

CHAPTER I INTRODUCTION

1.1 Research Object Overview

1.1.1 Company Profile

Lazada is an online buying and selling service and e-commerce retailer created in 2012 by Rocket Internet and Pierre Poignant. Lazada Indonesia is part of the Lazada Group, which operates in six countries in Southeast Asia, namely Indonesia, Malaysia, Thailand, Vietnam, Singapore, and the Philippines. Lazada started from Rocket Internet, a German startup incubator company that set up an office in the Indonesian capital at the time, Jakarta (Lazada, 2015). Lazada prioritizes the best online shopping experience as well for its consumers. Therefore, Lazada presents various payment methods, including cash on delivery (COD), which makes it easy for consumers, especially in Indonesia, to get the latest items they want.

Lazada sells a variety of products, including electronic equipment, electronic accessories, women's and men's fashion, bags, watches, and accessories, health and beauty, kids and toys, TV and home electronics, home and lifestyle essentials, household needs, sports and outdoor, and automobiles. And 80% of the Lazada group's ownership is owned by Alibaba Group Holding Limited.

1.1.2 Company Logo

A logo is an image element or a symbol of visual identity. A logo can identify a company to differentiate it from others. Here is the logo of Lazada.



Figure 1.1 Lazada Logo

Source: Lazada.Co.Id (2021)

The Lazada logo is in the picture. 1.1 represents the heart shape which stands for the letter "L" for Lazada. The heart itself is made in the form of a three-dimensional box. The colours contained in the logo include red, yellow and purple, which symbolize friendliness, longevity and the spirit of shopping (TechnoBusiness, 2020).

1.1.3 Vision and Mission

Lazada's vision and mission are as follows:

a. Vision

To become a trusted online shopping place and provide the best quality and service to consumers.

b. Mission

Serving all the consumer's needs, from ordering to delivery of goods to the consumer's place.

1.1.4 Product and Services

a. Product

For now, Lazada provides several products or features to facilitate transactions, such as credit and data packages, games, gold vouchers, email, bills, donations, Zakat, food vouchers, shopping vouchers, and others.

b. Services

The services that Lazada provides to sellers and customers are great in quality. Because of the features that categorize items and prices, Lazada makes it simpler for sellers to be noticed by potential buyers. Meanwhile, Lazada makes it easy for the customers to order by offering free shipping promotions and the pay later function, which allows users to purchase items and pay for them on a specified due date. Using logistics delivery services (such as JNE, Sicepat, and Go-Send, among others), items are delivered so that consumers may track the progress of the products they have ordered.

1.1.5 Market Segmentation

Lazada segmentation can be divided into four based on Behavioral segmentation, Psychographic segmentation, Geographic segmentation, and Demographic segmentation.

a. Behavioral Segmentation

Lazada market is aimed at people who want to be practical and do not have time and energy to shop, and for people who are busy and able to buy the goods and services, they want to meet their needs anytime and anywhere via the internet.

b. Psychographic Segmentation

The psychological segmentation on Lazada is people who want to sell or buy products via the internet with a high level of security and comfort. The Lazada market is aimed at people from the middle to upper social class and those with a modern and practical lifestyle.

c. Geographic Segmentation

The geographical segmentation of Lazada is all regions of the State of Indonesia that can access the internet.

d. Demographic Segmentation

The Lazada market is aimed at all genders, races, and personalities, generally at young adults and families aged 17–40 years. The Lazada market is geared towards people with varying incomes. In addition, it is also aimed at people with a high job or education because it requires quite sophisticated and relatively expensive technology to access Lazada (via the internet, with smartphones, laptops, and internet browsers).

1.2 Research Background

Technology is developing very rapidly in this era, from time to time. Technological development is an era where technology has made all activities that support human life easier. Technological developments provide benefits in progress in various social aspects, especially in information technology, which influences on people's lives and behavior. Technology has also become an

important part of individuals, companies, and government agencies in everyday life that cannot be separated, even though most activities involve technology.

One example of technological developments can be seen in online commerce or e-commerce. Activities to carry out transactions to sell or buy goods, services, or transmit funds or data using electronics connected to the internet are the meaning of e-commerce (Firmansyah, 2020).

