

CHAPTER I

INTRODUCTION

1.1 Research Object Overview

1.1.1 Company Profile

Shopee Pte. Ltd. Ltd. Shopee is a multinational Singaporean technology company that specializes in e-commerce. Before expanding globally, the company was founded in Singapore in 2015. With 343 million monthly visitors as of 2021, Shopee is the largest e-commerce platform in Southeast Asia. It also serves consumers and sellers in East Asia (Taiwan) and Latin America who want to buy and sell goods online. Shopee is a Sea Limited subsidiary (Wikipedia, 2023).



Figure 1. 1. Shopee logo
Source: Google (2023)

1.1.2 Company History

Shopee launched in Singapore in February 2015 as a social-first, mobile-centric marketplace where users can browse, shop, and sell products. The asset-light platform includes logistical and payment support, and it claims to make online shopping simple and secure for both buyers and sellers. To compete with other e-commerce companies such as Coupang, Lazada, Tokopedia, and AliExpress, the app-based platform launched a website. Shopee distinguishes itself by providing online shopping security via its own escrow service, Shopee Guarantee, which can be used to withhold payments from sellers until buyers receive their orders (Wikipedia, 2023).

Shopee officially opened its six-story regional headquarters in Singapore Science Park on September 3, 2019. The new building has a total area of 244,000 square feet (22,700 m²) and can house 3,000 employees, making it six times larger

than Shopee's previous headquarters at Ascent Building. WeWork leased the building before handing it over to Shopee (Wikipedia, 2023).

Despite increasing its gross profit margin year on year in the first half of 2022, Shopee has yet to become profitable, owing to faster growth in transaction-based fees and advertising income. With rising inflation and interest rates, as well as setbacks in its internationalization plans, Shopee laid off employees from Indonesia, Thailand, and Vietnam in June 2022. Cuts were also reported for ShopeePay and ShopeeFood (Wikipedia, 2023).

On 15 September 2022, Sea's CEO, Forrest Li sent a memo to all employees that outlined cost-cutting measures to be taken by the company to achieve "self-sufficiency". The measures include limiting business expenses and temporarily foregoing compensation for Shopee's top executives. Another round of layoffs was also announced, affecting workers in Singapore, Indonesia, and China (Wikipedia, 2023).

1.1.3 Company Vision and Mission

Shopee company's vision is "We believe online shopping should be accessible, easy and enjoyable. This is the vision Shopee aspires to deliver on the platform, every single day. We believe in the transformative power of technology and want to change the world for the better by providing a platform to connect buyers and sellers within one community."

And for company's mission is "To define who we are - how we talk, behave or react to any given situation - in essence, we are Simple, Happy and Together. These key attributes are visible at every step of the Shopee journey" (Shopee, 2023).

1.2 Research Background

The rapid growth of information technology such as internet has impacted various aspects of consumer life. Internet usage has evolved into a massive global marketplace for exchanging goods and services throughout the last few decades. Internet is utilized to disseminate information and is a medium for buying and selling or trading through an online marketplace environment in many developed countries. In 2021, the number of Indonesian internet users increased by 11 percent from the previous year, from 175.4 million to 202.6 million users (Agustini, 2021).

According to the Indonesian Internet Service Provider Association (APJII), internet users in Indonesia reached 171 people in 2018, accounting for approximately 64.8 percent of the total population (Kusnandar, 2019). This figure may indicate that users are beginning to actively use technology in their daily lives, such as online shopping through e-commerce or marketplace.

E-commerce is becoming increasingly important in the coming years. This technology is an essential part of modern life. People are shopping for a variety of reasons. The growing development of this service also contributes to this condition. According to the Ministry of Communication and Information Technology in Indonesia, Indonesia had the highest e-commerce value growth in 2018, reaching 78 percent and is expected to continue growing. This growth is also influenced by various government penetration efforts to create a digital economy, such as technology infrastructure (Zuraya, 2020). Indonesia has the potential to be a market for online businesses (Suleman, Ali, Nusraningrum, & Ali, 2019). This causes traditional shopping growth to slow year after year (Quora, 2017), indicating that it is adjusting to current market conditions.

