CHAPTER I

INTRODUCTION

A. Research Background

Due to the development of modern globalized society, the internet has become a vital stimulus for progress not only in the world of economy, but also in other spheres of human activity (Zatonatska, 2019). As of 2022, the German' Statistics Portal announced that 63.1% of the world's population, or 5,03 billion people, actively use the internet (Statista, 2022). Indonesia has the biggest growth of internet users in the world (Eriyanto, 2022). A survey done by Indonesian Internet Service Provider Association or "Asosiasi Penyelenggara Jasa Internet Indonesia" (APJII) showed that there are 204,7 million internet users in Indonesia with a penetration rate of 77.02% of Indonesia's total population of 277,7 million people in June 2022 (Databox, 2022). Amongst the high volume of internet surfers, internet users in Indonesia are mostly the young generation, born 1980s to the early 2000s (Komalasari, 2021). Internet penetration for people aged 13-18 years old has reached 99.16%, aged 19-34 at 98.64%, 35-54 at 87.3%, and 55 or older at 51.73% (Databox, 2022).

The flabbergasting growth of the internet has increased the importance of electronic commerce (Komalasari, 2021). Electronic commerce, also known as e-commerce, means the purchase and sale of goods or services using the internet, as

well as the transfer of money and data carry out these transactions (Vasilenkova, 2020). E-commerce is an online business activity both in product offerings and services, and all business transactions that involve the interaction of various parties occurs electronically and not in direct contact (Puspitasari, 2018). The statistics for global retail e-commerce sales from the year 2022 were an estimated $5.7 billion worldwide and its predicted sales growth for the next four years are shown in Figure 1.1 (Statista, 2022).
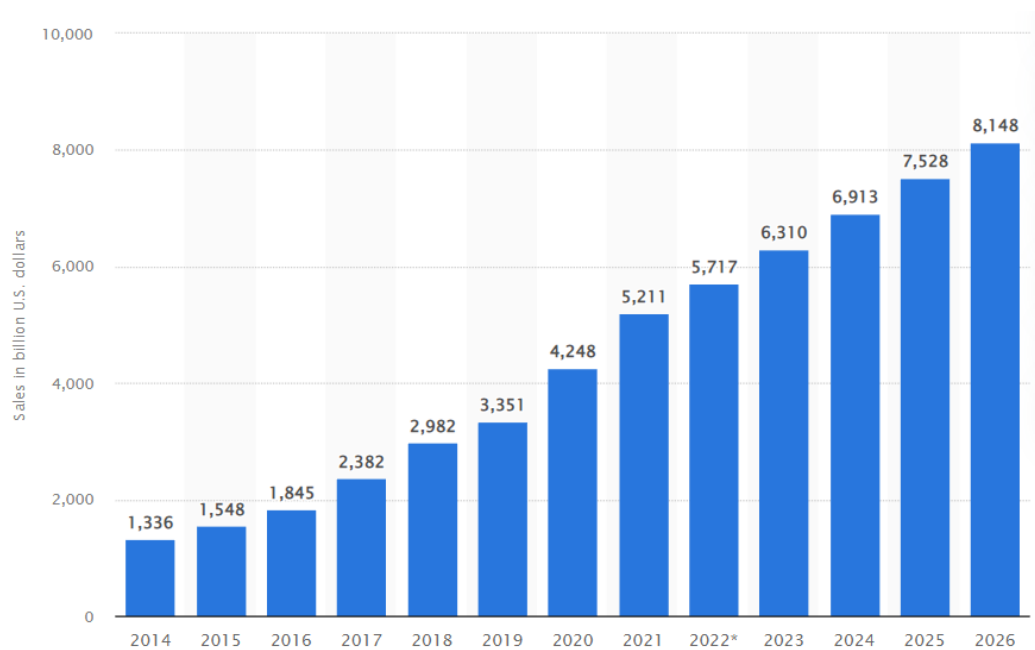

Figure 1.1 Retail E-commerce Sales Worldwide
(Source: Statista, 2022)