From a business point of view, the benefits of e-commerce for businesses and consumers are the benefits of e-commerce for entrepreneurs: easy buying and selling activities, reducing marketing costs, easy communication with sellers and buyers, reaching a wider market reach, information can be spread easily and quickly, and a simplified and speedy payment process. Consumers can easily shop at any time within 24 hours to a year, and consumers can see a variety of products that are considered the best at the right price. Consumers can choose to buy products at lower prices after comparing prices with other e-commerce sites (Firmansyah, 2020). Another thing that can make e-commerce a technology business that has a good opportunity for business people is the number of internet users is increasing, especially in Indonesia, which can be seen in Figure 1.2 below.



Figure 1.2 Internet User Reset

Source: : (hootsuite.widen.net, 2021)

Based on Figure 1.2 proves that Internet users experienced an increase in January 2021. The latest research from Hootsuite and We Are Social stated that internet use in Indonesia in 2021 will find 202.6 million people from Indonesia's

total population, which opened 274.9 million people. Which the number of users by province can be seen as follows.

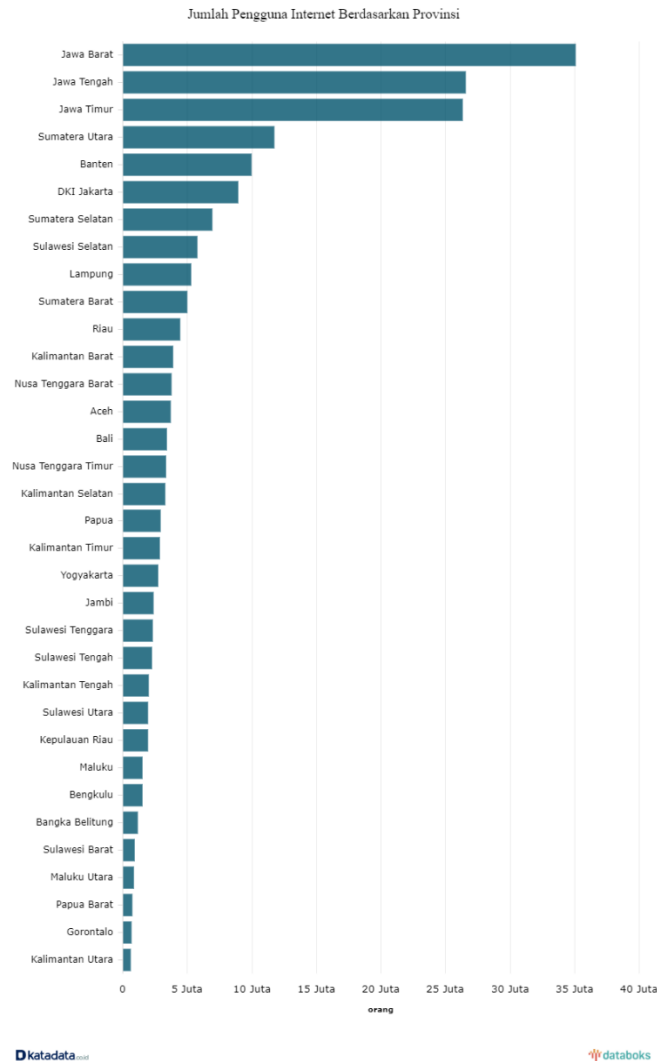


Figure 1.3 Number of Internet Users by Province

Source: Asosiasi Penyelenggara Jasa Internet Indonesia (APJII) (Databoks,2020)

Based on Figure 1.3 above, there is an increase in internet users in Indonesia by province. The Indonesian Internet Service Providers Association survey, or APJII, was conducted in June 2020 through questionnaires and interviews with 7,000 samples. The results of the survey conducted by APJII for the period from 2019 to the second quarter of 2020 noted that there were 196.7

million internet users in Indonesia and West Java was in the lead position compared to other provinces.

