

CHAPTER 1

INTRODUCTION

1.1. Overview of Research Object

1.1.1. Profile of Tokopedia

Figure 1.1. Logo and Mascot of Tokopedia



Source: www.tokopedia.com, 2019

Tokopedia is Indonesia's owned e-commerce platform that was established in 6th February 2009 by William Tanuwijaya as Tokopedia's Chief Executive Officer (CEO) and his friend Leontinus Alpha Edison as Tokopedia's Chief Technology Officer (CTO) and Chief Operating Officer (COO). On 17th August 2019 Tokopedia's website which is Tokopedia.com officially launched. Tokopedia always gets investors throughout the years. Tokopedia very first funding comes from PT. Indonusa Dwitama (2009), East Ventures (2010), CyberAgent Ventures (2011), NetPrice (2012), Softbank Ventures Korea (2013), Softbank and Sequoia Capital (2014), and Alibaba Group (2017). The recent funding has fantastic nominal, Alibaba gave \$1,1 billion or equivalent as Rp 16 triliun. This makes the valuation of Tokopedia soar to \$7 billion or equivalent as Rp. 102 trillion. This makes Tokopedia categorized as one of Unicorn start-up company in Indonesia (Kumparan.com, 2018).

Tokopedia is an online marketplace for every individual and business owner in Indonesia who want to opens and manages an online shop easily and free of charge, while offering the experience of buying and selling

online safely and comfortably. Tokopedia also has an “Official Store” section where it is a place for online malls that opens an online stores trusted across Indonesia, users or who are often called toppers can compare prices from different stores in Tokopedia.com; allowing toppers to purchase products at a lower price.

The website of Tokopedia is dominated by the green colour. Green is the same thing as earth is a symbol of humility and calm. This shows that Tokopedia is always trying not to be selfish and always looking from the user’s side. The features of Tokopedia also come mostly from the input of Tokopedia’s customers. (Tokopedia.com, 2015).

Tokopedia is very beneficial since it is fitted with a search engine that will facilitate the search for goods that are desirable with the customer’s preferences. Cooperating with major shipping agents in Indonesia, Tokopedia makes it easy to check shipping goods status. The benefit for costumers is, with a single payment system there is an automatic payment confirmation process that allows vendors to receive orders faster and sell goods that are purchased much faster. For the sellers, the benefits offered are the expansion of the market for those users who want to buy from Tokopedia. (Tokopedia.com, 2017).

1.1.2. Products and Services of Tokopedia

a. Products of Tokopedia

Tokopedia has a wide selection of product categories, the products that Tokopedia offers are not only for buying things, customers can also buy various options of tickets, renting hotel rooms, and to applying to house instalments. The categories are separated to 7 categories, there are: Featured, Sell, Top-Up and Bills, Travel, Entertainment, Finance, and Shopping. (Tokopedia.com, 2019)

- Featured

In Featured category, the products provided are separated to different sections, and those sections are: Tokopedia Salam, Langsung Laku, Toko

Member, Tukar Tambah, Hotel, Tokopedia Seru, Tiket Events, and Komisi.

- Sell

In Sell category, the products provided are separated to different sections, and those sections are: Buka Toko, Power Merchant, Seller Center, Top Ads, TokoCabang

- Top-Up & Bills

In Top-Up & Bills category, the products provided are separated to different sections, and those sections are: Phone credit, Data package, Postpaid, Roaming, Air PDAM, Credit Installments, Belajar, Biaya Pendidikan, BPJS, E-Samsat, Topup Ovo, Donation, Electronic Money, Penerimaan Negara, Premi Asuransi, Gas PGN, Tokopedia Giftcards, Internet and Cable TV, Listrik PLN, Pajak PBB, Pasang Internet & TV Kabel, Retribusi, Tagihan Kartu Kredit, Telkom, Zakat, and Langganan

- Travel

In Travel category, the products provided are separated to different sections, and those sections are: Train Tickets, Plane Tickets, and Hotels

- Entertainment

In Entertainment category, the products provided are separated to different sections, and those sections are: Hiburan, M-Tix XXI, Streaming, Tiket Event, Voucher Game, Vouchers, and Deals

- Finance

In Finance category, the products provided are separated to different sections, and those sections are: Kredit Motor, Proteksi Produk, Asuransi Perjalanan, Kredivo, Dana Impian, Home Credit, Modal Toko, Saldo Prioritas, OVO Paylater, Emas, Kartu Kredit, Pinjaman Modal, Reksa Dana, and Pinjaman Online