Currently topping the list of top e-commerce companies in the world is e-commerce giant Amazon and the second biggest e-commerce company is also headquartered in the US, Home Depot (Oberlo, 2022). Value Today (2022) reported Amazon stands at a whopping $1.649 trillion in market value and Home Depot is

following with $411.02 billion. Combined with sales of Walmart, Alibaba, and Prosus, these five biggest companies have a combined market value of over $3 trillion (Value Today, 2022).
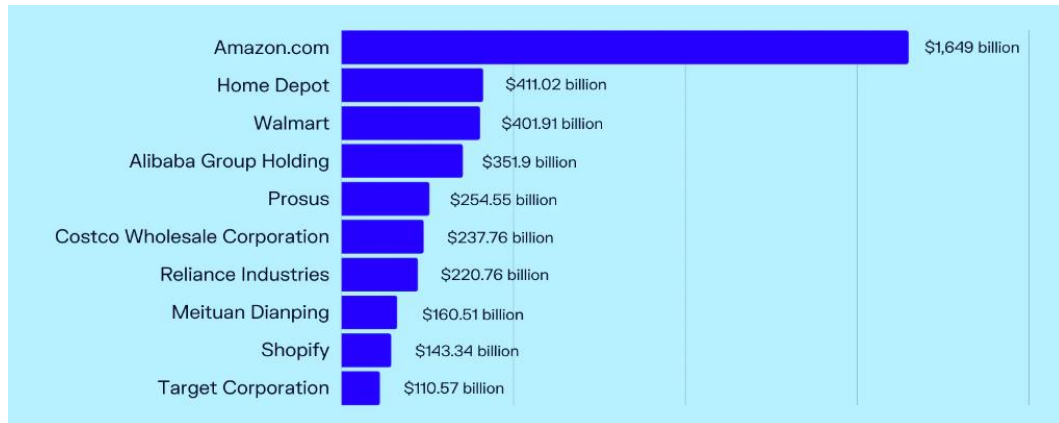

Figure 1.2 Top E-Commerce Companies by Market Value
Source: (Value Today, 2022)

Along with the 77.02% internet penetration rate across the country, Indonesia has the largest digital economy in Southeast Asia (Market Research, 2022). The results of We Are Social survey in April 2021 confirmed Indonesia as the highest country in the world that uses e-commerce services whereas many as 88.1% of internet users in Indonesia shop online (OJK, 2022). Bank Indonesia (BI) has released data revealing the value of e-commerce transactions in February 2022 reached IDR30.8 trillion, growing by around 12% compared to the same period the previous year which was IDR27.3 trillion in 2021 (Kompas, 2022). The total volume of e-commerce transactions reached 222,9 million transactions in February 2022, an increase of about 27% compared to February last year of 174,6 million transactions (Kompas, 2022).

Consumer buying behavior focuses on how individuals make decisions to spend their available resources such as time, money, and effort on consumption related items (Singh, 2014). Consumer's buying behavior that resulting purchase decision are strongly influenced by cultural, social, personal, and psychological characteristics (Singh, 2014). Online purchase decisions are the process by which consumers make decisions about purchasing different products and brands, identifying needs, researching information, evaluating information, making purchases, and evaluating post-purchase decisions (Purnamawati, 2022).

Rachbini (2018) discovered that brand trust, perceived risk, and perceived benefit have strong impacts on consumers purchase decision. Likewise, Gazali and Suyasa (2020) found that perceived risk has negative and significant relationship with the purchase decision. Previous study conducted in North Jakarta by Sofiyanti (2020) found the positive and significant effect of perceived benefits on purchase decision. Furthermore, Mbete and Tanamal (2020) discovered that brand image has a positive significant impact on purchase decision and brand trust has no significant effect on purchasing decision.