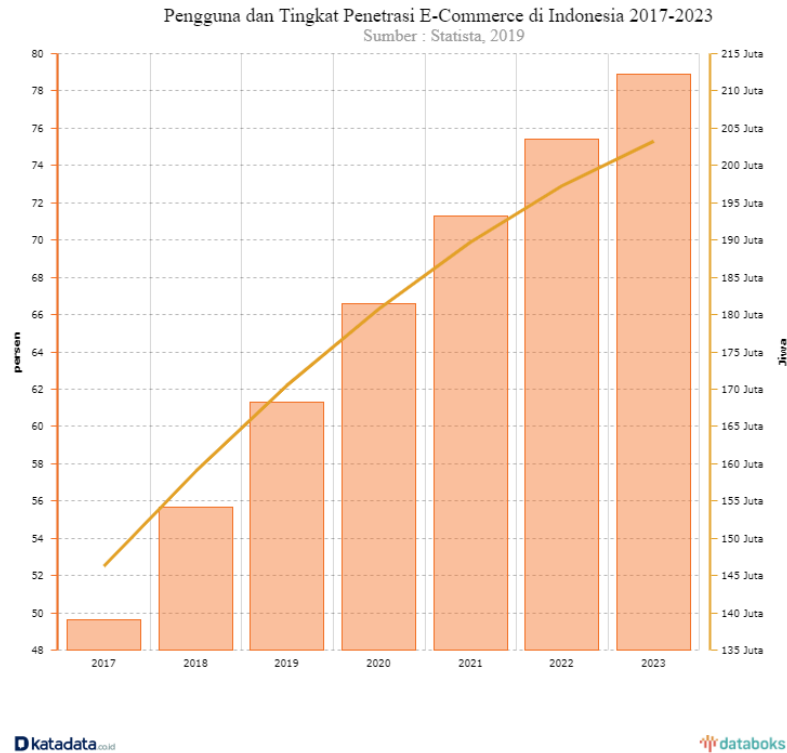


Figure 1.4 E-Commerce Penetration Rate in Indonesia

Source: (Databoks, 2021)

E-commerce users in Indonesia have recently grown very large. Growth will continue to grow in the next few years. In Figure 1.4, shows that these years will reach 203,5 million. In 2023 it will reach 212.2 million. The same thing will happen at the level of e-commerce penetration which will continue to grow. By 2023, Internet business development will account for 75.3% of the selected market population. (Katadata, 2021).

According to (Literasi News, 2021), nationally the highest recorded e-commerce transactions were in West Java Province which was ranked first. Total transactions until the middle of the third quarter of 2021 reached Rp.15.02 trillion, either buying or selling through the marketplace. According to Herwanto as Head of Bank Indonesia Representative for West Java Province, the development of the West Java digital economy is very encouraging and one of these conditions is

reflected in the growth in the value of e-commerce transactions by West Java residents in the middle of the third quarter of 2021, which grew 59.03% compared to 2020. The largest purchase transactions that indicate the demand of the people of West Java are in the fashion category of Rp. 2.52 trillion, mobile phones and accessories of Rp. 2.12 trillion, and personal care and cosmetic of Rp. 1.9 trillion. And this shows that West Java has a very good opportunity in digitization. Of course, it must be continued to ensure the business sector at various levels, including MSMEs, to transform business end-to-end

In addition, Pikiran-Rakyat.com, according to the CEO and DANA Founder, e-commerce is one of the drivers of the digital economy in Indonesia and, according to data from the Ministry of Communication and Information (Kemkominfo), 14% of the 58 million MSMEs in Indonesia have entered e-commerce and will continue, so MSMEs are growing and increasing in number. DANA also conducted a survey, which can be seen in table below.

Table 1.1 The Largest User of E-Commerce Services in Indonesia

No.	City	Percentage
1.	Bandung	85,9%
2.	Jakarta	82,8%
3.	Yogyakarta	81,3%
4.	Surabaya	76,9%

*Source: Author Data Processing Results
Based (Pikiran-Rakyat.Com, 2021)*

Based on Table 1.1, the results of a survey conducted by DANA to 1,046 respondents in four major cities in Indonesia in May-July 2019, it can be concluded that the people of Bandung City are the most e-commerce users compared to other cities, Hence, they are in the first position with a total percentage of 85,9%. This can also be directly proportional to the data of most internet users in West Java based on the APJII survey. Furthermore, in the second position, the most e-commerce users are the City of Jakarta with a percentage of 82.8%, followed by the City of Yogyakarta in the third position with a percentage of 81.3%, and the City of Surabaya in the fourth position with a percentage of

76.9%. In Indonesia, there are five top e-commerce brands. This can be seen in the image below.

