# CHAPTER I

INTRODUCTION

1.1 Background

It's been two years since the *Corona Virus Disease 19* (Covid-19) pandemic spread worldwide. The *Covid-19* virus has also spread in all provinces in Indonesia. Many Indonesians have been exposed to *Covid-19*. Therefore, the activities carried out by the Indonesian people have many obstacles. From studying and working to buying and selling, many things are done online.

The more sophisticated technology makes it easier for people to carry out their activities. If students usually study face-to-face, now they learn online through existing online meeting applications. The community has long done online shopping. Starting from shopping for food, medicine, clothing and skincare to household appliances, people are also buying them online.

People can do this offline. Because everything can still done offline even though it is limited. For example, buying and selling are also still done offline. However, during this *Covid-19*, more people are conducting online buying and selling activities. Many people think that it is more practical and reduces crowds if buying and selling are online.

In general, many Indonesian people like *Millennial Generation* buy online and sell on *e-commerce*. The rise of social media has significantly altered the media consumption habits of millennial generation or generation Y, born between 1981 and 1996 (Gentilviso & Aikat, 2019). They were the first generation of the new

millennium to reach adulthood. Amid during in disruptive change, millennials can tell the difference between old and new ways if following the news. According to Fishman (2016), Millennials were born between 1982 and 2000. *Millennials*, often known as Generation Y, are those born in or after the 1980s and entered the workforce in the 2000s. According to Liu et al. (2019), Millennial entrepreneurs (born between the early 1980s and 1990s) have had numerous success.
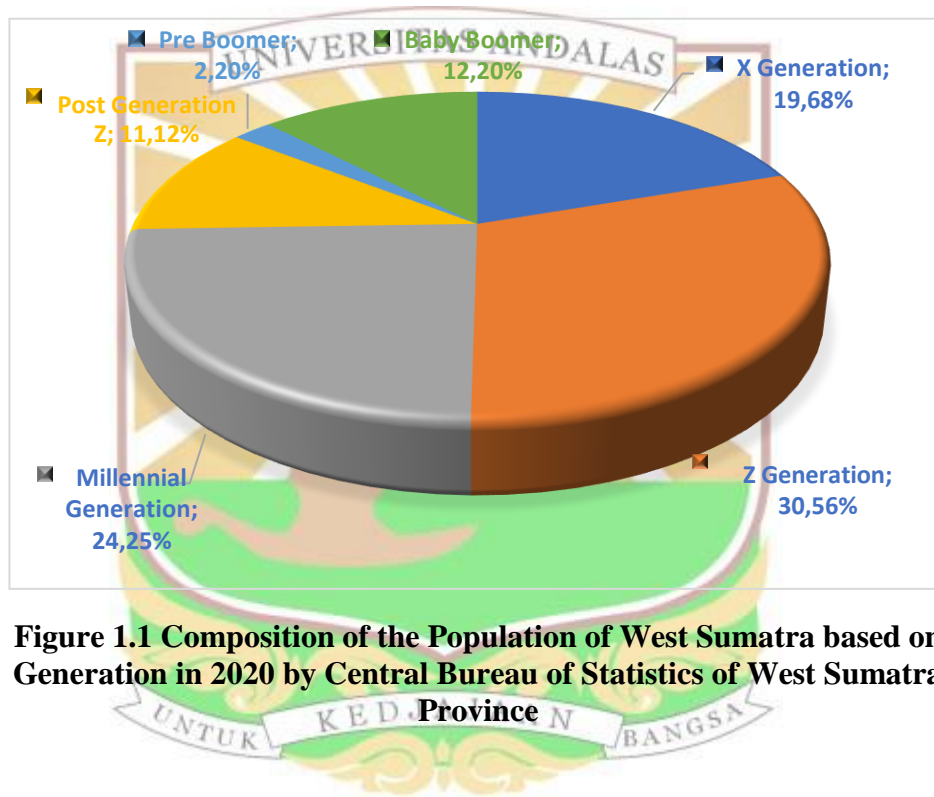

