CHAPTER I
INTRODUCTION

A. Research Background

The swift advancement of technology significantly affects transformations in diverse domains, encompassing social, economic, political, and cultural spheres. These effects extend to alterations in lifestyle, particularly in terms of consumption patterns and the manner in which individuals engage in selling and purchasing activities. In the contemporary period, the populace employs technology, information, and communication channels to engage in the online exchange of commodities and services. The aforementioned phenomenon is often known as electronic trading or electronic commerce (E-commerce). The emergence of E-commerce has revolutionized the shopping experience by offering individuals the option to make purchases without the necessity of physically visiting a store with a physical location. The time and cost efficiency benefits are significant factors that contribute to the global community's preference for e-commerce, the fast progress of internet technologies has significantly impacted e-commerce, leading to the widespread dominance of online shopping. Now people from various generations are starting to shop online. Still, it can be seen quickly shopping online can also occur online fraud where the seller can send goods that do not match the description or the seller can lie when we buy without having a third party, such as some e-commerce that uses their party to mediate so when the goods are declared to arrive by the buyer then the e-commerce party will rewarding the money sent by buyers to sellers is what makes the emergence of perceived risks and gaps in consumer confidence in sellers that can result in purchases not occurring.

Based on the figure below 1.2, Indonesia has a total population of 272.9 million people, which increased by 2.9 million (+1.1%) to 274.9 between January 2020 and January 2021, then continued with internet users, which increased from 175.6 million increased by 27 million (+15.5%) to 202.6 million with an increase in the number of it is inevitable that social media users also increased by 10 million (+6.3%) to 170 million and then also quite a lot of cellular connections in Indonesia of 341.3 million experienced an increase of 4 million (+1.2%). With the data above, it can be ascertained that new e-commerce users also continue to grow with the presence of internet users and the use of mobile connections where people are starting to know their name shopping online because of the ease of choosing and searching for the desired goods and with the increasing level of e-commerce users can also cause perceived risks and a lack of trust in e-commerce if it does not have a party when it is an intermediary (Kemp, 2022).

Figure 1 Annual Digital Growth

(Kotler, P & Armstrong, G., 2018) tell Marketing is a strategic business activity that involves the creation of value for customers and the establishment of robust customer relationships in order to effectively collect value from consumers in exchange. Marketing is an essential element of an organization, involving a set of structured processes designed to

create, distribute, and deliver value to customers, while concurrently overseeing and nurturing customer relationships for the mutual advantage of the organisation and its stakeholders. The activity of exchanging information through this Internet media is popularly called e-commerce. E-commerce represents a singular example among the several uses of the Internet that are utilised for the purpose of facilitating the sharing of knowledge. Many advantages gained from Internet use include cost reduction, technological enhancement, competitive advantage, communication speed, and control over increasing customer service (Bocij et al., 1999).

E-commerce according to (Kenneth C. Laudon et al. 2008) states that e-commerce is a marketing aspect that uses internet access, websites, and mobile applications as well as the use of browsers that run a mobile set and is used as a means of transactions in business, both formal and informal, also includes commercial transactions both between organizations and individuals. Another opinion mentioned by (Mcleod, 2008), an alternative perspective, states that e-commerce refers to the utilisation of internet and computer resources via a web browser to engage in the exchange of products and services, most of which e-commerce is used in transactions between businesses or not between businesses.

E-commerce has a scope of services in product distribution, sales, and purchases, or marketing and services in specific fields, which will be entirely carried out through the internet system and other forms of computer networks. E-commerce has a combination of providers of sales of goods and services, and activities in the transaction will be carried,d out online through the internet network. This habit later improved the domestic economy through the liberalization of services and accelerated integration in global production.

Online consumers tend to purchase through e-vendors to know and trust their products. (Golmohammadi et al., 2012) Gave their opinion regarding vendors on websites that reduce

perceived risk; This is a crucial antecedent in making online purchases by consumers. Therefore, an e-retailer must be able to develop a mechanism to ensure customer privacy, provide security in the money transfer system, and provide high-quality services.

Based on research conducted by (Center for Digital Society (CfDS), 2022) at Gadjah Mada University presented on August 24, 2022, research findings from a survey of 1,700 respondents in 34 provinces in Indonesia found that 66.6% of respondents (1,132 people) had been victims of online fraud. Of the 1,132 respondents who had been victims, the survey noted that the most victims came from scams under the guise of gifts through mobile networks (36.9%), sending links containing malware/viruses (33.8%), buying and selling scams (29.4%), fake websites/applications (27.4%), and scams under the guise of family crises (26.5%). The Center for Digital Society went on to say that increasing internet penetration opens up many gaps for the emergence of various cybercrimes.