Toko Online	Average Monthly Visit	App Store Ranking	Play Store Ranking
 Shopee	129.3 million	#1	#1
 Tokopedia	114.6 million	#2	#4
 Bukalapak	38.5 million	#7	#7
 Lazada	36.2 million	#3	#3
 Blibli	22.4 million	#6	#5

Figure 1.5 Number of E-Commerce users in Indonesia
Source: (e-Culture, 2021)

From figure 1.4 above, It can be seen that the average monthly number of visits by Lazada is 36.2 million, below competitors such as Shopee at 129.3 million, Tokopedia at 114.6 million, and Bukalapak at 38.5 million. Meanwhile, the category of users who download applications from the Lazada Playstore is also under Shopee, Tokopedia, and Bukalapak. The Appstore also displays the same thing where Lazada lags behind its competitors. The data above illustrates the problem in Lazada; the number of users is still less than its competitors. This should be a concern for Lazada amid increasingly massive internet use and the increasing number of e-commerce users in Indonesia.

Lazada is one of the online-based platforms known as e-commerce which is used to shop to meet consumer needs for goods and services. As one of the e-commerce sites in Indonesia, Lazada needs to determine the target market to be targeted so that it is right on target.

The great potential of the level of internet use and also access to online shopping applications will certainly make the competition in the future even tighter. This certainly attracts the attention of companies to improve strategies for each other and also identify what things must be done to understand consumer desires in using an application for online shopping.

According to (Nuseir, 2019), EWOM is very relevant in the context of marketing, and it illustrates that over time, consumer reviews have been issued, and personal information or opinions released, have become a very powerful communication tool. This is due to the advancement of technology, as well as the widespread use of the internet by people of all ages. According to Priansa (2017), every individual must exchange negative or positive information and experiences about something they have experienced, or others have experienced through online media.

E-WOM on Lazada is not good because there are many negative reviews about Lazada after consumers use it. Can be seen in the image below:

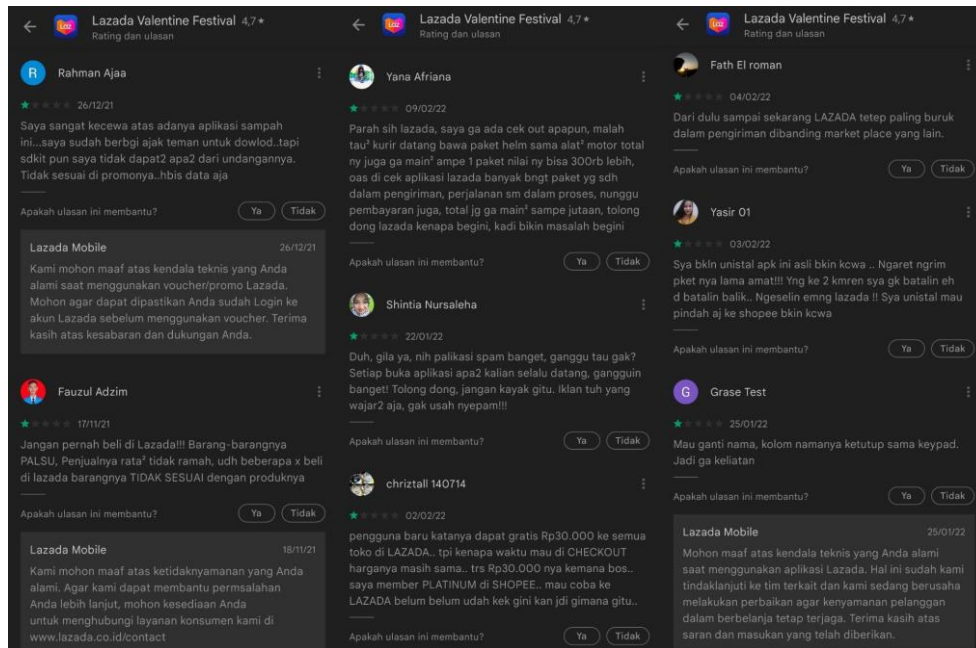


Figure 1.6 Lazada Consumer Ratings and Reviews

Source: App Store (2021)

