

CHAPTER I

INTRODUCTION

1.1 Research Background

Looking at today's era, the world has experienced rapid development and progress in the fields of economy and business, transportation, technology, and other areas. The most apparent effect is technology. Technology is developing very quickly; for example, it can be seen that almost all countries in the world are connected to internet access; with the internet, all activities carried out will feel more manageable. The internet offers so many benefits; for example, in buying and selling products or services, nowadays, you can buy products online (in a network), so consumers don't have to bother going to physical stores to get the product effect. Accessing the application will resolve all the problems quickly, and consumers are made easy.

Internet development also supports companies in developing their organizational management, especially in marketing management. According to Kotler and Keller (2017) marketing identifies and meets human needs. One good and short definition of marketing are profitably meeting needs. To achieve good marketing, we also need a combination of tools used to do marketing. Indonesia is a country that also has internet access; The majority of people spread across all provinces in Indonesia have internet access. Based on the results of a survey by Hootsuite and We Are Social, as of February 2022, we can see data on trends in the internet and social media users in Indonesia as follow:

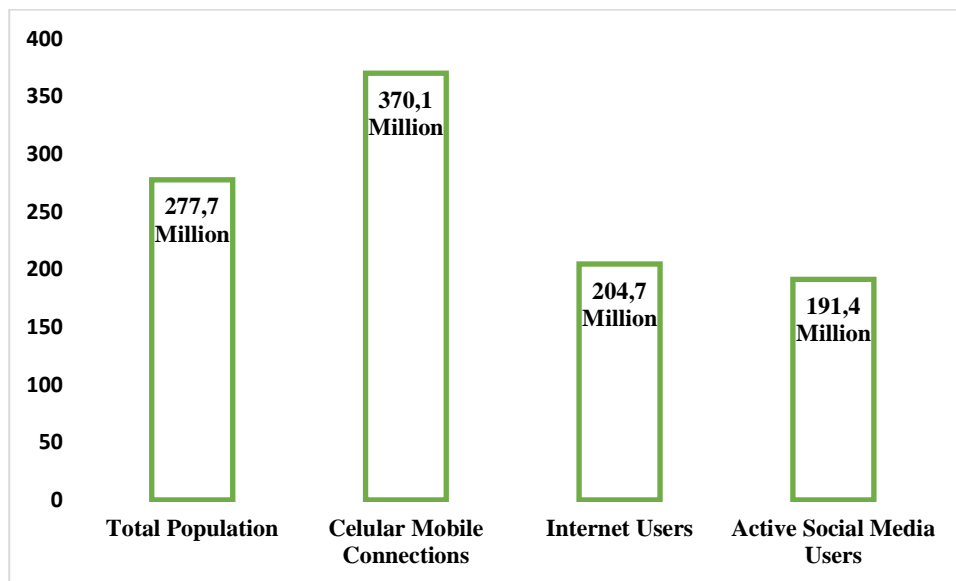


Figure 1. 1
Data (Trends) of the Internet and Social Media Users in Indonesia in 2022

Data from We Are Social, and Hootsuite in February 2022 shows that the internet development in Indonesia, with a population of 277,7 Million people, has Internet users reaching 204,7 million people. This shows that the population in Indonesia is actively using the internet with a percentage of 73.7%. This shows how the internet will continue to grow and develop in Indonesia.

Technology that continues to develop causes a shift in human behavior, especially in shopping. With the development of technology, many people use the technology to conduct ‘buying’ and ‘selling’ through the internet. If, in the past, we wanted to shop, we had to come directly to the store we were looking for. Now, we no longer need to leave the house, just with a smartphone and an Internet connection, we can already order the items we need.

Online shopping has several advantages that its users can feel. First, the buyer does not need to leave the house or go shopping; they only need to order the item, and then the item will be delivered to the home. Second, shoppers can save time and fuel because they don't have to look for a place to shop. Third, can control or compare prices from several areas of online purchase. Fourth, online purchases are always open 24 hours; this benefits us in determining when we will conduct online transaction activities.