Indonesia's e-commerce transaction value is projected to grow to $37.1 billion in 2022 or 24.1% contribution to total retail market sales (Businesswire, 2022). This increment is due to better data availability and the extreme growth of user numbers in e-commerce platforms all over Indonesia (Komalasari, 2021). Based on this data, it can be inferred that the retail purchases in Indonesia are 75.9% still made offline rather than online which also indicates that e-commerce company still has great opportunity in Indonesia.
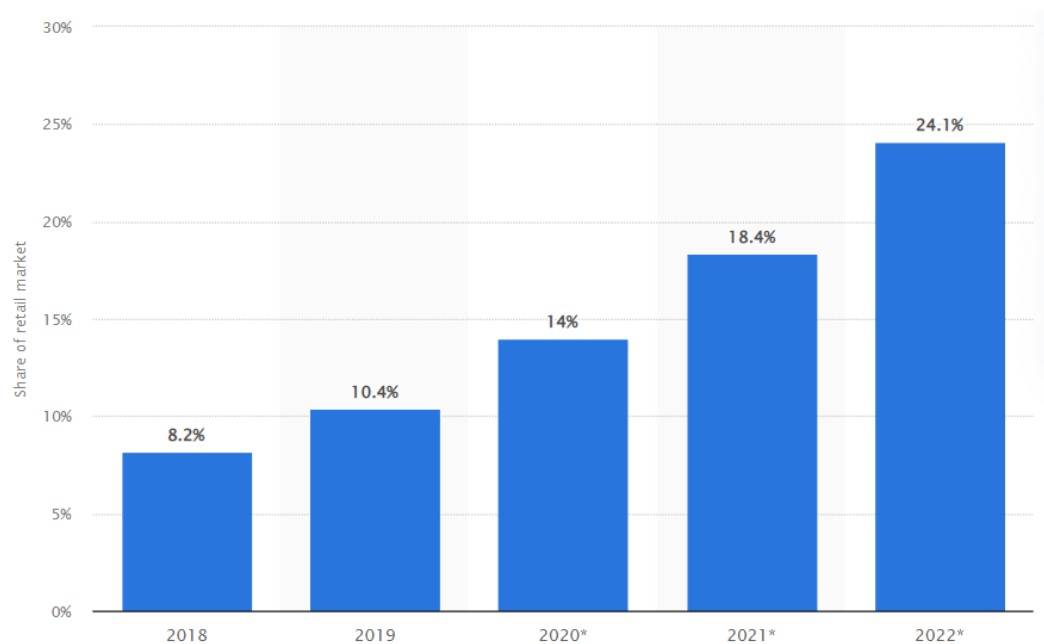
Figure 1.3 E-commerce Contribution to Overall Retail Market in Indonesia (Source: Statista, 2022)

Furthermore, Indonesia's large and relatively young population, coupled with a fast-growing middle class and high levels of consumer confidence, have been a key driver of expansion in retail and e-commerce (OBG, 2022). The Indonesia's B2C e-commerce is expected to grow steadily over the forecast period, recording a CAGR of 15.56% during 2022 to 2026 and the e-commerce Gross Merchandise Value will increase from $31.7 billion in 2021 to reach $67.3 billion by 2026 (Businesswire, 2022). The country is set to become one of the largest digital economies in Southeast Asia with approximately 40% of the total regional market share and the young population of Indonesia is expected to play a crucial role in driving the industry's growth in the short to medium term (Seasia, 2022). Indonesia is a particularly attractive market for e-commerce companies, with a population that the average person spends 3,9 hours on their mobile internet

each day, more than the Southeast Asian average of 3,6 hours per day (OBG, 2022). Thus, e-commerce is required to develop strategies to increase customers' purchase decision (Komalasari, 2021).

Indonesia's e-commerce storefronts are decorated by startups from within and outside the country (Surur, 2021). All of them compete freely to seize Indonesia's enormous digital market such as Shopee, Tokopedia, Bukalapak, Lazada, Blibli, JD ID, Orami, Ralali, Bhineka, Sociolla, Matahari, Zalora, etc (Timedoor, 2022). As of October 2022, Shopee ranked number 1 as the most visited e-commerce and shopping website in Indonesia, followed by Tokopedia as the runner up, Lazada ranked at 3rd place, Blibli ranked in 4th place, and Bukalapak at the last position (Similarweb, 2022). Shopee is the most popular e-commerce service among young Indonesians in 2022 (Databox, 2022). Shopee is presently the largest online platform in Southeast Asia (SEA) with 343 million monthly visitors (KrAsia, 2022). Therefore, the object of this study is Shopee e-commerce.

