

# CHAPTER I

## INTRODUCTION

### **A. Research Background**

Loyalty becomes an important aspect for the company to run a business. The company needs to maintain the customer in a long time, as it is a good asset for them to promote and recommend the company's products to customers. Loyalty is the commitment that held by customer to repurchase a preferred product/service in the future consistently, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to causing switching behavior (Oliver, 1999).

In traditional loyalty literature, there are four major stages of loyalty including cognitive loyalty, affective loyalty, and conative loyalty. This loyalty behavior refers to a behavioral intention that leads to commitment action to repurchase (Oliver, 1999). According to a preliminary study, it explained that loyalty needs a repurchase intention to lead the behavior of loyalty. This research has made considerable efforts to investigate loyalty in the online environment with high penetration of internet technologies among individual users (Gefen, 2002; Kim et al., 2009; Liao et al., 2014).

The Internet is an important aspect of advanced technology to scale up business in a new way. Internet is one of the information technologies that can

improve the entire value chain (Porter, 2001). Along with the growth of the internet in Indonesia, the development of the internet has been receiving tremendous attention in the economic sector especially in online business (Medium.com). Based on The International Data Corporation, there are 300 million people use the internet in the 2000s, and the transaction reaches US\$150 billion. Association of Internet Services Indonesia (*Asosiasi Penyedia Jasa Internet Indonesia, APJII*) explained in 2017 there are 143,26 million internet users in Indonesia (54,68%) use the internet, and 107 million people (40%) for use e-commerce (Katadata.co.id).

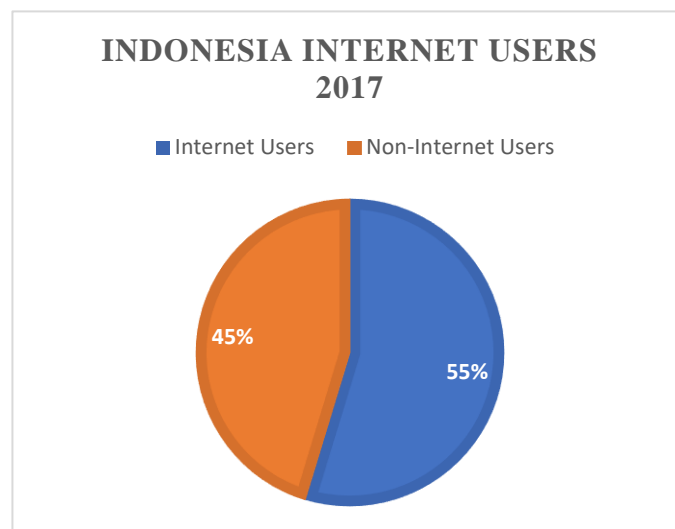


Figure 1.1 Indonesia Internet Users 2017

(Source: Katadata.co.id)

Besides the growth of the internet and e-business, e-commerce has become popular in people's transactions. E-Commerce is a dynamic collection of technologies, software, and business processes that connect companies,

customers, and communities through electronic transactions and the exchange of products, services, and information online (Laudon & Laudon, 1998)

E-commerce in Indonesia has been receiving tremendous attention with the pace of growth of the internet in the last decade. The Growth of e-commerce in Indonesia creates a company with valuation \$1 billion, Both local and international e-commerce such as *Tokopedia*, *Bukalapak*, *Lazada* and *Shopee* (Singapore), *JD.id* (China) take advantage of it. Refer to The Association of Internet Services Indonesia (*Asosiasi Penyedia Jasa Internet Indonesia, APJII*), the number of internet users who use e-commerce are 107 million or 40% of the population (Katadata.co.id).

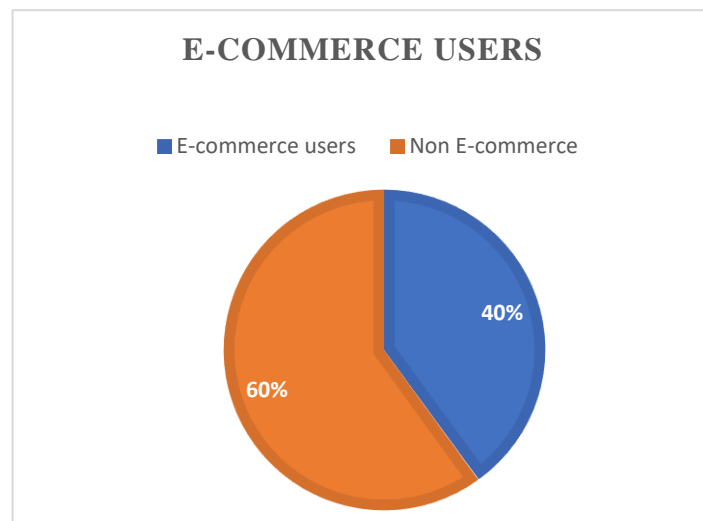


Figure 1.2 E-commerce Users

(Source: Katadata.co.id)

According to the data from Iprice Group, it shows that in the first quarter of 2019 *Shopee* was for the most popular AppStore and play store e-commerce with *Tokopoedia* and *Bukalapak* following in the second and third place (iprice.co.id). Most e-commerce corporation has its strategy, especially by

using a coupon to attract customers for purchase. The intense competition between each e-commerce corporate is also influenced by customer's trust toward corporate reputation (Katadata.co.id).