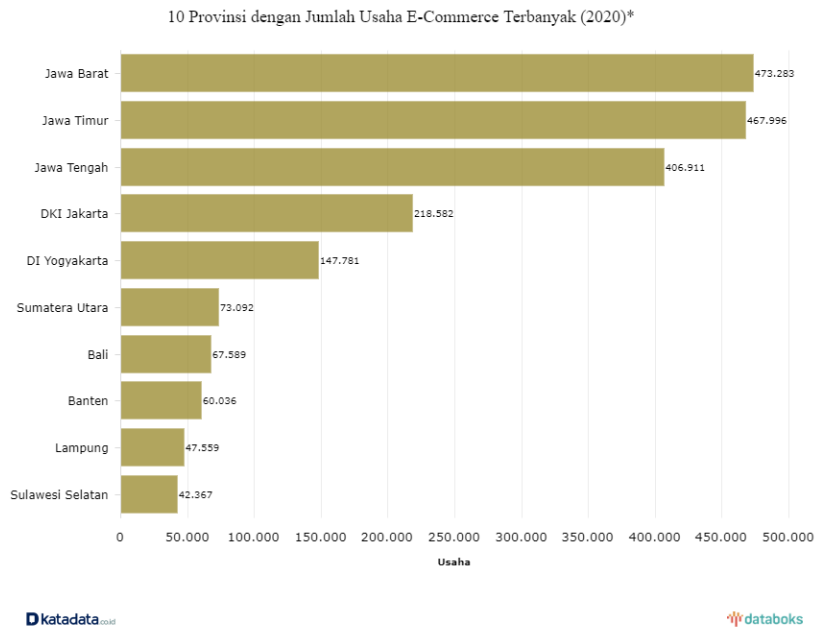


Figure 1. 2. 10 provinces with the highest number of e-commerce businesses in Indonesia

Source: Katadata (2021)

Based on Figure 1.2. West Java ranks first among the ten provinces with the highest transaction market share in Indonesia in 2020, both buying and selling through the marketplace. According to Herawanto, the Head of Bank Indonesia (BI) West Java Province Representative, when launching Local Community Services (LCS) Digital Marketing Training activities for MSMEs in the West Java Province area, as part of the West Java Economic Society 2021, West Java ranks first in the country in terms of e-commerce transactions. Total transactions were recorded at IDR 15.02 trillion in the middle of the third quarter of 2021 (Kompas.com, 2021).

