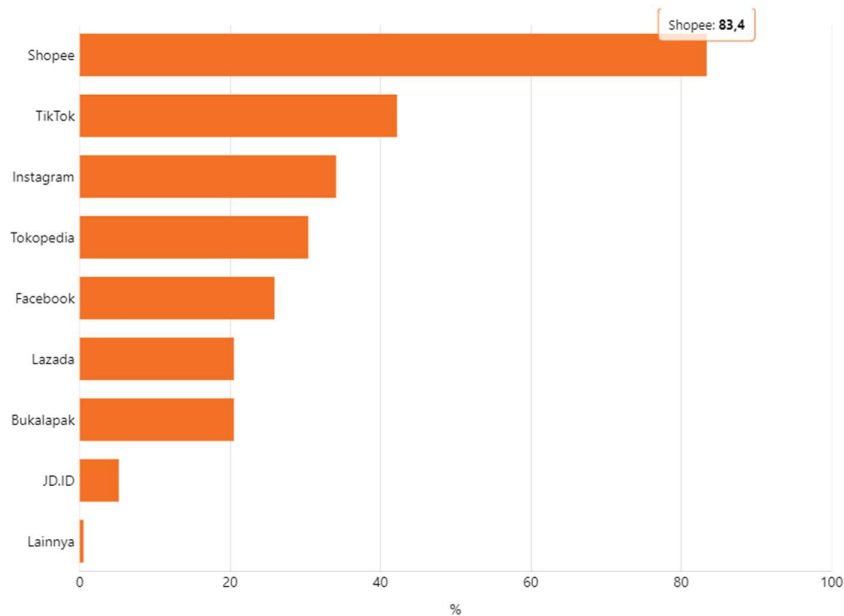


Figure 1.4: Most Used Live Streaming Online Shopping Platforms in 2022
Source: Annur (2022)

In Figure 1.4, it observed the Jakpat survey that was conducted on June 5, 2022, involving 2,712 respondents through the Jakpat application. The survey results showed that 83.4% of Indonesians are users of the online shopping feature through live broadcasts, known as live shopping, on Shopee.

Shopee recorded a threefold increase in sales through its live shopping feature, driven by strategic promotional campaigns. The platform offered various promotions, including discounts and limited-time deals, to boost engagement during live sessions. These promotions are part of Shopee's broader strategy to enhance the shopping experience and capitalize on the growing trend of live commerce, which is increasingly popular among consumers for its interactive and immediate nature (Septiani, 2023).

The expansion of e-commerce enterprises in promoting their products inside the Indonesian market is significantly impacted by meticulous analysis of customer

behavior in Indonesian society. There is a shopping behavior that needs to be watched out for, namely impulse buying. Moreover, impulse buying during online live selling is driven by emotional triggers and strategic marketing tactics. Live shopping sessions often create a sense of urgency through limited time offers, scarcity of products, and real-time interaction, which prompts consumers to make spontaneous purchases. The interactive nature of live selling mimics in-store experiences, building a social connection between buyer and seller.

According to Hasim et al. (2023), because live streaming is a relatively new phenomenon, little study has been conducted thus far. Few research have looked into the impact of live-streaming shopping on customer purchase intent. The rise of e-commerce platforms has transformed how businesses connect with customers, providing unparalleled convenience and access to a diverse range of products and services. Within this digital landscape, live shopping has emerged as a prominent trend, particularly on platforms like Shopee Live, where sellers engage with customers through real-time video broadcasts. Understanding consumer behavior in the context of live shopping is crucial for both sellers and platform operators. As a result, the purpose of this study is to investigate the factors that influence impulse buying behavior among Shopee Live audiences. In e-commerce, impulse buying, which is defined as impulsive and unexpected purchases, is important for boosting sales and revenue.

Qu et al. (2023) highlight the scarcity of study on the interaction of elements such as the impact of social influence on impulse purchase, particularly in the setting of live-stream commerce. This highlights the importance of further

investigation to better understand how social influence shapes consumer behavior in live-stream shopping settings.

