

CHAPTER 1 INTRODUCTION

1.1. Research Background

Human life in the digital era of technology is currently at the beginning of a revolution that is fundamentally changing the way we live, work and relate to one another. The change was very dramatic and occurred because of the continued development of internet technology as the context of global economic development at this time. Changes that are very influential in life compared to the previous industrial revolution era are due to the application of the internet as a medium of communication and marketing. Many things that were not thought of before, suddenly appear and become new innovations, and open up a very large business area. the emergence of transportation with ride-sharing systems such as Go-jek, Uber, and Grab, then online shops with marketplace systems such as Tokopedia, Shopee, Lazada, and others.

The presence of the industrial revolution 4.0 does present new businesses. Industry 4.0 in Indonesia will attract foreign and domestic investment in Indonesia because industry in Indonesia is more productive and able to compete with other countries, and strives to be better accompanied by increasing the ability of Indonesian workers to adopt technology.

The phenomenal development of information and communication technology became the beginning of the emergence of web applications, namely the Internet. The internet, which started as research for defense and security and education, has developed into a very influential business support tool.

The internet or what is often called interconnection-networking is a global system of all interconnected computer networks using the standard Internet Protocol Suite (TCP/IP) to serve billions of users worldwide (Wikipedia, 2014).

According to APJII (Association of Indonesian Internet Service Providers), internet users in Indonesia in 2019 increased more than in 2018. As shown in Figure 1. Here:



Figure 1 Internet User Penetration in Indonesia 2019-2020

(Source: www.BeritaSatu.com in 2019)

The internet also has a function to support economic activities. One of the activities that are most in demand by the Indonesian people is buying and selling products online. This phenomenon is of course a new business opportunity for several parties who then seize this opportunity by providing or creating an online store as part of e-commerce.

There are many e-commerce that are developing in this era. One of the fastest growing developments in Indonesia is e-commerce, which is a marketplace type. Marketplace is a place where sellers can create an account and sell products where the seller only needs to provide a photo of the product and upload it which is then equipped with a product description.

One type of marketplace that is quite popular in Indonesia is Tokopedia. Tokopedia was founded on August 17, 2009 with a vision to build a better Indonesia through the internet. In 2009 Tokopedia won the Bubu Awards which was named the best company at that time. In addition, Tokopedia also managed to get investments from PT Indonusa Dwitama (2009), East Ventures (2010), CyberAgent Ventures (2011), BEENOS (2012), SB Pan Asia Fund (2013), and SoftBank Internet and Media, Inc. (“SIMI”) and Sequoia Capital (2014). Tokopedia uses a joint account system or escrow in its payment system. In this case, Tokopedia acts as a third party that mediates between the seller and the buyer, so as to minimize the occurrence of fraud. Tokopedia as one of the best places to buy and sell is one of the most extraordinary innovations, since the boom in 2014, its existence has increased rapidly and has quickly become a popular marketplace until 2019. As seen in Figure 2.



Figure 2 Online Shop Competition in Indonesia in 2017-2020.

(Source: www.goodnewsfromindonesia.id 2020).

Consumers have several factors to consider in making purchasing decisions behind the rise of online buying and selling through the Tokopedia site among the Indonesian people. Decision making is an individual activity that is

directly involved in obtaining and using the goods offered. Purchase decisions refer to consumers who have made real product purchases. The purchasing decision process is divided into five stages, namely problem recognition, information search, evaluation of alternatives, purchase decisions, and post-purchase behavior.

Before consumers decide to buy, there are several factors that consumers consider, the first is trust. the trust factor in an online shop is closely related to consumer confidence. This trust factor is a key factor in every buying and selling online. Because if there is no trust between the seller and the buyer, there will be no transaction in the world of e-commerce, let alone knowing if the product being sold and offered by the seller is a pseudo product, what is sold is still a shadow of the seller.

The second factor is the quality of service, service quality is the level of good or bad conditions provided by the seller in order to satisfy consumers by conveying consumer demand beyond what consumers expect. If the service received by the customer is as expected, then the service quality is perceived as good, and vice versa if the service received is lower than what the customer expects, then the service quality will be perceived as very bad, so that the needs and desires of consumers feel unfulfilled.

Based on the background of the problem above, the authors are interested in discussing this further into research with the title: **“Effect of Trust and Quality of Services on Online Purchase Decisions at Tokopedia in Padang City.”**

1.2. Identification of Problems

Based on the description of the background above, the following problems can be identified:

1. The more and more intense the competition in the online business, the consumer trust is very important to be taken into consideration that needs to be considered.
2. The importance of improving service quality in order to compete and win consumers.

1.3. Problem Limitation

Limitation of the problem is done to overcome the limitations of time, cost, ability, and the extent of the object of research. So that the objectives of the discussion here can be achieved, the researcher will limit the problem to:

1. The object of research is the Tokopedia online buying and selling site.
2. The subjects in this study were consumers who had shopped at Tokopedia.
3. The research location is in the city of Padang.
4. The research was conducted on the variables of trust and service quality as independent variables and Purchase Decision as the dependent variable.

1.4. Formulation of the Problem

Based on the limitation of the problem above, the problems in the research to be carried out will be formulated as follows:

1. Does the Trust Variable affect online purchasing decisions at Tokopedia in Padang City?
2. Does the Service Quality Variable affect online purchasing decisions at Tokopedia in Padang City?

1.5. Research Purposes

This research was conducted with the aim of :

1. To test and analyze the effect of trust on online purchasing decisions at Tokopedia in Padang City.
2. To test and analyze the effect of service quality on online purchasing decisions at Tokopedia in Padang City.

1.6. Benefits Purposes

The benefits of this research are:

1. Theoretical Benefits

Theoretically, the results of this research are expected to be a reference or input for the development of marketing management science and add to the study of marketing management science.

2. Practical Benefits

- a. For Researchers

- 1) As one of the requirements to get a bachelor's degree in economics at the Management Department, Faculty of Economics, Universitas Andalas, Padang and increase knowledge in the field of marketing. Application of theories that have been obtained in lectures and used as a tool in research discussions. As a means to add insight, creativity, analytical power, and as a means to apply the knowledge gained during lectures in real terms.

- b. For the Development of Science

As a scientific contribution and also as input for the development of knowledge in the field of marketing management,

especially regarding online purchasing decisions and used as comparison material with theories that have been accepted in lectures and in the field..

c. For Organizations

This research is expected to provide additional benefits for organizations to know about online purchasing decisions that are usually made by the public.

d. For Further Researchers

This research is expected to be able to provide benefits for further researchers so that they can develop research on online purchasing decisions towards a better direction.

1.7. Research Organization

In order to analyze the problem stated above, it is very important to organize and divide the research into 5 chapters as follow:

Chapter 1 - Introduction

The first chapter of this study will illustrate the background of the problems, the problem statements, and the purpose of the study, the significance of the study, the research framework and the organization of the study.

Chapter II - Literature Review

The second chapter will support this study by using previous studies that are relevant to the topics raised in this study. the previous studies can also be used to support the hypothesis generation for this study.

Chapter III - Research Method

The third chapter will elaborate the methods that will be used in the study while also identifying the amount of sample and population needed for the

research which could help in generating the influence the independent variables has on the dependent variable.

Chapter IV - Analysis and Discussion

The fourth chapter contains the result of the analysis of the study, the characteristic of the respondent, and the descriptive analysis.

Chapter V - Conclusion and Suggestion

The fifth chapter will show the conclusion from the analysis and research what has already been conducted which could show the positive or negative influence between the variables. This chapter will also provide advices for future researches.