Quoting from their page that currently online transaction fraud cases dominate the Ministry of Communication and Information (Kominfo) complaint reports because throughout 2017 to 2022, CekRekening.id services from the Ministry of Communication and Information have received approximately 486,000 reports from the public related to electronic criminal information transactions. "Of the total 486,000 types of fraud, the dominating type is online transaction fraud, which is 405,000 reports.

According to (Guspul, 2014), trust cannot just appear out of nowhere but must be pursued through good management, planning, organization, and control in a company. Planning that is done carefully and followed by supervision through all kinds of existing outputs, the customer will positively respond to the company's performance, and their trust will emerge. Customers will tend to judge, see and enjoy several things they trust from the company, both services and products.

Carousell is a mobile application utilised for the purpose of facilitating the sale of both new and pre-owned things. Carousell, a multinational company, has its headquarters situated in Singapore and conducts operations throughout many countries including Malaysia, Indonesia, Taiwan, Hong Kong, Australia, and the Philippines. Carousell is perceived as a platform that facilitates online commerce, particularly for individuals engaged in home-based businesses, such as homemakers, by providing them with a convenient avenue to sell and showcase their items on the internet. Carousell has an offer in providing convenience on many sides, starting at the time of carrying out operations, registration, to product sales. In other marketplaces, there are third parties who also participate in interacting with buyers. However, Carousell provides a guarantee that sellers and buyers will be able to transact directly with each other without any third-party intermediary. The goods from the sale can be directly received by the buyer using COD (Cash on delivery) or direct payment to the seller on the spot (Mustinda, 2019).

Carousell implements a direct selling system in its sales process, where consumers can interact directly, discuss with the seller, and even bid on the listed price. (Cravens et al., 2013) argue that direct marketing aims to communicate directly with consumers through various media connected to the Internet network. Carousell is used as an object in this research because

many still need to learn about this one marketplace, even though the operating system is the easiest compared to others. (Kotler & Armstrong, 2018) say cultural, social, personal, and psychological characteristics strongly influence consumer purchasing behavior. Mitchell said perceived risk becomes crucial when identifying potential customer behavior problems because it affect decision making (Zhou & Li, 2017), (Cox & Rich, 1964) said Risk defines the type and degree of risk a customer perceives when buying. His dissertation was extended in (Cox, 1967) risk-taking and customer behavior information handling. Many empirical models of customer risk assessment and knowledge processing followed from this early work. (Kim et al., 2005) tested the customer trust level variable and perceived risk level. The higher perceived risk will reduce the level of customer trust and risk. The story of customer confidence is first considered in online purchase transactions—the risk of having a person's attitude and behavior in conducting transactions with other parties. The degree of risk is an essential factor influencing the attitudes and actions of consumers in all types of business transactions. A high-risk factor can make consumers unhappy while making rebuy purchases using e-commerce.

Trust is one reason that still needs more consumer acceptance of the technology. (Hart & Saunders, 1997) Also say, trust becomes a basic principle within the context of all economic relationships. As described by (Quelch & Klein, 1996) trust plays a significant role in driving online transactions. (Keen, 1997) argues that many long-term obstacles are significant to carry out Internet marketing to consumers because of a lack of consumer trust, namely concerning the honesty and competence of online merchants to fulfill orders Through the Internet. This is illustrated through the development of many sites and websites that run online business activities. However, many websites that are available and accessible to users,

it turns out that there is still a website that often commits fraud against consumers. Another obstacle is that some consumers need to become more familiar with making product purchases, goods, or services online because they are conditioned in terms of knowledge to start transactions. So what are the criteria for a website for now? Consumers can trust it before making a purchase transaction online.

According to several researchers (Gefen, 2002; and Kim et al., 2005), in the business world, trust is universally recognized as crucial to success. This is mostly due to the fact that customers are inclined to engage in purchasing activities solely when they possess a sense of confidence and belief in the credibility and reliability of the sellers. Consumer trust is more important in transactions that are conducted online rather than traditional transactions in the real world. In order to develop trust and promote customer engagement in online transactions, it is vital for online companies to mitigate the anxiety and uncertainty that consumers often encounter in the digital realm. Trust has conducted an investigation into the correlation between internet trading and antecedents, as well as characteristics related to technological acceptability. (Gefen, Karahanna, et al., 2003).

It is suggested that web design and web quality are significant predicators of consumer behavior (Lee & Kozar, 2006; and Aladwani & Palvia, 2002). Attitudes toward using the website are positively influenced by beliefs about the burdens of perceptual information on the website, content (items of goods/services given by an online store), state (efficacy of website presentation), and privacy guarantee information. (Chau & Hu, 2002; Malhotra et al., 2004).