The increasing use of the internet in Indonesia has become a growing market for players in the e-commerce industry, so the emergence of large scale e-commerce and marketplaces has emerged with so much capital for the size of the industry in Indonesia. One of the most popular online shopping sites is the Tokopedia site. Tokopedia is one of the most significant digital based trading companies in Indonesia. Since its official launch, Tokopedia has grown to become one of the fastest growing Internet companies in Indonesia. By implementing an online marketplace and shopping center business model, Tokopedia enables small businesses and Brands to operate stores online. Tokopedia still Becomes site e-commerce which most the most visited. This can be seen in the image below:



Table 1. 1
Ecommerce with the most visitors in 2021-2022

No	E-Commerce	E-Commerce with Highest Visitors				
		Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
1	Tokopedia	135,075,700	147,790,000	158,136,700	157,443,300	157,233,300
2	Shopee	127,400,000	126,996,700	134,383,300	138,776,700	132,776,700
3	Bukalapak	34,170,000	29,460,000	30,126,700	25,760,000	23,096,700
4	Lazada	30,516,700	27,670,000	27,953,300	28,173,300	24,686,700
5	Blibli	19,590,000	18,440,000	16,326,700	-	-

Tokopedia is the most visited E-commerce in Indonesia every quarter in 2021-2022. Based on similar web data, the average number of visitors to e-commerce with the owl logo will reach 149,61 million in 2021. The average monthly visitor to the Tokopedia page reaches 157,23 million in the quarter I of 2022. This figure is up 5.1% from the quarter IV of 2021 which recorded 149,61 million visits. The rapid development of e-commerce has encouraged individuals to shop online from e-commerce sites, such as low costs, product quality, trustworthiness, various transaction facilities, and many other factors based on various individual needs.

E-commerce is a transaction process that takes place through media or intermediaries such as online buying and selling sites or social networks that provide products or services. The existence of e-commerce, such as Tokopedia, creates a new habit for modern consumers: shopping online. It is easy for consumers to observe each product type, making the shopping process more comfortable. For the purchase process, consumers only provide a credit card or choose to pay at home after the product is delivered directly to the customer's domicile. The convenience

offered by various e-commerce shopping has encouraged public interest in online shopping, especially by using e-commerce shopping.

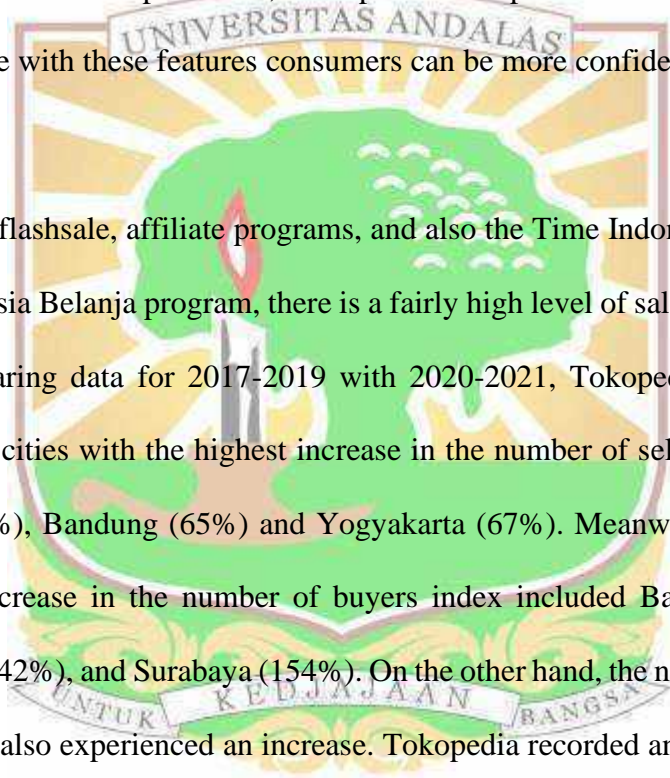
Tokopedia Company in Indonesia, in marketing their products or services, they use various strategies ranging from sales promotions, providing low prices, collaborating with celebrities to become brand ambassadors and there are many ways used by companies. All of these strategies determine consumers in deciding a purchase. There are several factors that influence consumers in deciding a purchase at a store, the first is sales promotion. In today's era, e-commerce companies focus more on marketing activities through sales promotions, usually companies often provide promotions in the form of discounts, provide shopping coupons, shopping coupons for online stores that are given in the form of digital vouchers. Tokopedia is one of them that also provides digital shopping vouchers. The shopping vouchers given can also be various categories, for example, getting discount vouchers, cashback, and lottery vouchers. The provision of shopping vouchers is carried out to attract consumers to continue to make purchases there.



Figure 1. 2
Shopping Vouchers on Tokopedia

With the advertisement "Waktu Indonesia Belanja (WIB)" and Tokopedia appointed BTS as brand ambassadors. The passion to continue to create opportunities, as well as consistency in spreading positive messages that are also firmly entrenched. Tokopedia has promoted in various ways to attract consumers, one of which is by providing BTS member photocard bonuses for consumers who purchase products that have a special logo for free ongkir. Then to make it easier for consumers to make purchases, Tokopedia also provides review and rating features, where with these features consumers can be more confident about buying a product.