Figure 1.4 Top 10 Most Visited E-Commerce Website in Southeast Asia (Source: Kathryn, 2022)

Among 514 regencies or cities in Indonesia, Yogyakarta is the area with the highest percentage of e-commerce transactions in Indonesia (Datanesia, 2022). The General Manager of Genie Indonesia, Evelyn Wu said that almost 8 out of 10 internet users in Indonesia or 150 million people have e-commerce applications on their mobile phones, 92 million of these users are Gen Z and 75% of them regularly shop online (Dinisari, 2022). Gen Z, is the generation born in 1997-2012 and they are now 10-25 years old (Basuki, 2021). Gallup and Ipsos MORI also start Gen Z at 1997, the USA Today cites 1997 to 2012 as Gen Z (Wikipedia, 2022). These phenomena bring out a question on what drives customer's purchase decision, especially in Yogyakarta as the city with highest e-commerce' transactions in Indonesia. This study examines college students aged between 18 to 25 years old which also are part of Gen Z who currently live in Yogyakarta.

Urutan	Daerah	Jumlah Penduduk	Jumlah Penjual dan Pembeli Melalui Internet	Penjual dan Pembeli Melalui Internet terhadap Jumlah Penduduk (%)	Pertumbuhan 2019-2021 (%)
1	Kota Yogyakarta	436.220	161.031	36,9	16,3
2	Kota Bekasi	3.028.683	816.351	27,0	103,2
3	Kota Depok	2.441.837	659.958	27,0	82,7
4	Kota Madiun	177.359	46.273	26,1	50,6
5	Kota Jakarta Pusat	923.343	241.420	26,1	76,3
6	Kota Jakarta Selatan	2.276.164	612.634	26,9	47,0
7	Kota Bandung	2.529.714	616.109	24,4	61,5
8	Kota Bogor	1.112.465	236.225	21,2	113,5
9	Kota Jakarta Timur	2.939.583	662.434	22,5	61,7
10	Kota Salatiga	195.565	46.249	23,6	38,5
	Nasional	269.733.549	26.676.455	9,9	60,8

Figure 1.5 10 Cities with The Highest E-Commerce Transaction in Indonesia (Source: Datanesia, 2022)

This study is a modification from the previous research by Komalasari (2021) entitled "Factors Influencing Purchase Intention in Affecting Purchase Decision: A Study of E-commerce Customer in Greater Jakarta". The previous study aims to identify the indirect relationship between perceived risk, perceived benefit, brand trust, and brand image to purchase decision. Meanwhile, this study focuses on the direct relationship between perceived risk, perceived benefit, brand trust, and brand image to purchase decision. Based on this background, the title of this study is "Factors Influencing Online Purchase Decision of Shopee Customers in Yogyakarta (Case Study: College Students in Yogyakarta)"

B. Research Problem Formulation

Based on the above phenomenon that the author has conveyed, the problem formulations contained in this study are:

1) Does perceived risk have negative and significant effect on purchase decision?

2) Does perceived benefit have positive and significant effect on purchase decision?

3) Does brand trust have positive and significant effect on purchase decision?

4) Does brand image have positive and significant effect on purchase decision?

C. Research Objective

Based on the formulation of the problem described above, the research objectives are:

1) To identify the negative and significant effect of e-commerce's perceived risk on customers' purchase decision.

2) To identify the positive and significant effect of e-commerce's perceived benefit on customers' purchase decision.

3) To identify the positive and significant effect of e-commerce's brand trust on customers' purchase decision.

4) To identify the positive and significant effect of e-commerce's brand image on customers' purchase decision.

D. Research Benefit

1) Theoretical Benefits

   a. This study is intended to provide empirical data related to management science, especially related to e-commerce.

   b. This study is expected to be used as a reference for further research in the same field.

2) Practical Benefits

   a. The results of this study are expected to give benefits to e-commerce company, especially PT Shopee International Indonesia in developing a good marketing strategy to increase the online purchase decision.

   b. This study can be used as a consideration for helping customers before making online purchase decision on e-commerce.