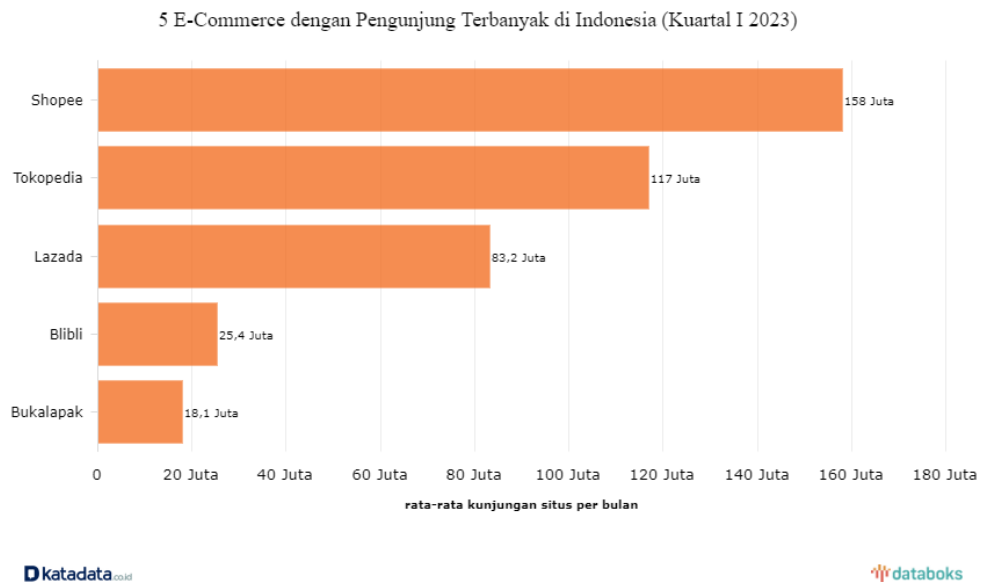


Figure 1. 3. E-commerce with the most visitors in Indonesia as of 1st quarter 2023

Source: Katadata (2023)

As it shown in Figure 1.3. according to Katadata (2023), the Indonesian e-commerce Shopee ranked first among the most clicked e-commerce sites in Indonesia in the first quarter of 2023, with more than 158 million visitors per month.

Shopee is a new online shopping app that launched in early 2015. Shopee currently has over 600.000 followers and 4 million free downloads on the App Store and Google Play Store (Reza, 2015). Shopee's advantages over other e-commerce sites include the ability to bargain between sellers and buyers, the variety of delivery services available both domestically and internationally, the number of payments accepted, and the numerous promotions available (Riyadi, 2019).

Shopee's e-commerce services have become the focus of consumer attention during the pandemic because Shopee experienced a 130% increase in sales transactions in Q2-2020 compared to the same period last year, with the increase in fashion being 59%, beauty care being 54%, and accessories being 48%. According to Shopee Indonesia Director Handhika Jahja, there were around 260 million transactions on the Shopee platform during Q2-2020.

Shopee consumers conduct 2.8 million purchases every day on average (Fe, 2021).

Meanwhile the Covid-19 virus has had a significant impact on e-commerce worldwide, with one of the effects being the rapid development of e-commerce in Indonesia. Covid19 has compelled consumers to use the internet, transforming it into a new hobby or habit in their daily lives (Abiad et al., 2020).

Because e-commerce platforms such as Shopee do not require individuals to leave their homes in the middle of a pandemic, Indonesians choose to shop digitally because it is regarded safer and more efficient in following physical distance and #dirumahaja rules. Shopee also provides different price reductions, activates Cash On Delivery (COD) as an option for customers who are unfamiliar with Bankable transactions, and hosts fascinating events such as Harbolnas every month (Fe, 2021).

Online shopping is a popular and widely practiced activity (Erjavec and Manfreda, 2022; Shao et al., 2022). Customers in this massive market will frequently make impulsive, unplanned, unreflective, and unthoughtful purchases (Kimiagari and Malafe, 2021) which is referred to as 'online impulsive buying' (Wu et al., 2020).

Unplanned purchases are one of the consumer behaviors in Indonesia. Furthermore, the consumer is confronted with emotions and desires to obtain goods in this state. Rush buying and selling can occur at any time without prior planning and with an unexpected sense of urgency. Unplanned purchases, as seen, include cognitive components such as a lack of foresight and planning, as well as affective components such as spontaneity, emotion, and a lack of self-control (Sokic & Korkut, 2020).

The Trade Desk conducted a survey to capture consumer behavior during online shopping festivals like 10.10, 11.11, and 12.12, also known as National Online Shopping Day aka Harbolnas. According to the survey, 8 out of 10 (82%) of Indonesian consumers began shopping online at least once per month. In fact, one in every four consumers shops online at least once a week.