- Shopping

In Shopping category, the products provided are separated to different sections, and those sections are: Precious metal, Books, Kitchen appliances, Electronic appliances, Kids fashion, Muslim fashion, Men's

fashion, Women's fashion, Films and musics, Gaming, Handphone and tablet, Mother and baby, Cameras, Beauty, Health, Computer and accessories, Laptop and accessories, Toys and hobbies, Foods and beverages, Office and stationery, Sports, Otomotif, Pets grooming, Body care, Carpentry, Households, and Souvenirs and gifts. The goods offered are also goods that are being trendy at the moment so the products offered by Tokopedia continue following the needs of an increasingly modern lifestyle.

b. Services of Tokopedia

Tokopedia also facilitates its customers in terms of shipping goods where Tokopedia cooperates with various freight forwarding expeditions, those expeditions are: JNE, J&T Express, Wahana Express, Sicepat Express, Pos Indonesia, Tiki, Go- Send, Grab Express, Ninja Express, Rex Express, and Anteraja. With the selections of expeditions there are some like JNE, J&T, and Sicepat that allows customers to track the process of goods purchased directly through Tokopedia apps. Customers can communicate directly with the sellers regarding to the purchase, payment, and delivery through the Tokopedia chat window.

1.2. Research Background

The use of the Internet has now become a lifestyle for Indonesian people. Indonesian Internet Service Providers Association (APJII) announces that Indonesia has reported a 10,12 percent increase in Internet penetration in Indonesia. With the total population of 264,16 million people, as many as 171,17 million people were estimated to have used the Internet, it indicates that 64,8% percent of Indonesian citizens have access to the Internet. (APJII, 2018).



Figure 1.2. Indonesia’s Internet Penetration
Source: APJII’s Survey, 2018

Increased internet users in Indonesia are having an impact on the development of e-commerce in Indonesia, especially the buying and selling platform. Business opportunities have also appeared on several online buying and selling websites in Indonesia. It is not a secret anymore that online shopping has become the choice of many consumers to obtain the goods they want without having to spend a lot of time and energy. The uniqueness of the goods offered, ease of transaction, the competitive price and the quality of the goods have become the reasons for consumers who have access to the Internet for doing online shopping.

In Southeast Asia, the Indonesian internet economy becomes the largest and fastest-growing in the region, reaching \$27 billion in 2018 and is poised to grow to \$100 billion by 2025. Indonesia is a market with an impressive rise in e-commerce from year to year. (Google and Temasek, 2018) Census data from the Central Statistics Agency (BPS) also showed that the Indonesian e-commerce sector has grown by 17 percent over the last 10 years, with a total number of e-commerce firms exceeding 26.2 million units. (Wartaekonomi.co.id, 2019).

E-Commerce is the fastest-growing field of the internet economy to hit \$23 billion in 2018, to surpass \$100 billion by 2025. The three largest e-commerce companies in the region, Lazada, Shopee, and Tokopedia, played a key role in the development of the sector. In Indonesia, Tokopedia holds as the largest e-commerce in the region. According to the E-Warungs Report:

Indonesia's New Digital Battleground published by CLSA, Tokopedia is an e-commerce firm with the highest transaction value in Indonesia. Tokopedia leads the highest transaction value since 2014 and is expected to continue to do so until 2023. Noted in 2018, the transaction value of Tokopedia is US\$ 5.9 billion. The Consumer-to-Consumer (C2) channel is Tokopedia's core business with a transaction value of US\$ 5.6 billion, while the Business-to-Consumer (B2C) channel of Tokopedia has a value of US\$148 million. CLSA predicts that the value of Tokopedia transactions will reach US\$37.45 billion in 2023. (databoks.katadata.co.id, 2019).

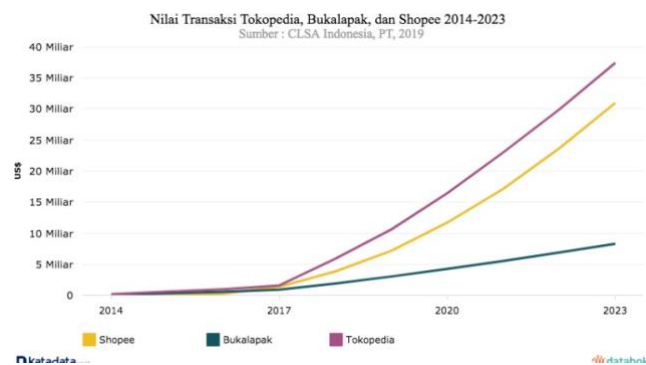


Figure 1.3. Transaction Value of Tokopedia, Bukalapak, and Shopee
Source: katadata.co.id, 2019