Figure 1.1 Composition of the Population of West Sumatra based on Generation in 2020 by Central Bureau of Statistics of West Sumatra Province

Based on data from the population of West Sumatra by Generation 2020, it is noted that Z Generation and Millennial Generation dominates the majority of the population of West Sumatra. Millennial Generation are in second position (24,25%) after Z Generation (30,56%) of the total population (1,65 million people) of West Sumatra. These two generations are include in the productive age which can be an opportunity to accelerate the acceleration of economic growth.
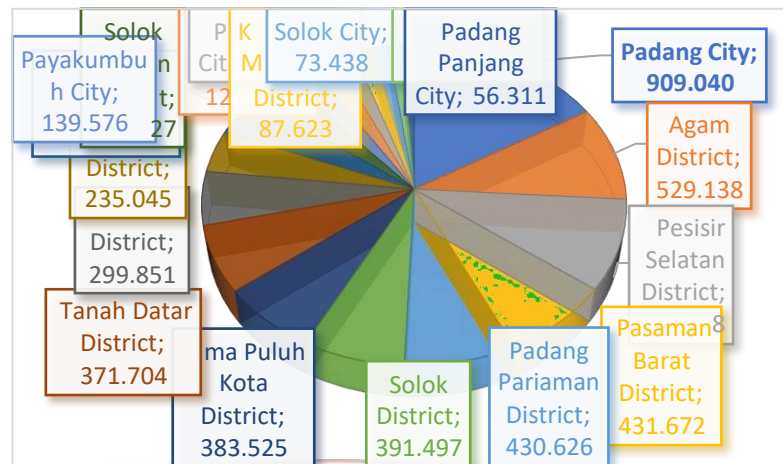
Figure 1.2 Population of West Sumatra based District / City in 2020 by Central Bureau of Statistics of West Sumatra Province

Based on the population on West Sumatra by District/City in 2020, the majority of the population of West Sumatra is in Padang City with a population of 909.040 people. Due to the large number of population in the city of Padang, the researchers chose millennial generation in Padang as the object of research in this research.
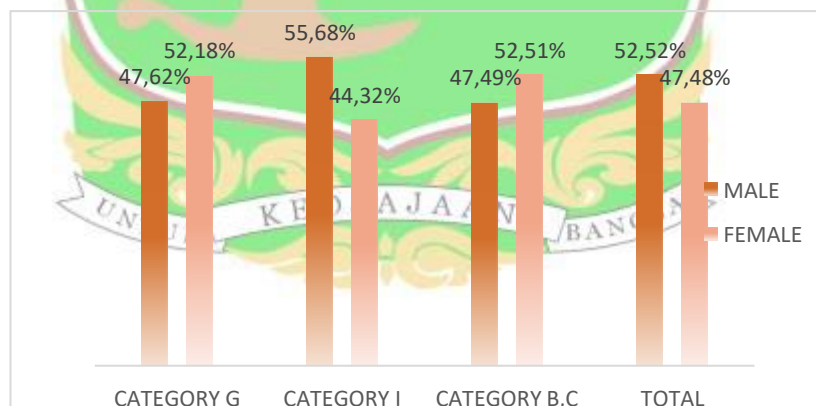
Figure 1.3 Gender of E-Commerce Business Workers by Business Field/Category, Year 2019

E-commerce is one of the industries that has benefited the most and has been significant growth. E-commerce has recently provided an excellent environment for R&D and artificial intelligence (Thiebaut, 2019). According to Kostyk et al. (2017),

e-commerce is rapidly growing as an increasing number of customers make purchases using computers, tablets, and smartphones. According to the 2020 Central Statistics Agency, the most of E-Commerce business owners' education is high school/equivalent (62.69 percent), followed by bachelor's/equivalent (26.76 percent). If we explore deeper, we find that the majority of E-Commerce business owners with a bachelor's degree or higher run a Medium-Large E-Commerce business. In contrast, those who have a high school diploma or equivalent run an E-Commerce business with 1 to 4 people.