Based on flashsale, affiliate programs, and also the Time Indonesia Belanja or Waktu Indonesia Belanja program, there is a fairly high level of sales in Tokopedia traffic. Comparing data for 2017-2019 with 2020-2021, Tokopedia and INDEF noted that the cities with the highest increase in the number of sellers index were Surabaya (48%), Bandung (65%) and Yogyakarta (67%). Meanwhile, cities with the highest increase in the number of buyers index included Bandung (122%), Yogyakarta (142%), and Surabaya (154%). On the other hand, the number of sellers on Tokopedia also experienced an increase. Tokopedia recorded an increase in the number of sellers by almost 1.5x, especially in the central part of Indonesia, towards the end of 2021 compared to the same period in the previous year. This, of course, indicates that the increased sales traffic on Tokopedia has increased, because the number of buyers has also increased (Wahyudi and Marta, 2022).



Purchase decision is an important variable that measures the potential actions that consumers choose to take. Understanding consumers purchasing decisions can help companies understand the market and adjust the products or services offered, allowing them to get more sales and earn profits by Agmeka et al. (2019). Purchasing decision making in the form of activities individual which relate direct with procurement and use product which offered. Purchase decisions made by consumers generally go through five stages. First, consumers know the problems they are facing. The process of retrieving product information follows the second. Third, consumers evaluate alternatives to allow evaluation consumer beginning appear. Fourth, the purchase decision. Finally, consumer behavior after buying a product by Wahyudi and Marta (2022). The consumer decision making method is also described as the stage when consumers undergo in getting the final purchase decision by Hanaysha (2018).

One of the important aspects related to purchasing decisions in this case is advertising. Advertising is a very effective way to market a product because it targets individuals who already have an interest in the product. Many people shop online, and companies can easily reach these people through the use of online marketing strategies. Advertising is the best way to communicate with customers. Advertising helps inform customers about the brands available in the market and the variety of products that are beneficial to them. Advertising is for everyone including children, young and old. Advertising is carried out using various types of media, with various techniques and methods that are most suitable by Alalwan (2018).

Advertising plays a very important role in today's competitive era. Advertising is one thing that has become a necessity for everyone in today's daily life, be it producers, traders or customers. Advertising is an important part. The following are the reasons why advertising is very important for companies and customers. If the product is not advertised, no customer will know what product is available and will not buy the product even if the product is for their benefit. One more thing is that advertising helps people find the best products for themselves, their children and their families. When they find out about different products, they can compare the products and buy so that they get what they want after spending their precious money. Therefore, advertising is important for customers by Martins et al. (2019). In this case, related to the advertising aspect carried out by Tokopedia, they did it through the “Waktu Indonesia Belanja” program. In “Waktu Indonesia Belanja” advertisements, messages are conveyed through music followed by lyrics that match the message to be conveyed and of course do not cause double or ambiguous meanings for viewers who hear and see them. Music has an important role in the success of an advertisement of “Waktu Indonesia Belanja”, in stimulus advertising it has an important role in influencing consumers. Music in “Waktu Indonesia Belanja” is also a rhythmic strains of songs, rising from the sound.

Sales promotion considered as important element from marketing mix which aim to inform, push and remind target market about product or service offered to influence consumer perception or decision to purchase. In other words, programs promotional used by organization for communicating product benefit or service to group of potential customer. Sales promotion is generally acknowledged as a

marketing activity designed to motivate and stimulate a more rapid and effective response (consists of quantity and speed of purchases) to the sale of certain goods or services by Hanaysha (2018).

According to Kotler and Keller (2017) sales promotion is an influential incentive to attract customers and increase sales capacity. Hanaysha (2018) conceptualize sales promotion as an aggressive tactic that many brands use to captivate beneficial customers and decrease the intention to switch to another competitors. Thus, sales promotions are used by brands to incentivize customers to buy and get prompt responses. Another benefit of sales promotion is attracting consumers' attention and influencing their purchasing decisions. In this case, related to the sales promotion actions carried out by Tokopedia, in this case what Tokopedia did was to hold flash sales on a large enough scale to attract their customers effectively. Apart from that, what attracts users today is a discount program with a certain period of time, which is often called a Flash Sale. With the discount program for this period of time, it also attracts a lot of attention because the items included in this program are varied and are considered to be very cheap discounts compared to the original price.