According to the data released by iPrice, Tokopedia is the highest monthly active user (MAU) in Indonesia. Approximately 65 million users visit their site each month. Since the second quarter of 2018, Tokopedia has consistently been in the top position for the average number of monthly visitors. Not only on-site visits, but Tokopedia has also received a high percentage of mobile applications. Tokopedia was able to penetrate the top three positions in this 2019 Q3 report. Tokopedia ranks second on Appstore and third on Playstore. Tokopedia successfully achieves all these achievements also because it has a tremendous amount of employees compared to the other e-commerce in Indonesia. By the Q3 of 2019, Tokopedia has 3,431 number of employees. With the increasingly heated

competition and innovation that continues to come, it is expected that the e-commerce industry will continue to consume a large workforce in the near future.

Merchant	Monthly Web Visits	AppStore Rank	PlayStore Rank	Twitter	Instagram	Facebook	Number of Employees
1 Tokopedia	65,953,400	#2	#3	257,750	1,487,340	6,241,510	3,431
2 Shopee	55,964,700	#1	#1	117,490	2,970,980	15,434,730	3,225
3 Bukalapak	42,874,100	#4	#9	174,630	903,130	2,426,820	2,651
4 Lazada	27,995,900	#3	#2	372,950	1,470,810	28,689,230	2,372
5 Bilibili	21,395,600	#6	#4	492,420	884,000	8,450,730	1,599
6 JD ID	5,524,000	#7	#6	25,720	443,560	770,560	1,048
7 Bhinneka	5,037,700	#22	#16	70,690	40,420	1,035,970	597
8 Sociolla	3,988,300	n/a	n/a	1,010	653,780	6,510	206
9 Orami	3,906,400	#26	#23	6,130	105,000	357,670	143
10 Ralali	3,583,400	n/a	n/a	3,060	39,660	88,660	n/a

Figure 1.4 Map of E-Commerce in Indonesia

Source: iPrice.co.id, 2019

Tokopedia's popularity was also driven by a marketing strategy aggressively followed in introducing Tokopedia and its products to the public, one of which is the use of celebrities that attract the public's attention. Based on the fast-paced business competition, a marketing strategy is required that is a force to grow and sustain competition. One effective marketing technique for providing deals and attracting a lot of attention is to use a brand ambassador. According to Doucett (2008), he said in his book that a brand ambassador is someone who has a passion for the brand, wants to introduce it, and even willingly provides information about the brand. The use of a Brand Ambassador is carried out by the company to influence or encourage customers to use the brand, the use of Brand Ambassador usually uses celebrities Royan (2014: 7).

Tokopedia has had several brand ambassadors. In 2014, Tokopedia has Chelsea Islan as their brand ambassador for 1 year (tokopedia.com, 2014), then Tokopedia changes its brand ambassador to Isyana Sarasvati in

2015 (Tokopedia.com, 2015). And in 2019, Tokopedia made some moves that shaken the media. As on October 7th, 2019 Tokopedia announces that they will work together with BTS, a Korean boyband, as their brand ambassador through their event called “Klarifikasi Bisa Tebak Siapa?” that shared live on Tokopedia Play and through their Instagram.



Figure 1.5. BTS Poster on Tokopedia’s Instagram Story

Source: Instagram.com/Tokopedia, 2019

Bangtan Sonyeondan or popularly known as BTS is a Korean pop group that made up of seven members; Suga, RM, J-Hope, Jin, Jungkook, Jimin, and V. This Korean pop group debuted under Big Hit Entertainment in 2013, BTS has been popular both in Korea and eventually worldwide since its debut, cementing its current status as the world 's largest boy band.

Kevin, Tokopedia’s Vice President through “Klarifikasi Bisa Tebak Siapa?” Revealed the reasons for making BTS as Tokopedia’s newest brand ambassador. The reasons are because of the accomplishments of BTS and also BTS as a group of talented young singers that already have many achievements in music is a perfect representation of that in accordance with Tokopedia’s values and spirit. Besides that, Kevin is also admired by BTS’s consistency and works ethic that keeps on doing innovation in the music industry while spreading positivity. (Viva.co.id, 2019). As for the

achievements that have been achieved by BTS as mentioned in the Kumparan.com (Kumparan.com, 2018) article are:

1. At the 2016 Melon Music Award, for the first, time BTS won the Daesang trophy at the annual event. They won the Daesang category for the Album of the Year category in the BTS album titled The Most Beautiful Moment in Life: Young Forever, which was released in 2016.
2. BTS succeeded in proving that the Korean boy band was able to defeat the big singers at the 2017 Billboard Music Award major music event by winning as Top Social Artist. Alongside with Ariana Grande, Shawn Mendes, Justin Bieber, and Selena Gomez as the other nominees.
3. BTS has made it to the ‘25 Most Influential People on the Internet ‘list released by Time magazine.
4. In AMAs 2018, BTS became the first Korean celebrity to be nominated in the Favorite Social Artist category and managed to win to defeat its competitors like Ariana Grande.
5. BTS is trusted by the UN to be a speaker at the Strategic Youth Conference (Youth Strategy Conference) at the UN headquarters during the 73rd UN General Assembly in New York, the United States, on September 24, 2018.
6. BTS also managed to sell out their concert tickets in the United States and Europe, including at the Rose Bowl Stadium in Los Angeles and Wembley Stadium in London.

1.3. Problem Statement

Tokopedia was chosen by the writer, considering that Tokopedia is the number one e-commerce site in Indonesia. The use of Brand Ambassador by Tokopedia is one form of communication that aims to enhance Brand Image through perceptions in the eyes of Tokopedia’s consumers. Generally, Brand Ambassadors are capable of attracting the attention of customers to

arouse curiosity and consumer interest in the product. This can then form the perception of a product in the eyes of consumers themselves. Also, considering that Tokopedia is working with BTS as one of the top Korean boy group currently, which makes BTS have many fans. All of these procedures will influence the decision of the customer to buy the product. Also, with the extensive work of BTS as brand ambassador there are still few research involving BTS as brand ambassador and for Tokopedia, there is still no research evaluating the use of BTS as Tokopedia's brand ambassador. Therefore, researchers feel interested to investigate more deeply with the title of the study **“The Impact of Brand Ambassador on Brand Image and Consumers' Purchasing Decision: A Case of BTS as Tokopedia's Brand Ambassador”**

1.4. Research Questions

Based on the background of the research described, the problem formulations in this study are as follows:

1. How big are the consumers' assessment towards Tokopedia's Brand Ambassador?
2. How big are the consumers assessment towards Tokopedia's Brand Image?;
3. How much impact does Brand Ambassador have towards Tokopedia's Brand Image?;
4. How much impact does Brand Ambassador have towards Consumers Purchase Decision process in Tokopedia?;
5. How much impact does Brand Image have towards Consumers' Purchasing Decision in Tokopedia.

1.5. Research Objectives

Based on the formulation of the problems referred to on the research question above, the objectives of this study are:

1. To find out how big are the consumers assessment towards Tokopedia's Brand Ambassador.
2. To find out how big are the consumers assessment towards Tokopedia's Brand Image.
3. To find out the scale of the Brand Ambassador's impact towards the Brand Image of Tokopedia;
4. To find out the scale of the Brand Ambassador's impact towards the Consumers' Purchasing Decision in Tokopedia;
5. To find out the scale of the Brand Image's impact towards the Consumers' Purchasing Decision of Tokopedia.

1.6. Research Usabilities

Following are several usabilities of this research:

1. Theoretical aspects
 - a. The results of this study are intended to expand and complement marketing research specifically in advertising field related to the impact of brand ambassadors on brand image and consumers purchasing decision.
2. Practical aspects
 - a. For Tokopedia's management, the results of this study are expected to provide useful insights so that Tokopedia's management can concentrate more on the value of brand ambassadors for brand image and purchasing decisions so that better strategies can be created;
 - b. For further researchers, the results of this study are expected to be used as reference material for similar research.

1.7. Systematics of writing

Systematic research has been prepared to provide an overview of the research carried out in the preparation of this report. The research systematics of this research are organized as follows:

a. Chapter I: Introduction

In this chapter includes an introduction to research. This chapter provides a brief description of the contents of the research, the formulation of problems, the purpose and usefulness of research, and systematic research.

b. Chapter II: Literature Review

This chapter provides an overview of theoretical concepts as a confirmation of this research. The previous research, concepts, and theories used will also be addressed in this chapter

c. Chapter III: Research Methodology

This chapter explains the methods and techniques of data analysis used in research to address the research problem to be carried out.

d. Chapter IV: Research Result and Study

This chapter explains the discussion of the results of the research carried out systematically in accordance with the objectives and scope of the research.

e. Chapter V: Conclusion and Recommendation

This chapter explains the findings of the results and discussion of the research and recommendations recommended to related parties, as well as to future researchers with the same coverage.