Category G : Wholesale and Retail Trade, Repair and Maintenance of Cars and Motorcycles

Category I : Provision of Accommodation and Provision of Food and Drink

Category B,C : Mining and Quarrying, Processing Industry
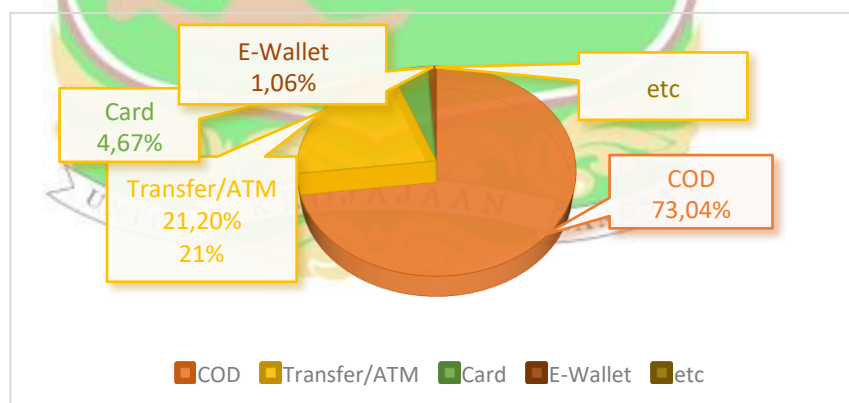
Figure 1.4 Payment Methods Frequently Used by E-Commerce Businesses 2019

According to the Central Statistics Agency 2020, Payment by Bank Transfer, whether via ATM, Internet Banking, or Mobile Banking, is the second most popular payment method, accounting for 21.20 percent of all transactions. This

strategy is used by over half of E-Commerce companies with a workforce of 100 workers or more.

Based on the data above, the payment method e-commerce users often use is *Cash On Delivery* (COD). *Cash On Delivery* (COD) means paying for goods when the goods are delivered (Silvirasari, 2020). Most *e-commerce* users prefer the *COD* method to pay for products purchased on the *e-commerce*. There are many reasons why *e-commerce* users prefer *COD* over other payment methods. One of the reasons is that if the payment is make using the *COD* method, if the product purchased does not arrive at the place, then the customer does not experience a loss. Because customers have not paid for the goods in advance.

E-commerce is often refer to as a *marketplace*. *Marketplace* is an electronic product marketing platform that connects many sellers and buyers to transact with anyone (Apriadi, 2017). Many Indonesian people use more than one *marketplace* for the buying and selling. *Marketplaces* used by the public such as: Tokopedia, Lazada, Bli-bli, Bukalapak, Shopee and many more.

The following is an explanation of several marketplaces in Indonesia:

1. Tokopedia

   Tokopedia was founded in 2009, influential not only in Indonesia but also in Southeast Asia. Tokopedia is also a *marketplace* many Indonesians visit. Tokopedia and Gojek officially merged on May 17, 2021 to form the GoTo group.

2. Lazada

   Lazada is a Southeast Asian *e-commerce* company founded in 2012 and owns the Alibaba Group. Lazada operates in ASEAN, except for Myanmar, Laos, Cambodia and Brunei Darussalam.

3. Blibli

   Blibli is a subsidiary of Djarum in the field of digital or electronic commerce which was establish in 2010.

4. Bukalapak

   Bukalapak is an *e-commerce* platform that was found in 2010. The goal of Bukalapak is to help UMKM to expand their sales in cyberspace.