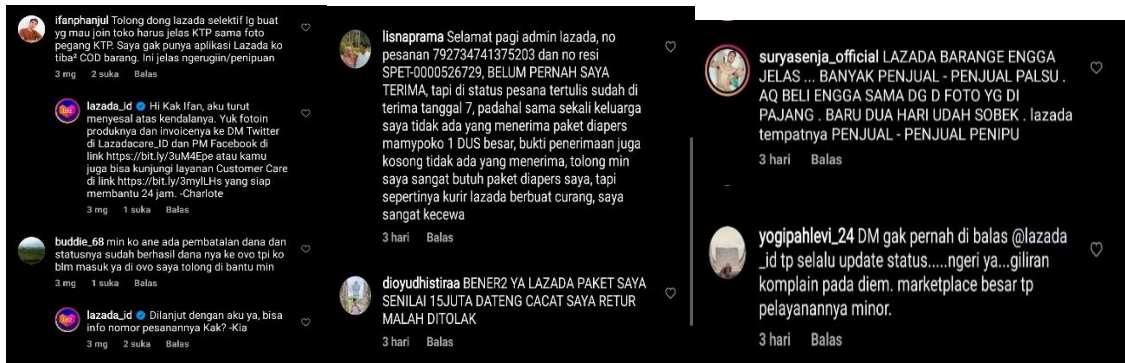


Figure 1.7 Consumer Comments on Lazada’s Instagram Social Media
Source: Instagram (2021)

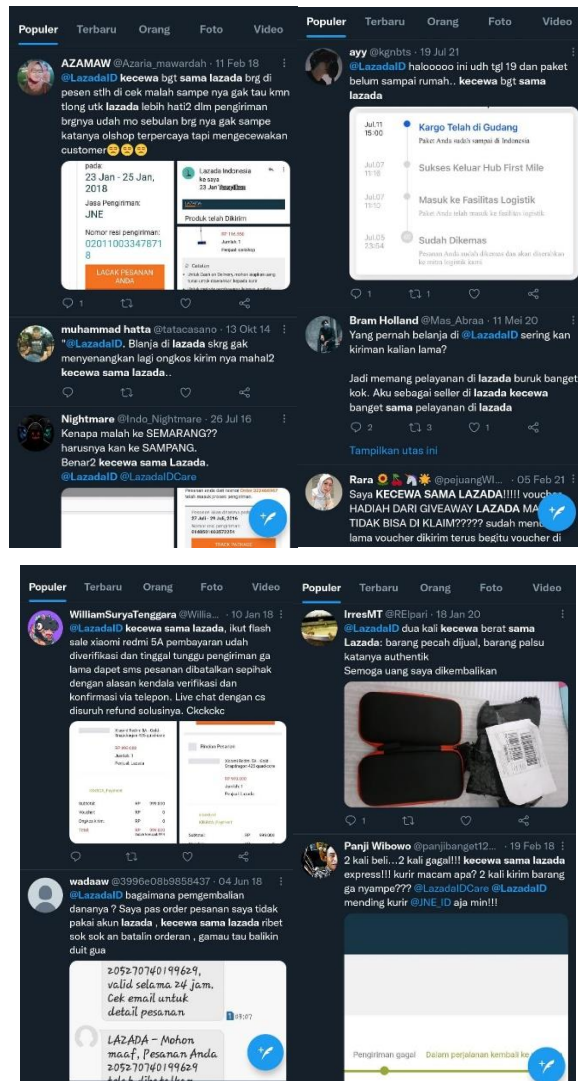


Figure 1.8 Lazada Consumer Tweets on Twitter Social Media
Source: Twitter (2021)

From Figures 1.5, 1.6, and 1.7 above, there are several negative ratings, reviews, and comments on the App Store, Instagram, and Twitter, as well as disappointments experienced by Lazada users, so it can be concluded that Lazada's electronic word of mouth (E-WOM) is not entirely good. According to Goyette et al. (2010), EWOM has three components: intensity, valence, and content. The quantity of consumer reviews posted on social networking sites is what is meant by "intensity." A customer's opinion, whether favorable or unfavorable, determines the value of an option. Then what "content" means is the informational content of social networking sites.