In the context of impulse buying behavior, previous studies have yielded inconsistent findings regarding the influence of various factors, highlighting significant research gaps in the literature. For instance, Shopping Enjoyment Tendency (SET) is often linked to higher impulse buying behavior in some research such as those from Muzdalifah (2023) and Erlangga et al. (2022), other studies such as Febrilia & Warokka (2021) suggest its insignificant effect. The relationship between Consumer Mood (CM) and impulse buying behavior also demonstrates a gap, with certain studies showing a significant effect such as Febrilia & Warokka (2021) and Muzdalifah (2023), whereas others such as Nurmasari et al. (2023) finds these effects to be insignificant. In the case of Product Attributes (PA), which have been highlighted as significant drivers of impulse buying in some studies such as Muzdalifah (2023) and Verawaty & Rustam (2023), other research points to non-significant effects like Febrilia & Warokka (2021). Furthermore, Website Quality (WQ) has shown mixed results in prior studies, with some indicating a significant impact on impulse buying behavior such as Rahman & Hossain (2022) and Prasetio & Muchnita (2022), while others indicating insignificant effects such as Febrilia & Warokka (2021). Marketing Stimuli (MS) have been frequently regarded as strong triggers for impulse buying which has been proven in the study by Iyer et al (2019) and Mahar et al (2020). Conversely, other research from Ittaquillah et al (2020) showed no significant relationship. Lastly, Social Influence (SI) presents contrasting findings, as some studies highlight its powerful role in shaping impulse

buying behavior such as Gunawan et al. (2023) and Hu et al (2019), while other studies from Achim et al. (2024) argue contrary.

These inconsistent findings across the variables underscore the need for further exploration. This study aims to fill these gaps by examining each variable's link with impulse purchase behavior in the context of Shopee Live, resulting in a more thorough knowledge of the factors that influence customer impulsivity on live shopping applications.

The study examines on both external and internal variables that could affect impulsive purchasing. Consumer characteristics such as a tendency for impulsive purchases, the tendency for shopping pleasure (sensation seeking), and the emotional condition of the consumer are examples of internal influences. These factors delve into the psychological aspects of consumer behavior and how they contribute to impulsive purchases during live shopping sessions. External factors, on the other hand, encompass various elements external to the individual, including product attributes, website quality, marketing stimuli, and social influence. Product attributes refer to the characteristics of the products being sold, while website quality pertains to the usability, design, and overall user experience of the Shopee Live. Marketing stimuli encompass promotional activities and incentives offered by retailers to stimulate consumer interest and purchasing behavior. Social influence examines the impact of social interactions, peer recommendations, and influencer endorsements on consumer decision-making during live shopping sessions.

To analyze the complex interplay between these variables, the study employs a Structural Equation Model (SEM), a robust statistical technique that allows for the examination of relationships between multiple variables simultaneously. The employment of advanced analysis methods, such as variance-based SEM, improves the reliability of the findings. The study seeks to give significant insights for sellers, platform operators, and marketers looking to optimize their strategies for Shopee Live and other comparable platforms by analyzing the combined effects of internal and external factors on impulse buying behavior. The study will be titled: “Exploring the Drivers of Impulse Buying Behavior on Shopee Live Audiences”

1.2. Problem Formulation

Based on the background regarding the influence of internal and external factors on impulsive buying behavior on the Shopee Live, the main problem formulation in this research is as follows:

1. Does the impulsive buying tendency of Shopee Live audiences significantly affect the impulsive buying behavior?
2. Does the shopping enjoyment tendency of Shopee Live audiences significantly affect the impulsive buying behavior?
3. Does the consumer mood of Shopee Live audiences significantly affect the impulsive buying behavior?
4. Does the product attributes of Shopee Live significantly affect the impulsive buying behavior?

5. Does the website quality of Shopee Live significantly affect the impulsive buying behavior?
6. Does the marketing stimuli of Shopee Live significantly affect the impulsive buying behavior?
7. Does the social influence of Shopee Live significantly affect the impulsive buying behavior?

1.3. Problem Limitation

In this study, several limitations were imposed:

- a. **Scope of Analysis:** This study focuses on the factors that influence impulse purchase behavior in the setting of Shopee Live. While the insights acquired may have broader significance for e-commerce and live shopping platforms, they may not be fully applicable to other platforms. This study does not take into account users of other platforms; hence the research findings' generalizability may be confined to the setting of Shopee Live. Different platforms may have distinguishing features and user experiences that influence customer behavior differently.
- b. **Independent Variables:** The independent variables used in this study is limited to impulse buying tendency, shopping enjoyment tendency, consumer mood; product attributes, website quality, marketing stimuli, and social influence.
- c. **Respondent sampled in this study** are audiences of Shopee Live, which are more than 18 years old.