5. Shopee

   Shopee is an *e-commerce* platform that originated in Singapore, founded in 2015. Shopee exists in Malaysia, Thailand, Taiwan, Indonesia, Vietnam, and the Philippines. In 2019 shopee also expanded to Brazil and made it the first country in the United States.
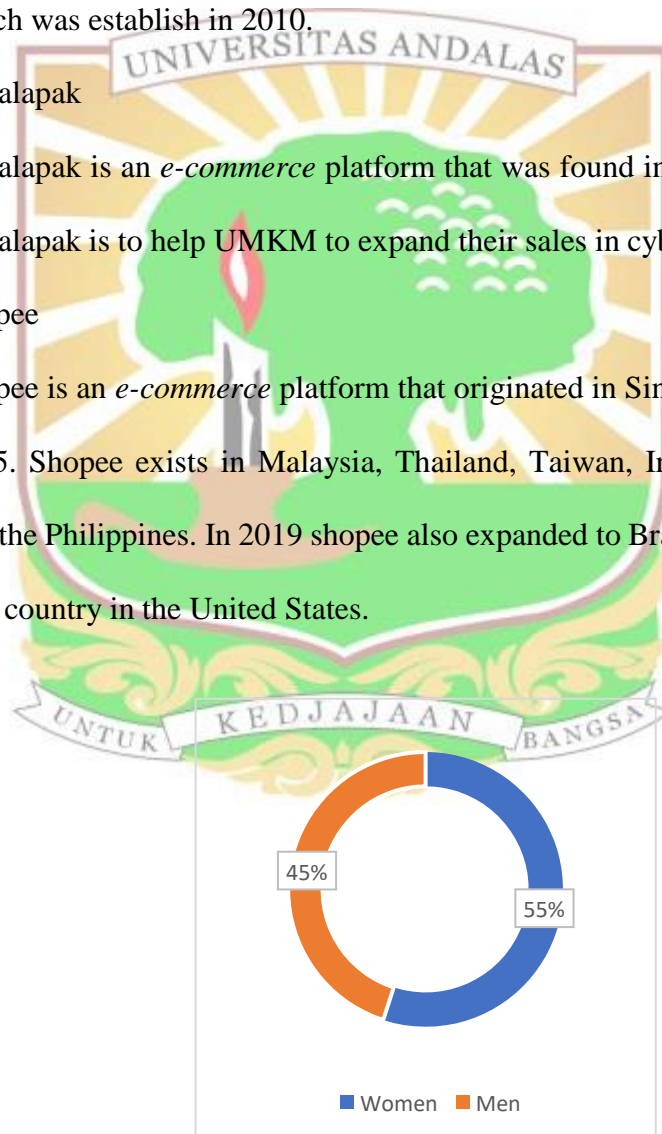
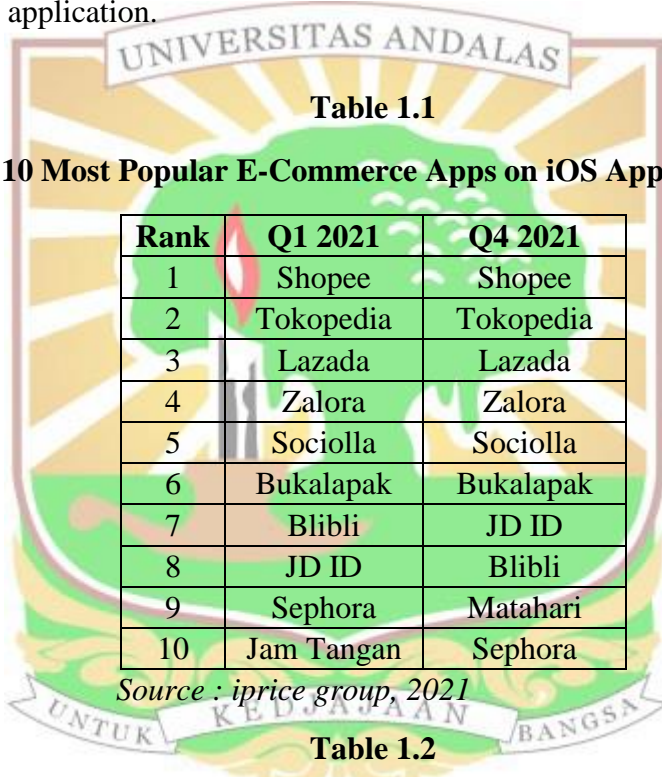**Figure 1.5 Number of transactions by gender from Kredivo, 2020**
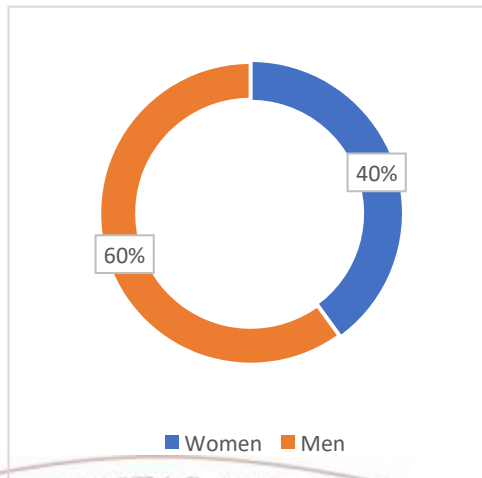
Figure 1.6 Total transactions value by gender from Kredivo, 2020