Research has shown that WOM influences consumer buying, especially online shopping. According to Nuseir (2019) WOM is an important component of any brand online marketing mix, mainly because of its significant participation in brand image and power to influence purchasing decision. Word of mouth (WOM) is an essential source of information in consumer purchasing decisions and will impact customer behavioral intentions by Chang and Lee (2020). Chang and Lee (2020)

WOM as a means to convey opinions, comments, or information among people regardless of marketing or commercial issues and is considered one of the most potent forces in the market. On the one hand, in this case, Tokopedia realizes that then the influence of WOM can be increased by cooperating with affiliate marketers who work with Tokopedia. Tokopedia in this case is fully aware that then the existence of existing affiliate marketers has a significant effect on WOM and also the long-term impact, increasing Tokopedia's sales results.

Millennials are close to digital influence. The Millennial Generation which has a birth range in the years 1982-2000 by Fishman (2016). With this fairly broad target of millennial consumers, we will see the impact of which interface consumers consider when they want a product. According to DeVaney (2015) the millennial generation is more than 46 million who are in Generation X and it's almost the same in size to 76.4 million in the baby boomer. Taking the millennial generation in the city of Padang as the object of research. Based on survey data for the largest online application in Indonesia for the Padang city area, from 80 people, based on the survey results, Tokopedia was found with a total of 40% of the average percentage level of choice for consumers by Fedri et al. (2021). This study chose the city of Padang as the research target area because the number of millennials who were the subjects of this study was the highest in this city population. Judging from the Central Bureau of Statistics data for the City of Padang, which was last updated in 2020.

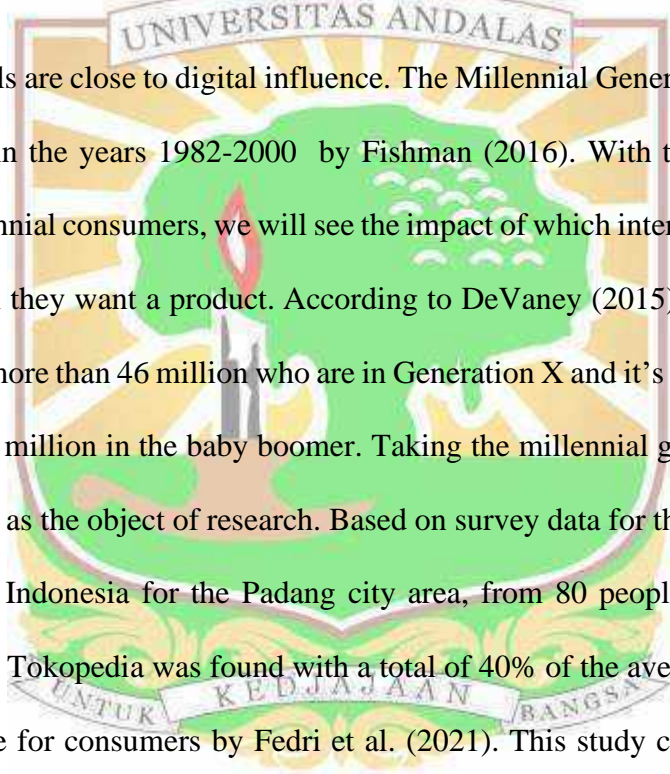


Table 1. 2
Total population by age group in Padang City in 2020

Age (Year)	Number of People		Total	Percentage
	Male	Female		
0-4	39609	37459	77 068	8,47
5-9	37344	35838	73 182	8,05
10-14	38578	36007	74 585	8,20
15-19	37569	34888	72 457	7,97
20-24	39755	37643	77 398	8,51
25-29	41001	40193	81 194	8,93
30-34	39192	38053	77 245	8,49
35-39	35273	34059	69332	7,62
40-44	31225	30954	62179	6,84
45-49	28368	29410	57778	6,35
50-54	25707	27540	53247	5,85
55-59	21549	22932	44481	4,89
60-64	17315	18120	35435	3,89
65-69	12027	13213	25240	2,77
70-74	6393	7414	13807	1,51
75+	5424	8988	14412	1,58
Total	456329	452711	909 040	100

In the statistical table above, it can be seen that the millennial generation has the largest population, so the target market for this research is appropriate. Therefore, it is appropriate that the scope of this research consumers in Padang.

Based on this explanation, researchers are interested in thesis research that titled "**The Effect of Sales Promotion, Advertising, and Word of Mouth on Consumer Purchase Decision in Tokopedia Marketplace**".