The Trade Desk also discovered two types of online shoppers reflected in this research, namely planned and impulsive shoppers (Catriana, 2021). According to the survey, nearly 64% of active online shoppers describe themselves as planned shoppers, meaning they have planned and researched how much they want to spend before going shopping. During the online shopping festival, however, some of these planned shoppers became impulsive, resulting in a nearly 2-fold increase in the number of impulsive shoppers. In fact, 42% of those who plan to shop online admit to spending more during online shopping festivals (Catriana, 2021). Moreover, e-commerce consumers can easily compare prices and information about a product or service. The phenomenon of impulse shopping, both online and offline, positively impacts marketers, retailers and stakeholders in terms of generated profit and therefore needs to be further explored to gain a deeper understanding of the context (Indrawati, Ramantoko, Widarmanti, Aziz, & Khan, 2022).

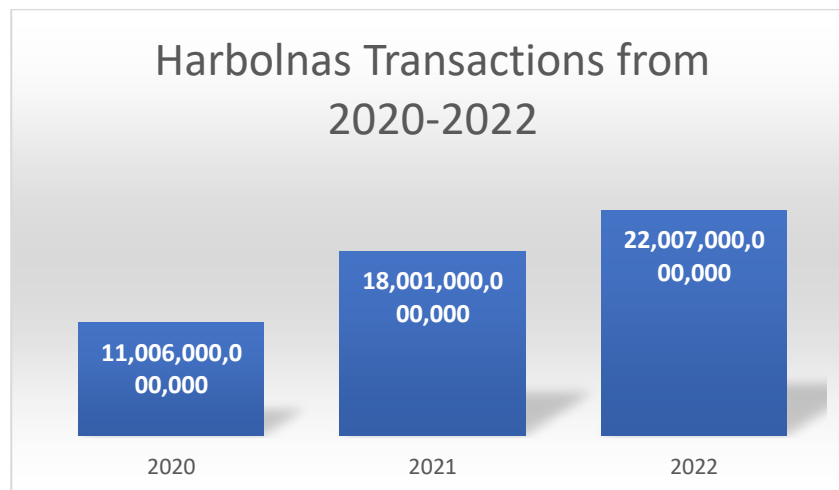


Figure 1. 4 Harbolnas transactions from 2020-2022

Source: *Data is processed from various sources*

According to Figure 1.6. in comparison to last year, the value of online shopping transactions during the 12.12 National Online Shopping Day (Harbolnas) festival this year (2021) has increased significantly. According to NielsenIQ, the transaction value exceeded IDR 18.1 trillion, a 56% increase from the 2020 Harbolnas realization of IDR 11.6 trillion. NielsenIQ's research found a total sales transaction value of IDR 22.7 trillion during the 2022 National

Online Shopping Day (Harbolnas). Harbolnas 2022 will take place over two days, December 11-12, 2022, with the highlight Hari Bangsa Buatan Indonesia (HBBI) on December 13th, 2022. (Timorria, 2021). According to NielsenIQ Director Rusdy Sumantri, transaction achievement in the 2022 Harbolnas increased by IDR 4.7 trillion or 26% over the previous year's achievement of IDR 18.1 trillion (Herman, 2023).

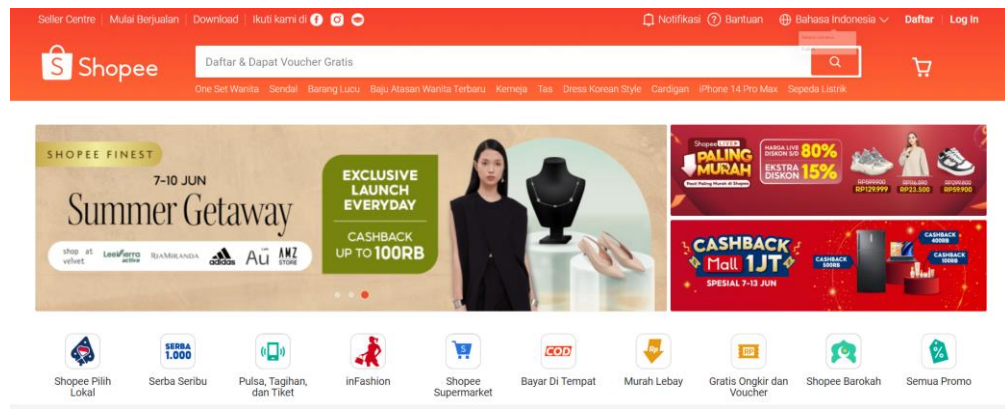


Figure 1. 5. Shopee website
Source: Google (2023)