The influence from the consumer side, the rating and review features and comments are one of the factors that can affect the brand image. It is easy for a company's image to be influenced by consumer comments, which are easily seen from the rating and review features and on social networks in the research, brand image must be managed to convey the goal and vision of the entire company (Nuseir, 2019). The brand image describes of brand associations and consumer confidence in or trusts a particular brand. And the brand image is defined as consumer observations and beliefs as reflected, associated, or remembered by consumers (Tjiptono, 2005). Because the brand image can shape consumer confidence in the brand, based on the reviews in Figure 1.5, it can be seen that consumers are disappointed with Lazada, which could be one of the factors for the decline in web visitors.

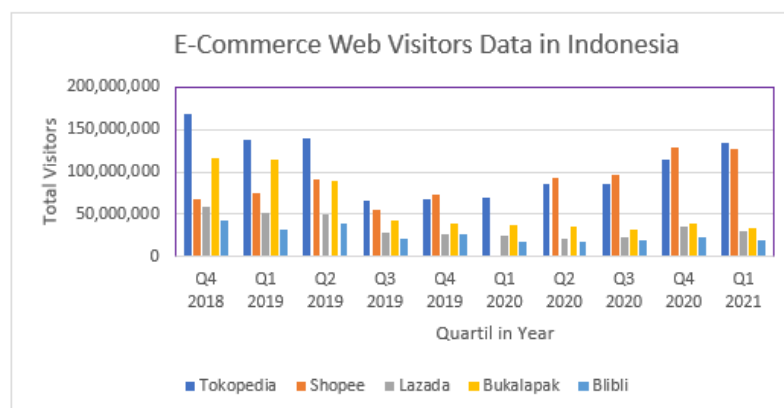


Figure 1.9 E-Commerce Web Visitor Data in Indonesia

Source: Author Data Processing Results Based on Iprice.co.id (2021)

Based on Figure 1.9 above, it can be explained that Lazada in the fourth quarter of 2018 was in the fourth position with 58,288,400 visitors, but in the first quarter of 2019, there was a decline in visitors with a total of 52,044,500. In the second quarter of 2019, it again decreased visitors. It declined until the third quarter of 2020, at 22,674,700 visitors. In the fourth quarter of 2020, Lazada remained in the fourth position, while Shopee experienced an increase in the number of visitors so that it was in the first position and Tokopedia was in the second. Then, in the fourth quarter of 2020, Lazada experienced an increase in the number of visitors, namely 36,260,600, and again experienced a decline in the first quarter of 2021, with 30,516,700 visitors.

(Priansa, 2017) Purchase Intention is focuses on something accompanied by feelings of pleasure for the goods or services. The individual's interest or interest creates a desire for the individual to have the goods or services by paying with money.

According to Kotler and Keller (2009), purchase intention is a consumer behaviour that appears as a response to someone who shows his desire to purchase an item or service. So, Kotler and Keller explain in more detail the stages of buying interest through the AIDA: attention, interest, desire, and action. Attention refers to the first evaluation of a product or service based on the demands of consumers or potential customers. After acquiring extensive details regarding the products or services on offer, prospective consumers become interested in making a purchase during the interest phase. And the desire stage is marked by potential customers having an interest or the emergence of a strong interest in making purchases and trying the product or service. At this stage, potential customers have already obtained the financial ability to purchase or utilize the supplied items or services. This is directly proportional to Figure 1.9, which shows that a decrease in monthly web visitors can have an impact on purchase intention on Lazada. Lazada must resolved the problems described above.

To strengthen this research, the researchers conducted a pre-survey of 46 people who had used Lazada.