The competition between the e-commerce industry becomes more competitive for every e-commerce industry. Industry e-commerce has its own strategy and way to build consumer's trust and become loyal. Therefore, every e-commerce industry serves many things, start from discount coupon, free shipping coupon, convenience application, original product, official bank account in order to establish trust and loyalty. (Katadata.co.id)

Customer's loyalty is the commitment that held by customer to repurchase a preferred product/service in the future consistently, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to causing switching behavior (Oliver, 1997). This definition has been used extensively in related research on e-loyalty. Anderson et al (2003) identified that e-loyalty is a customer's favorable attitude toward an electronic business that occurs repeat buying behavior. Harris et al (2004) identified the four sequential phases of the loyalty chain and the key role trust plays in the context of online service. Trust was found to be one of the key factors that shaped the development of online loyalty (Zheng et al., 2017).

Trust is an important aspect for every e-commerce corporation to establish customer repurchase intention to do actual behavior of loyalty. According to a

preliminary study conducted by 15 persons, 100% of them need trust for having the intention to repurchase before the actual behavior of loyalty. Trust is well recognized in traditional marketing literature as a major driver of loyalty (Anderson and Srinivisan,2003; Lam *et al*, 2004). With the ubiquitous influence of the internet, there has been a considerable amount of research examined trust in the context of online shopping in recent years (Pizzutti and Fernandes, 2010; Hsu *et al*, 2014).

The coupon is one strategy that the company uses to influence the consumer to do purchase decisions. Coupons, discounts, and sales promotions are common tactics used by marketers to retain existing customers. Main marketing studies shows there are empirical evidence of the effects of price-related variables toward customer purchase decisions (Darke and Chung, 2005; Lichtenstein *et al.*, 1993; Posselt and Gerstner, 2005). According to a preliminary study that conducts by 15 persons, there are 100% of them that coupon influence to do repurchase behaviors.

The importance of coupon proneness and value consciousness is crucial to develop a better understanding of loyalty in online shopping as price-tactics-related variables. Thaler's (1985) explained in acquisition - transaction utility theory there is a better gap between two important price - tactic - related variables (including coupon proneness and value - consciousness); and further examines their roles in determining repurchase behaviors of customers in the context of online shopping.

This study identified behavioral loyalty as endogenous variable. In the traditional marketplace, customers can directly touch, taste, and feel before making a purchase decision. That was similar for customers to repurchase products after getting the experience and they can make a quick judgment based on the actual feeling and experience in the traditional marketplace. In the online shopping environment, customers are able to get the value of products only after finishing the transaction, it is difficult to understand the factors of influencing actual behaviors in an online shopping environment. Therefore, it is important to develop an understanding of the relationship between repurchase intention and behavioral loyalty in the context of online shopping. *Shopee* is one of the e-commerce industries in Indonesia who conducts online shopping to do repurchase behavior.

*Shopee* is an e-commerce platform distributed in Indonesia in 2015. *Shopee* has a prior strategy to attract consumers to become loyal and do repurchase behavior through consumer's trust. The strategy used by *Shopee* is providing a guarantee by developing high security for the buyer, safe transaction, and affordable price to build customer's trust and become loyal (marketeers.com). Based on a preliminary study, the reason why respondent uses *Shopee* as a platform for e-commerce is that *Shopee* always gives coupon every month and special moment, the price is affordable, and the good quality of the product. *Shopee* always gives coupon in the early month as free shipping coupon, they believe that by giving free shipping coupon it can make consumer do repurchase behavior (marketeers.com). According to the preliminary study,

there are impacts of e-loyalty from *Shopee* as an e-commerce platform and take advantage of coupons to do purchase behavior.

Based on the existing phenomena, this research will test the relationship of trust, repurchase intention, and behavioral loyalty with moderating effect of coupon proneness, and value consciousness in online shopping context. This research is replication from the previous research that was conducted by Zheng et al. (2017) who investigated the examining e-loyalty toward online shopping platforms: The role of coupon proneness and value consciousness in *Taobao* e-commerce. This research uses a different setting from previous research, namely *Shopee* as an e-commerce platform.

## **B. Research Question**

The research question of the problem in this research refers to the description background, there are:

1. Does the consumer's trust influence repurchase intention in *Shopee* e-commerce platform?
2. Does the repurchase intention influence behavioral loyalty in *Shopee* e-commerce platform?
3. Does the coupon proneness moderate repurchase intention on behavioral loyalty in *Shopee* e-commerce platform?
4. Does the value consciousness moderate repurchase intention on behavioral loyalty in *Shopee* e-commerce platform?

### **C. Research Objective**

Based on research question, these are the research objectives:

1. Analysis and explain the influence of consumer trust to repurchase intentions in *Shopee* e-commerce platform.
2. Analysis and explain the influence of repurchase intentions to behavioral loyalty in *Shopee* e-commerce platform.
3. Analysis and explain the moderating of coupon proneness to repurchase intention on behavioral loyalty in *Shopee* e-commerce platform.
4. Analysis and explain the moderating of value consciousness to repurchase intention on behavioral loyalty in *Shopee* e-commerce platform.

### **D. Research Benefit**

Results of this research are expected to bring the various benefit:

1. Theoretical

The research of this study are expected to add to the literature on the theory used of trust, repurchase intention, coupon proneness, value consciousness, and behavioral loyalty in Indonesia, especially for online shopping context in Indonesia, besides that this study is expected to be used as a source to strengthen previous research and can be used as reference



material for future research. This research also can provide information for further business research to enhance e - loyalty to online shopping.

## 2. Practical

This research is expected to be a source of information and references about the influence of trust, repurchase intention, coupon Proneness, value consciousness to behavioral loyalty. It could be used in strategic decision making as a reference for the business sector to increase customer loyalty.