Figure 1.5. it is shown what Shopee website's looks like. According to research that had been conducted in 2018 by Mahir Pradana using the IPA (Importance Performance Analysis) method, beginning with data collection via a questionnaire distributed to 100 Shopee users, 32% of whom were men and 68% of whom were women. The results show that the Shopee website's quality level is in line with user expectations, based on four IPA quadrants that are the main priority attributes that must be improved, namely quadrant I attributes system design, relevant information, information with correct details, and website security of personal information Shopee (Pradana & Ichsan, 2018).

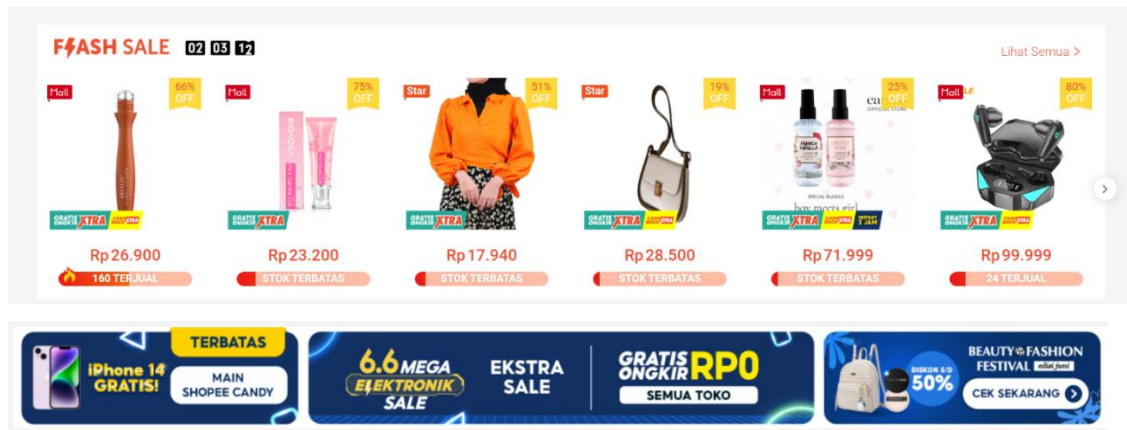


Figure 1. 6. Shopee website offers

Source: Google (2023)

According to figure 1.6. many people like Shopee and prefer to buy online at Shopee because it is considered to have various discount discounts, attractive vouchers, free shipping discounts, and the ease of using the application (Salma, 2023). Situational factors play an important role as an indicator of impulse buying. (Badgaiyan & Verma, 2015) identify the effect of situational factors related store-related factors (sales promotion, store environment, store employees, store ambience) on impulse buying.

The Shopee online platform with the highest number of active users is due to this application because it has an attractive appearance and is easy to use. Supported by Wulan et al. (2019) research results, Shopee has provided features that are comfortable to use, attractive, and make it easier for customers to shop online to trigger impulsive buying. According to Bagdare and Jain (2013), encourage consumers to frequent retail store browsing and impulse buying in a fun-filled enjoyable retail store environment. Thus, consumers' shopping enjoyment tendencies as a part of consumer traits (Beatty and Ferrell, 1998; Badgaiyan and Verma, 2014) are found to be more impulsive.

According to Febrilia and Warokka (2021) indicates that impulse buying tendency, consumer mood, and motivational activities by retailers are the influencing factors of consumer's decisions to purchase products at online stores impulsively/ suddenly arrived/unplanned and shopping enjoyment

tendency, person's situation, website quality, and product attributes are considered not to affect consumers' impulsive purchases made at online stores. Secondly the internal (i.e., mood, impulse buying tendency) and external factors (promotional efforts made by sellers, such as price discounts, prize coupons) simultaneously affect the consumers' online impulse buying in online stores users in Jakarta .