Table 1.2 E-WOM Pre-Survey Results

No.	Statement	Answer			
		Yes	Percentage	No	Percentage
1.	Through social networking sites I often access information about Lazada	38	82,6%	8	17,4%
2.	Increased my purchase intention can be influenced by positive reviews and feedback on Lazada	43	93,5%	3	6,5%
3.	My purchase intention is decreasing can be influenced by the negative reviews and feedback on Lazada	46	100%	0	0%
4.	Having a review helps me know about the quality of products on Lazada	46	100%	0	0%

Source: Data Processed by Author (2021)

The table above is the result of a pre-survey of the E-WOM variable to 46 respondents. Based on the data above, Lazada users stated as follows:

1. A total of 38 respondents, with a percentage of 82.6%, stated yes or agreed that through social networking sites, respondents often access information about Lazada.
2. A total of 43 respondents, with a percentage of 93.5%, stated yes or agreed that increased buying interest could be influenced by positive reviews and feedback on Lazada.
3. A total of 46 respondents, with a percentage of 100%, stated yes or agreed that my decline in buying interest could be influenced by negative reviews and feedback on Lazada. The reduced buying interest could be influenced by negative reviews and feedback on Lazada.
4. A total of 46 respondents, with a percentage of 100%, stated yes or agreed that the existence of a review helps to learn about product quality at Lazada.

From the four points of the statement above, it can be concluded that Lazada users access social networking sites to seek information about positive and negative reviews and feedback, as well as the quality of Lazada.

Table 1.3 Brand Image Pre-Survey Results

No.	Statement	Answer			
		Yes	Percentage	No	Percentage
1.	Lazada is a brand that easy to remember	43	93,5%	3	6,5%
2.	Positive reviews and feedback create a good image for the Lazada brand	45	97,8%	1	2,2%
3.	Negative reviews and feedback create a bad image for the Lazada brand	45	97,8%	1	2,2%
4.	Using Lazada has met my needs	37	80,4%	9	19,6%

Source: Data Processed by Author (2021)

The table above results from a pre-survey of the Band Image variable among 46 respondents. Based on the data above, Lazada users stated as follows:

1. A total of 43 respondents, with a percentage of 93.5%, said yes or agreed that Lazada is a brand that is easy to remember.
2. A total of 45 respondents, with a percentage of 97.8%, said yes or agreed that positive feedback and reviews create a good image for Lazada's brand.
3. A total of 45 respondents, with a percentage of 97.8%, stated yes or agreed that negative feedback and reviews create a bad image that affects Lazada's brand image. This statement gets the highest percentage of approval from the respondents.
4. A total of 37 respondents, with a percentage of 80.4%, said yes or agreed that Lazada's use had met the needs. This statement got the lowest percentage among other approved statements.

From the four points above, it can be concluded that Lazada is a brand that is easy to remember. Positive and negative feedback and reviews can affect the brand image, but they have not been able to meet the needs of respondents.

Table 1.4 Purchase Intention Pre-Survey Results

No.	Statement	Answer			
		Yes	Percentage	No	Percentage
1.	I have an interest in buying after seeing the product on Lazada	41	89,1%	5	10,9%
2.	I always buy stuff or product online at	32	69,6%	14	30,4%

	Lazada				
3.	Lazada will be my top choice when I want to be shopping online	29	63%	17	37%
4.	I find out the product advantages for sale on Lazada with other e-commerce	41	89,1%	5	10,9%

Source: Data Processed by Author (2021)

The table above result from a pre-survey of the purchase intention variable among 46 respondents. Based on the data above, Lazada users stated as follows:

1. A total of 41 respondents, with a percentage of 89.1%, stated yes or agreed that respondents had an interest in buying after seeing products on Lazada.
2. A total of 32 respondents, with a percentage of 69.6%, stated that they did not agree that respondents always buy goods online at Lazada.
3. A total of 29 respondents, with a percentage of 63%, stated that they did not agree that respondents would make Lazada their main choice for online shopping. Compared to other statements, this one has the highest percentage of disagreement.
4. A total of 41 respondents, with a percentage of 89.1%, stated that respondents were looking for the advantages of products sold on Lazada compared with other e-commerce. This statement gets the highest percentage of agreement compared to other statements.

From the four points of the statement above, it can be concluded that purchase intention on Lazada for 46 respondents is not entirely good because it has not become the respondent's main choice to always shop online at Lazada.