One of the important aspects of the perception of web quality based on a structural guarantee mechanism is privacy information on websites (Malhotra et al., 2004). Important

aspects of information privacy and control over the investigated web and described in the information systems (IS) literature. The former is the relationship between the website that enhances service or privacy for customers, enhances positive feelings (pleasure), and reduces negative feelings (perceived risk/anxiety), which further affects the trust of customers (Hwang & Kim, 2007). However, research on website quality perception has also been done by (H. H. Chang & Chen, 2008), who studied how site quality and brand image affect online shop buyer decisions. The study examined how customer perception of trust and risk mediates the relationship between website quality and brand image and purchase decisions. However, in the research model, (H. H. Chang & Chen, 2008). have yet to enter the role of self-efficacy, which is part of behavioral control perception (perceived behavioural control) consumers on shopping intentions and activities online. It's crucial to analyze how website quality perception, risk, trust, and consumer perception behavior control affect online shopping buy decisions and activities.

This study adapts the framework put forward by (Pappas, 2016), who primarily focuses on product marketing strategy, product price risk, web vendor marketing strategy, and web vendor security risk. In the current research, we aim to explore variables related to product quality risk, consumer trust in products, web vendor quality risk, consumer trust in web vendors, and purchasing decisions, replacing the concept of purchase intentions. This change is driven by the belief that researching purchase decisions is more crucial than investigating purchase intentions because by analyzing real purchases, it gives a more accurate picture of consumer behavior. By investigating purchase decisions specifically, researchers can gain insights into the tangible actions taken by consumers when buying a product or service, which is critical because the purchase decision reflects the actual choices made by

consumers in a purchase situation. By studying the factors influencing purchase decisions, researchers can identify key elements that impact consumer choices, such as product quality, price, brand, promotions, prior experiences. (Dagger et al., 2007). For instance, (K.-C. Chang et al., 2014) conducted a study examining purchase decisions in the context of smartphone purchases. They analyzed various factors influencing purchasing choices, including price, brand, product quality, consumer trust, and other product attributes. The research findings revealed that these factors significantly influence consumer purchase decisions.

On the other hand, purchase intention merely represents an individual's desire or intention to purchase a product or service. Although purchase intention can offer initial insights into consumer intentions, it does not guarantee actual purchasing behavior. Several factors can influence the transition from purchase intention to purchase decision, such as situational changes, unexpected experiences, or additional information acquired by consumers before making a purchase.

Overall, research focusing on purchase decisions gives a more extensive comprehension of customer behavior within the framework of purchasing. To improve customer satisfaction and brand loyalty, businesses must first understand the variables that impact purchasing decisions so that they may successfully guide marketing strategies, optimize product and promotional aspects, and provide great consumer experiences (Wu & Liang, 2009).

B. Research Question

The current study intends to look at the following research questions based on the information provided:

1. Does Product Quality Risk have an interrelated with Web-Vendor Quality risk?

2. Does Product Quality Risks positive effect Product Consumer Trust?

3. Does Web-Vendor Quality Risks have a positive effect on Web-Vendor Consumer Trust?

4. Does Product Consumer Trust have a positive effect on purchase decision?

5. Does Web-Vendor Consumer Trust have a positive effect on purchase decision?

6. Does Product Consumer Trust mediates the relationship between Product Quality Risk and Purchase Decision have a positive effect?

7. Does Web-Vendor Consumer Trust mediates the relationship between Web-vendor Quality Risk and Purchase Decision have a positive effect?

C. Research Objective

Based on the research question above, multiple descriptions of the problem can be formulated that is :

1. To analyze the interalated of Product Quality Risks with Web-Vendor Quality Risk.

2. To analyze the impact of Product quality risks on Product consumer trust.

3. To analyze the impact of Web-vendor Quality Risks on Web-vendor Consumer Trust.

4. To analyze the impact of Product Consumer Trust on Purchase Decision.

5. To analyze the impact of Web-vendor consumer trust on purchase decision.

6. To analyze Product Consumer Trust mediates the relationship between Product Quality Risk and Purchase Decision.

7. To analyze Web-Vendor Consumer Trust mediates the relationship between Web-vendor Quality Risk and Purchase Decision.

D. Research Benefit

The benefits that can be obtained from the results of the study are

1.   For Practitioners

The results obtained in this study can benefit the parties managing online buying and selling sites by observing the results obtained.

2.   For Academics

As input for other parties who want to conduct further research and as reading material that is expected to add insight into knowledge for those who read it, this study primarily focuses on examining the concepts of trust and quality risk within the context of online buying behavior. The objective of this project is to present the findings as supplementary information or references for future academic endeavors.