Meanwhile, according to the research findings Atulkar & Kesari (2018) the study presents positive relationship between consumer traits (impulse buying tendency, shopping enjoyment tendency and materialism) and situational factors (personal situation, motivational activities by retailers and product attributes) with impulse buying, support the past research efforts in this field by validating through the results. All these variables make consumers mood positively, encourage them for in-store browsing and hold them for a long period of time and positively influence the impulsive buying decisions in Central India.

Therefore, it can be said that both consumer traits and situational factors are interlinked with each other, could assist retailers in developing effective marketing and stimulating strategies, in order to take advantage on every available opportunity in the retail sector market, whereas the results for the constructed store environment having a relationship with impulse buying show a negative insignificant result because the attraction and enjoyment part of the retail store motivate consumers to perform in-store browsing longer. It has also been discovered that consumers who visit a retail store solely for pleasure are less likely to engage in impulsive buying (Atulkar & Kesari, 2018).

Badgaiyan & Verma (2015) examined that 8 situational variables money availability, economic well being, family influence, sales promotion, store environment, friendly store employees, time availability, and credit card were found to be significantly affecting impulse buying.

According to Fauzia's (2019) research, only 35.4% of consumers, specifically women aged 49-55, plan and browse the products and brands they

wish to buy. As a result, more than 60% of female customers use the internet and specialized e-commerce platforms solely for enjoyment, and then make an unintended purchase, often known as impulsive buying (Akram, Hui, Khan, Tanveer, et al., 2018, Akram, Hui, Khan, Yan, et al., 2018; Moser, 2020).

The study of Olivia (2019) found that most women with student status (young age) and an income of IDR 2,000,000 - IDR 4,000,000 are very impulsive, spontaneous consumers who do not give much thought before making a purchase. Another study found that more than 80% of Indonesian online shoppers have specific e-commerce and product preferences, rather than simply browsing products (Hidayat, 2019).

Nielsen Indonesia data (2016, 2020) confirms the finding that consumers who are impulsive and make purchases without careful consideration just approximately 13% of total consumers who actively transact at online retailers. In other words, this argument seeks to underline that the tendency for impulsive purchasing is low, and that not all Indonesian customers are easily to act impulsively. As a result, it is critical to investigate whether Indonesian consumers behave spontaneously when shopping online and what factors influence their impulsive behavior (Badgaiyan et al., 2016; Iyer et al., 2020).

Given the differences in the previously stated arguments by the prior researchers, it is critical to investigate whether Indonesian (particularly in West Java) online shoppers are impulsive. As a result, this study investigates the phenomenon and empirical gap by examining the influence of internal (consumer traits) and external (situational factors) aspects of online impulse buying at online stores. As a result, the title of this study is “***The Influence of Consumer Traits and Situational Factors on Consumer Online Impulse Buying Behavior of Shopee Users in West Java Indonesia***”.

1.3 Problem Formulation

There is no doubt that e-commerce in Indonesia is expanding. The outbreak of the COVID-19 pandemic has caused a disruption in internet buying habits. In

other words, as lockdowns and other restrictions made it difficult for individuals to meet their traditional needs, internet shopping became the primary way of buying and selling things, which is now changing consumer buying habits. Covid19 is forcing customers to start using the internet and adopt it into their daily lives as a new passion or habit.

However, there is still huge gap exists with respect to considering the effect of consumer traits and situational factors collectively on impulse buying (Atulkar & Kesari, 2018). As a result, this study investigates the phenomenon and empirical gap by investigating the impact of internal (consumer traits) and external (situational factors) factors of online impulse buying at online stores, particularly among Shopee users in West Java. By generating seven research questions, the investigation evaluated both elements in order to fill gaps. The attributes of the consumer traits included an impulse buying tendency, shopping enjoyment tendency, consumer mood, and person situation. Meanwhile, situational factors included website quality, merchant motivational activities by retailers, and product attribute.