When comparing consumer behavior by gender, based on figure 1.4 women make transactions more often than men. With the percentage of women 55% and men 45%. However, the average transaction value berween men and women actually shows the opposite. Based on figure 1.5, men spend more money in one transaction than women. With the percentage of men 60% and women 40%. Convenience and trust are important factors for women, so they tend to return to the same marketplace when it matches the goods and prices offered. As for men, the choice of different marketplaces is not a problem.
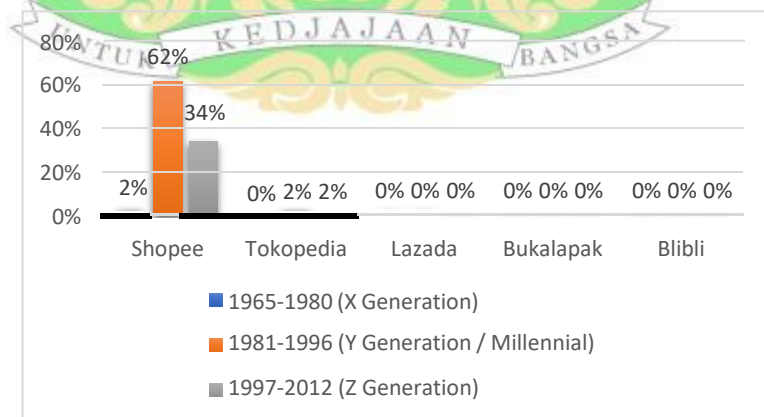
Figure 1.7 The results of the millennial generation pre-survey data in Padang using a marketplace application by several people in Padang, 2022

Researchers want to indicate Millennial Generation in Padang who use the Shopee marketplace, with Millennial Generation data source in Padang who are Shopee marketplace users. To support the research, the researchers conducted a pre-survey to find out the presentation of online shoppers to Millennial Generation in Padang. Thus, the researcher took 65 respondents and the results from the pre-survey data showed that the millennial generation in Padang mostly uses the Shopee marketplace application.

Table 1.1

10 Most Popular E-Commerce Apps on iOS App Store

Rank	Q1 2021	Q4 2021
1	Shopee	Shopee
2	Tokopedia	Tokopedia
3	Lazada	Lazada
4	Zalora	Zalora
5	Sociolla	Sociolla
6	Bukalapak	Bukalapak
7	Blibli	JD ID
8	JD ID	Blibli
9	Sephora	Matahari
10	Jam Tangan	Sephora

Source : iprice group, 2021

Table 1.2

10 Most Popular E-Commerce Apps on Google Play Store

| Rank	Q1 2021	Q4 2021
1	Shopee	Shopee
2	Lazada	Lazada
3	Sociolla	Sociolla
4	Tokopedia	Tokopedia
5	Bukalapak	Blibli
6	JD ID	JD ID
7	Blibli	Bukalapak
8	Zalora	Zalora