1.2 Problem Statment

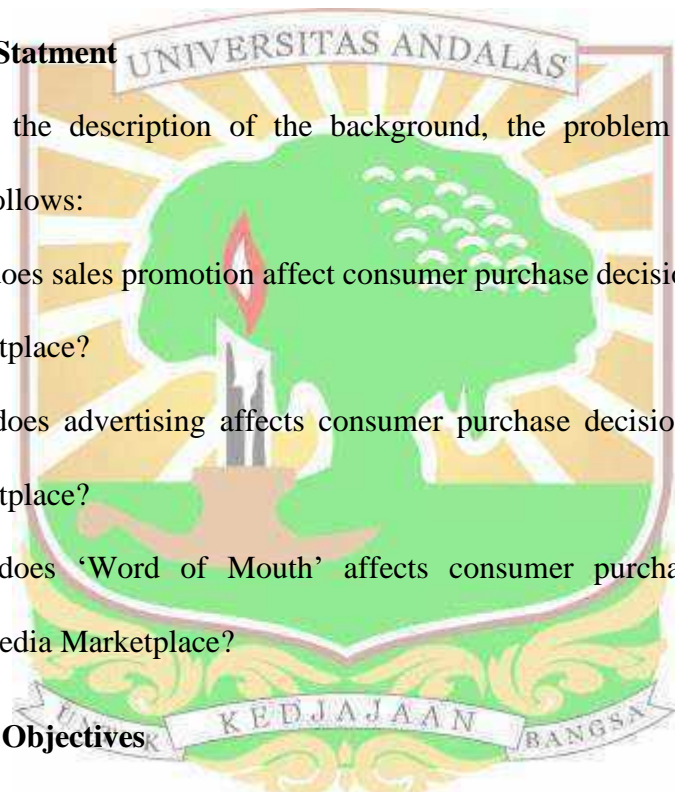
Based on the description of the background, the problem formulation is proposed as follows:

1. How does sales promotion affect consumer purchase decision at Tokopedia Marketplace?
2. How does advertising affects consumer purchase decision at Tokopedia Marketplace?
3. How does 'Word of Mouth' affects consumer purchase decision at Tokopedia Marketplace?

1.3 Research Objectives

Based on the problem formulation above, the research objectives are defined as follows:

1. To analyze the effect of sales promotion on consumer purchase decision at Tokopedia Marketplace.
2. To analyze the effect of advertising on consumer purchase decision at Tokopedia Marketplace.



3. To analyze the effect of word of mouth on consumer purchase decision at Tokopedia Marketplace.

1.4 Research Benefits

The author hopes this research can be useful for:

1. Theoretical Benefits

The results of this study are expected to provide beneficial material for developing knowledge in the field of marketing management, especially related to the effect of sales promotion, advertising, and word of mouth on consumer purchase decision at Tokopedia Marketplace.

2. Practical Benefits

- a. For Tokopedia companies

This research is hoped to add information and input for marketers regarding sales promotion, advertising, and word of mouth as a driving force for purchase decision by Tokopedia Marketplace.

- b. For researchers

Contributing knowledge and insight as well as expertise in applying the understanding especially those related to the effect of sales promotion, advertising, and word of mouth on consumer purchase decision at Tokopedia Marketplace.

1.5 Scope of Research

To make the research stayed focus and does not broaden away from the discussion in question, researcher limits the scope of the research on variables of sales promotion, advertising, word of mouth, and purchase decision.

1.6 Outline of Research

CHAPTER I : INTRODUCTION

This chapter explains why this research is important, what makes it interesting, and what makes it different from other research. It includes writing systematics, the problem's background, the formulation of the problem, the goals of the research, the benefits of the research, and the scope of the research.

CHAPTER II : LITERATURE REVIEW

This chapter provides a theoretical foundation that clarifies the theory regarding the characteristics of sales promotion, advertising, word-of-mouth, and purchase decision. In addition, previous research, frameworks, and hypotheses are discussed in this chapter.

CHAPTER III : RESEARCH METHODS

This chapter is almost the same as the research methods section in the proposal, but the elements discussed are more detailed and precise. For example, the number and sampling technique can be stated with certainty and the importance of explaining the operational definition of research variables which contains descriptions of the variables used in research and the sources of reports.

CHAPTER IV : RESULTS AND DISCUSSION

This chapter describes the results of the analysis that consists of the characteristics of the respondents, descriptions of research variables, data testing, as well as discussions and research results to answer research problems.



CHAPTER V : CLOSING

The contents of this chapter include the research conclusions, the consequences of the research results, the limitations of this research, and recommendation.