1.4 Problem Research Questions

There is still a significant gap in online impulse buying because research on consumer traits and situational factors is rarely done collectively. There are also differences of opinion from previous research on online impulse buying. In this study, researchers chose consumer traits and situational factors to examine their impact on online impulse buying among Shopee users in West Java. Based on the previous research and explanation, it is possible to conclude that the problem formulation is as follows:

1. Do consumer traits have positive influence on consumer online impulse buying behavior of Shopee users in in West Java?
2. Do situational factors have a positive influence on consumer online impulse buying behavior of Shopee users in in West Java?
3. Do situational factors and consumer traits have a positive influence on consumer online impulse buying behavior of Shopee users in in West Java?

1.5 Research Objectives

Based on the research questions above, the objectives of this study are:

1. To determine whether consumer traits have a positive influence on consumer online impulse buying behavior of Shopee users in West Java.
2. To determine whether situational factors have a positive influence on consumer online impulse buying behavior of Shopee users in in West Java.
3. To determine whether consumer traits and situational factors have a positive influence on consumer online impulse buying behavior of Shopee users in in West Java.

1.6 Research Benefits

1.6.1 Theoretical Aspect

The results of this research contribute to the understanding of online impulse buying behaviour of consumers and explore the role of consumer traits and situational factors, identified as important factors of impulse buying and provide new insight to students on whether consumer traits and situational factors influence consumer online impulse buying behavior of Shopee users in West Java. Additionally, some of the research's findings are expected to serve as a guide for upcoming studies.

1.6.2 Practical Aspect

The aim of this study is to learn more about the impact of consumer traits and situational factors on impulsive online shopping behavior among Shopee users in West Java. The ongoing influence of this research's findings can also be utilized and provide significant insights for other businesses in the same industry.

This research assists customers or businesses in making and fulfilling promises to consumers and developing their marketing plan with optimal use of positive feedback, assisting them in driving sales, designing store fixtures, and improving retail store performance. The research's implications can also help retail managers effectively and efficiently target consumer spending when designing sales programs such as events, offers, discounts, prizes, and price promotions by targeting the variables used, in order to increase the number of

customers impulse buying. Furthermore, the code of ethics in commercial operations can be enshrined in rules to reduce violations of ethnicity, religion, race, and inter-group norms and regulations.

1.7 Systematic Writing

This section of the study report contains systematics and brief explanations of the research reports from Chapter I to Chapter V.

CHAPTER I (INTRODUCTION)

This chapter provides a general, comprehensive, and accurate description of the subject of the investigation. This chapter includes an overview of the research object, research background, problem formulation, research objectives, research advantages, and final project writing systematics.

CHAPTER II (LITERATURE REVIEW)

This chapter contains general to specialized ideas, as well as previous research, a research framework, and hypotheses.

CHAPTER III (RESEARCH METHODS)

This chapter discusses the technique, methods, and strategies for collecting and analyzing data that can be utilized to answer research questions about research types, operating variables, data collection, and so on. This chapter covers population and sample data, validity and reliability testing, and data analysis procedures.

CHAPTER IV (RESEARCH RESULTS AND DISCUSSION)

The research findings and discussion are presented under various subtitles and are carefully described in accordance with the problem definition and research objectives. This chapter is split into two sections. The first section offers the research findings, and the second section provides comments or interpretations of those findings. Each discussion must begin with data analysis results, then be analyzed, and lastly, conclusions drawn. This should be compared with earlier research or the applicable theoretical foundation under consideration.

CHAPTER V (CONCLUSIONS AND SUGGESTIONS)

Conclusions begin as responses to research questions, then develop into recommendations about the research's advantages.