Rank	Q1 2021	Q4 2021
9	Alfacart	Sephora
10	Jakmall	My Hartono

Source : iprice group, 2022

In this research, researchers want to examine the influence of brand awareness, and online customer reviews on customer purchase decisions in marketplace companies. Researchers chose Shopee as the brand marketplace to be research. As for the background of the reserachers for choosing Shopee, based on table 1.1 and 1.2, the Shopee marketplace managed to maintain its position as the most popular marketplace on the iOS Appstore and Google Playstore throughout 2021. Shopee can be download on Playstore for Android users and Appstore for iPhone users.
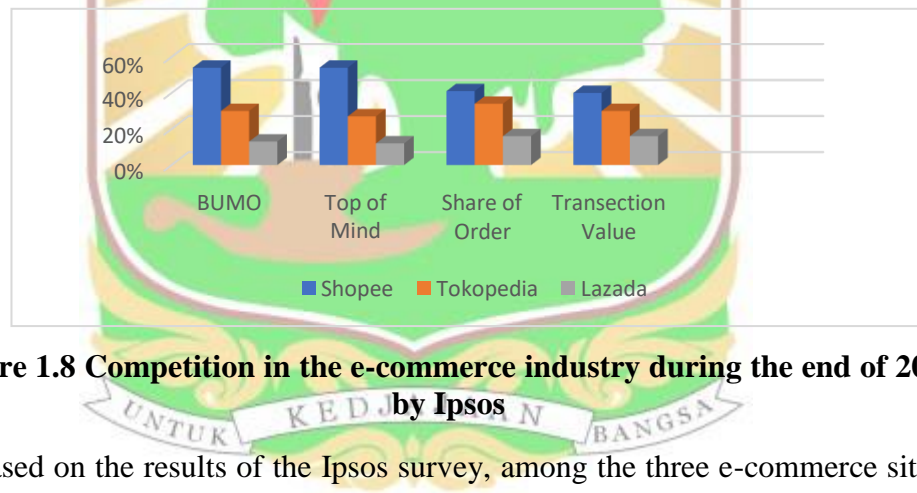

Figure 1.8 Competition in the e-commerce industry during the end of 2021 by Ipsos

Based on the results of the Ipsos survey, among the three e-commerce sites in Indonesia, namely Tokopedia, Shopee, and Lazada. It is known that Shopee was ranked first in the four indicators used the Brand Use Most Often (BUMO) indicator. Based on this BUMO indicator, 54% of respondents choose Shopee. Second, the Top of Mind Indicator, Shopee was ranked first 54%. Third is market share indicator for the number of transactions (share of orders). Shopee also managed to record the highest market share in the number of transactions in three

months, namely 41%. Fourth, the transaction of value market share indicator, Shopee was ranked first to record the largest transaction value market share, wich was 40%.

The accumulation of e-commerce competiton or purchase applications provides customers with numerous options when deciding where to purchase. Due to increasing competition, businesses must improve the quality of their products or services to create trust and purchase decisions. People can, of course, save time by making online purchases instead of leaving the house.
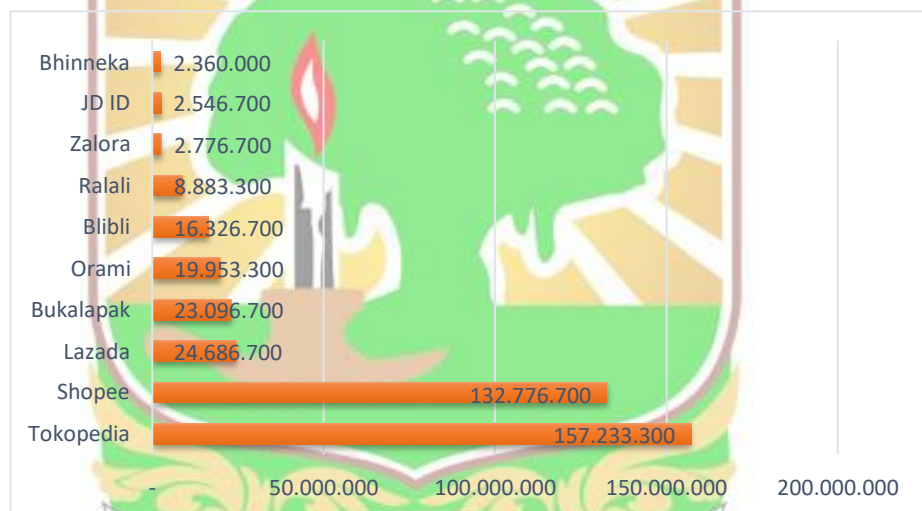
Figure 1.9 Most visited marketplace in 2021 by iPrice Group