Based on previous research conducted by (Jalilvand & Samiei, 2012) under the title The effect of electronic word of mouth on brand image and purchase intention An empirical study in the automobile industry in Iran E-WOM has a considerable impact on consumer online purchase intention and brand image, and brand image has a large impact on online purchase intention. These results indicate the influence of E-WOM and the numerous benefits that may be achieved by establishing and implementing an effective marketing plan.

In a previous study by (Pentury et al., 2019), Research concluded that the e-WOM has a statistically significant positive impact on brand image, and brand

image has a positive but not statistically significant effect on purchasing intention. A statistically substantial favorable effect of E-WOM on purchasing intention. E-WOM plays a significant role in establishing a great brand image, and the brand can also impact customer's purchase intention. In addition, a recent study by Kala (2018) indicated that marketers should prioritize effective E-WOM communication to enhance brand image, which would in turn increase customers' purchase intention.

From the background description above, the author wants to discuss further to determine how much influence E-WOM has on Purchase Intention mediated by Brand Image. Therefore, researchers are interested in conducting a study entitled **“The Influence Analysis of Electronic Word of Mouth on Purchase Intention Mediated by Brand Image on Lazada in Bandung City”**.

1.3 Problem Formulation

Based on the background that has been described, the identification of the problems to be studied is as follows:

1. How positive and significant is the Electronic Word of Mouth on the Purchase Intention of Lazada in Bandung City?
2. How positive and significant is the Electronic Word of Mouth on the Brand Image of Lazada in Bandung City?
3. How positive and significant is the Brand Image on the Purchase Intention of Lazada in Bandung City?
4. How positive and significant is the Electronic Word of Mouth and Purchase Intention of Lazada with Brand Image as the mediating variable?

1.4 Research Objective

This study aims to address the following problems that have been described:

1. To find out How positive and significant is the effect of Electronic Word of Mouth on the Purchase intention of Lazada.
2. To find out How positive and significant is the effect of Electronic Word of Mouth on the Brand Image of Lazada.

3. To find out How positive and significant is the effect between Brand Image on the Purchase Intention of Lazada in Bandung City.
4. To find out How positive and significant is the effect between Electronic Word of Mouth on the Purchase Intention of Lazada with Brand Image as the mediating variable.

1.5 Research Benefit

This research is expected to provide benefits that can be shared; there is

a. Practical Benefit

The practical aspects of this research are as follows:

- 1) For companies/agencies, it is hoped that the results of this research can help and maximize, especially in developing Lazada's marketing strategies.
- 2) For the author, It is hoped that the findings of this study will contribute to the understanding of marketing strategies, particularly electronic word of mouth, brand image, and purchase intention, so that readers may comprehend the related theories that the authors have researched.
- 3) For other researchers, it is hoped that the results of this study can be used as a source of information for further research.

b. Theoretical Benefit

It is hoped that this research can be a source of reference and additional insight for readers and can be material for research development in the field of marketing, especially electronic word of mouth, brand image, and purchase intention.

1.6 Writing Systematics

The systematics of writing aims to make it easier to provide an overview and content of this research, while the systematics of writing this research are as follows:

a. CHAPTER I INTRODUCTION

This chapter contains an object overview, research background, problem statement, research questions, research goals, the scope of the research, the

theoretical and practical importance of the research, and an explanation of the research scope.

b. CHAPTER II LITERATURE REVIEW

This chapter includes relevant theories to this research, along with previous studies, and also a theoretical framework and hypotheses that have been developed in this research.

c. CHAPTER III RESEARCH METHODOLOGY

This chapter explains the approach, methods, and techniques of data analysis used in research to address the research problem to be carried out. It presents the type of research, operational variable, research stages, population and sample, data collection, type of data, technique of data, and hypothesis testing.

d. CHAPTER IV RESEARCH RESULT AND DISCUSSION

In this chapter, statistical testing and data interpretation are included. It explains the discussion of the research results carried out systematically by the objectives and scope of the research.

e. CHAPTER V CONCLUSION AND SUGGESTION

This chapter contains a summary of research findings, the implication of the findings and limitations of the study, and suggestions for the following study related to this research.