- d. Data Collection Method: This study relies on data collection methods through online surveys.

These limitations help focus research efforts on relevant variables and enable researchers to produce findings consistent with the established research objectives. However, it is important to consider these limitations when interpreting research results and planning further research in the future.

1.4. Objective of the Research

The primary objective of this research is to examine the influence of factors on impulsive buying behavior on the Shopee Live. Specifically, this study aims to achieve the following objectives:

1. To determine the influence of impulsive buying tendency among Shopee Live audiences on impulsive buying behavior.
2. To assess the impact of shopping enjoyment tendency among Shopee Live audiences on impulsive buying behavior.
3. To examine the relationship between consumer mood among Shopee Live audiences and impulsive buying behavior.
4. To investigate the effect of product attributes on impulsive buying behavior.
5. To evaluate the relationship between website quality and impulsive buying behavior.
6. To analyze the influence of marketing stimuli on impulsive buying behavior.
7. To explore the impact of social influence on impulsive buying behavior.

By addressing these objectives, this study hopes to provide insights into the factors that influence impulsive buying behavior on Shopee Live, thereby contributing to a better understanding of consumer behavior in the context of live shopping platforms.

1.5. Benefits of the Research

The research on the influence of factors on impulsive buying behavior on Shopee Live offers both theoretical and practical benefits:

1.5.1. Theoretical Benefit

This study helps to advance the theoretical understanding of impulsive purchasing behavior in the setting of live shopping platforms such as Shopee Live. It improves our understanding of consumer behavior in live commerce settings by looking into the impact of various factors on impulsive buying behavior (such as impulsive buying tendency, shopping enjoyment tendency, consumer mood, product attributes, website quality, marketing stimuli, and social influence).

1.5.2. Practical Benefit

The findings of this research can provide practical insights and guidance for various stakeholders:

1. For Shopee and E-commerce Platforms:

Understanding the elements that drive impulsive purchasing behavior on live shopping platforms can assist Shopee and other e-commerce platforms in improving their marketing tactics and platform features. By identifying which factors have the most significant impact on impulsive buying

behavior, these platforms can tailor their promotional efforts, website design, and product offerings to better engage users and drive sales.

2. For Shopee Live Sellers:

Shopee Live sellers can benefit from insights into consumer behavior and preferences on the platform. Understanding the factors that influence impulsive purchasing behavior allows merchants to adjust their live streaming content, product presentations, and promotional methods to efficiently reach their target audience. This can result in more sales and customer happiness for Shopee Live retailers.

3. For Researchers and Academia:

Researchers in the fields of consumer behavior, e-commerce, and digital marketing can use the findings of this research to inform future studies and contribute to the academic literature. By building on the insights gained from this research, scholars can further explore the complexities of impulsive buying behavior in online environments and develop new theoretical frameworks or empirical models to explain and predict consumer behavior more accurately.

Overall, this study has the potential to yield useful knowledge and practical implications for both academic researchers and industry practitioners in the live and e-commerce sectors.

1.6. Writing Systematics

The current study is designed to give readers a clear explanation and full assessment of the research, which seeks to evaluate the impact of many factors on impulsive purchasing behavior. The research is organized into several chapters, each serving a specific purpose:

CHAPTER I: INTRODUCTION

This chapter presents the research, including background information, problem definition, research questions, aims, and the study's importance. Additionally, the organization of the research is outlined in this chapter.

CHAPTER II: LITERATURE REVIEW

The second chapter goes into the theoretical foundations of the research, such as relevant literature, theoretical frameworks, hypothesis creation, and the conceptual framework that guided the investigation.

CHAPTER III: RESEARCH METHODOLOGY

The third chapter describes the research methodology used in the study, which includes research design, sample methods, data collection methods, variable operationalization, measurement tools, and data analysis procedures.

CHAPTER IV: RESULTS AND DISCUSSION

Chapter four covers the study findings, which include descriptive statistics, data analysis results, hypothesis testing outcomes, and a thorough discussion of the findings in connection to the research questions and objectives.

CHAPTER V: CONCLUSION

The final chapter wraps up the research by reviewing the important findings, addressing their consequences, and making recommendations for future research areas. This chapter also discusses the study's limitations and suggests opportunities for further inquiry.

By following this structured format, readers can navigate through the research seamlessly, gaining a thorough understanding of the study's objectives, methods, findings, and implications.