Of the many marketplaces in Indonesia, the data above shows that Shopee is the most frequently visited marketplace after Tokopedia. The number of users who visited the Shopee marketplace was 132,8 million. Shopee is an e-commerce that is use to sell, such as: fashion, stationery, books, household appliances, household furniture, and much more. Now Shopee also has Shopee Food which provides business actors to sell their food and drinks on the Shopee marketplace.

Table 1.3

The Regulation of The Shopee Marketplace

Recommendetion for Seller & Buyer	Forbidden for Seller & Buyer
Selling, not advertising	Violating the general terms of the Shopee products
Make your store display list look more attractive	Product name and details are irrelevant
Be a polite seller and buyer	Product photos that contain pornographic
Take care of your store reputation	Spam words
	Uploading duplicate products
	Using old product pages to upload new products
	Price manipulation
	Directing buyers for transactions outside Shopee
	Identity forgery
	Counterfeit and imitation products
	Use of Shopee logo without permission
	Sell services
	Return policy
	Violoation on terms of service and fraud
	Interfering with other users selling activities

Source : Shopee.co.id

Based on the table 1.3, Shopee marketplace aims to build a friendly and positive community at Shopee. Therefore, the Shopee marketplace makes Community Regulations as a guide for all buyers and sellers to maintain a safe and pleasant online environment in transaction activities. Through these instructions, buyers and sellers can find out what is recommended and forbideen in Shopee marketplace. By using Shopee marketplace, the buyers and sellers has agreed to the Shopee marketplace terms of service.

Basically if we want to buy something we have to be careful. Shopee as the *marketplace* must have *Brand Awareness*. *Brand Awareness* is a product category determined by the capacity of people to recognize and recall a brand (Aaker, 2013).

According to (Nugroho, 2013) *Brand Awareness* is when category needs arise, strong brand awareness is expect; the brand will reappear from memory, and many choices in decision-making will be consider. *Brand awareness* is the ability of a customer to distinguish and recognize a brand in a variety of contexts. Awareness has the ability to influence perceptions and attitudes (Foroudi, 2019). *Brand awareness* reflects the customer's understanding of the existence of the brand.

Customers before buying something online, always pay attention to the *Brand Awareness* of each e-commerce and online store they will visit. Every e-commerce and online store must have *Brand Awareness* which shows that the products it sells are genuine. And this online store must have a good name through *reviews* and *ratings* from customers who have bought at the store. These online customer reviews and online customer ratings are useful for potential buyers to find out whether the goods sold by this online store are of good quality, recommended and others.

Shopee provides *online reviews* and *online ratings* features. *Online customer reviews* is Customer reviews provide information from product evaluations on many areas, allowing buyers to determine the product's quality based on written reviews and experiences from customers who have made purchases out of the online retailers (Mo et al., 2015). *Rating* is an assessment of a customers requirement for a product based on their psychosocial state when interacting with virtual items in such a media landscape (Farki et al., 2016).

According to Kostyk et al. (2017), that customer rating formats can influence customer trust due to differential processing fluency. Provide critical guidance to managers in prominently displaying mixed neutral reviews (as featured reviews) from customers to web visitors in order to educate and assit them in making a purchase decision (Roy et al., 2022). *Online customer reviews* and *online customer ratings* are also part of an eWOM, Shopee displays services that can promote trust and help customers understand the product's honesty, such as presenting *online customer reviews*.

If we buy a product offline, we can immediately assess the product we want to buy. The product is real and we can measure the quality of the product we want to buy. Meanwhile, if we buy a product online, *online customer reviews* and *online customer ratings* become a tool to measure the quality of the product we want to buy. In *online customer reviews*, you can see whether the product has received a lot of good criticism or not. On *online customer ratings* can determine how many good ratings for the product you want to buy.

Good reviews from customers who have already bought at the store, will make potential buyers more confident in buying at the store. A high rating given by customers who have already purchased will increase the store's visibility. Because if the store's rating is low, most potential buyers don't want to shop at that store. However, *online customer reviews* and *online customer ratings* can be manipulate to deceive customers. Stores with good *Brand Awareness* that can make customers believe they will buy a product in the store. To fight fake reviews, fortunately in the Shopee *marketplace*, they limit people who can give reviews to buyers who have

shopped at the store. And requires uploading photos of the products that have been purchased.

Based on Nuraini Daulay's previous research, 2020 with the title "The Effect of Online Customer Reviews and Online Customer Ratings on Purchase Decisions". The results obtained from this study are Online customer reviews and online customer ratings affect purchase decisions in the Shopee marketplace. The influence given is high, meaning that the higher the online customer review and online customer rating customers feel when using the Shopee marketplace, the more confident and confident they will be in making purchase decisions for a product. So, online stores in the marketplace must review and evaluate one of their main marketing methods to increase revenue.

The ability of a customer to analyze a product so that it can lead to a desire to make a purchase decision is a fundamental difference between online and offline purchases. In online transactions, prospective buyers cannot physically inspect the goods they want to obtain and are usually only supported by photos or descriptions provided by the seller. Still in offline purchases, we can physically inspect and touch the goods.

As a result of these problems, there are various marketing methods in the market which may be the most important factor for customer and prospective customers to conduct business online. *Brand Awareness and Online Customer Reviews* are among the marketplace's powerful factors affecting customer purchase decisions.

Depending on the background, the researcher is enthusiastic in making a scientific paper in the form of a thesis entitled "The Influence of Brand Awareness and Online Customer Reviews on Customer Purchase Decisions in Shopee Marketplace (Millennial Generation in Padang)".

1.2 Problem Statement

The problem formulation in this research is based on the background decription:

1. How does Brand Awareness effect Customer Purchase Decisions in the Shopee Marketplace (Millennial Generation in Padang)?

2. How does Online Customer Reviews have an effect on Customer Purchase Decisions in the Shopee Marketplace (Millennial Generation in Padang)?

1.3 Objective of The Research

Based on the formulation of the problem above, the objectives of this study are:

1. To determine the influence of Brand Awareness on Customer Purchase Decisions in the Shopee Marketplace (Millennial Generation in Padang).

2. To determine the influence of Online Customer Reviews on Customer Purchase Decisions in the Shopee Marketplace (Millennial Generation in Padang).

1.4 Contribution of The Research

This research is expect to provide the following benefits:

1. For Researchers

With this research, researchers hope to add insight and knowledge to the problems studied, especially regarding the influence of Brand Awareness and

Online Customer Review on Customer Purchase Decisions. As well as, can apply the theories that have been learned during college.

2. For shopee marketplace company

This research, is a source of information for businesses looking to improve customer evaluation services that affect purchase decisions to increase the number of Shopee marketplace buyers.

3. For the other

With this research, it is intend that through conducting this research, other parties would be able to learn more about the subject.

1.5 Scope of The Research

1. Theoritical Scope

The theoritical scope of this research will focus on the 3 variables : brand awareness, online customer reviews, and customer purchase decisions.

2. Conseptextual Scope

The conseptextual scope of this research will be focusing on Millennial Generation in Padang.