

# CHAPTER I

## INTRODUCTION

### 1.1 Research Background

Internet commerce or e-commerce (electronic commerce) has been an inseparable part of the internet and it's the result of information technology in business. E-commerce is trade practice via electronic & digital communication information technology from a platform to its customers, as payments are transferred through credit card, debit card, or electronic fund transfer (EFT) (Jain et al., 2021). The convenience of internet shopping or e-commerce can affect customer's purchasing behavior through various psychological and cognitive processes, the ease of adding items to a virtual cart can reduce the effort needed to make a purchase, leading to more impulsive buying behavior. According to Jeffrey & Hodgey (2007), the conveniences of shopping through internet such as easy of access, significantly faster purchase processing, and the lack of need to expend physical energy & effort to made purchase, and these conveniences will trigger unplanned buying in most of cases.

Considering the advancement of information technology in business environment, it's important to understand the shift of consumer behavior, especially unplanned purchase in digital environment (Martaleni et al., 2022). Aside from the convenience of online shopping, which make purchases quickly and easier with just a few clicks. Another factor is the availability of promotions and deals, such as free shipping or discounts, which can tempt consumers to make unplanned purchases. Additionally, the online shopping environment itself can create a sense of urgency

or emotional excitement that can lead to impulse buying. Furthermore, emotions play a significant role, as positive emotions such as excitement or happiness, and negative emotions such as boredom or stress, can trigger unplanned purchases.

In Indonesia, e-commerce have become a major business model as well, stated by Septriana Tangkary, Direktur Pemberdayaan Informatika, Direktorat Jenderal Aplikasi Informatika Kementerian Kominfo (Director of Informatics Empowerment, Directorate General of Informatics Application Ministry of Communication & Information Technology), the growth rate of e-commerce in Indonesia has reached about 78%, being the highest in the world with the number of internet users has reached 82 millions.

The online marketplaces, especially the ones who joined Asosiasi Ecommerce Indonesia (IdEA) or Indonesian Ecommerce Association has been celebrating Hari Belanja Online National (Harbolnas) or National Online Shopping Day, this practice is one of many form of flash sale promotion done by online marketplace and it was first held in 2012 (Yuniarti et al.,2021). Initially Harbolnas is a day dedicated for e-commerce platforms to sell their merchandise with big discount in limited time in order to educate the general population about the conveniences of online shopping. During 2021, according to data from NielsenIQ, the total transaction of Harbolnas reached 18,1 Trillion IDR and thus exceeding the number of previous year Harbolnas, which was 11.6 Trillion IDR. Yuniarti et al., (2021) also concluded that impulse buying decision made during Harbolnas, which is a promotional event, could also be caused by emotional factor, a desire to express oneself and to fulfill lifestyle needs. Among many e-commerce that celebrate

Harbolnas and held flash sale events, Tokopedia is known as one of the popular e-commerce to participate.

Tokopedia itself is a technology company founded by William Tanuwijaya and Leontinus Alpha Edison back in 2009, that focuses on e-commerce platform and by 2021 Tokopedia merged with Gojek thus establishing their new holding company, GoTo. Tokopedia was founded with the aim to solve discrepancy issues, and in this case, the founders decided to provide the means and democratize access to commerce business through technology. Tokopedia can be accessed through download from application store or from web browser. In Tokopedia, there are two kinds of flash sale events depending on who hold the event, Tokopedia or the seller. Participants in flash sale held by Tokopedia will be selected by Tokopedia itself, event detail and rule will be decided by Tokopedia as well, whether it's category of product, its quota, or theme. If the flash sale is held by seller, only power merchant pro and official store labeled seller could held the flash sale event.

Due to the advent of e-commerce has revolutionized the way businesses operate and how it affects the customer in the digital age, understanding the underlying psychological processes that influence impulse buying behaviour in e-commerce is important. Even online marketplaces, in this case, Tokopedia, have capitalized on this phenomenon through flash sale promotions, such as the annual Harbolnas or National Online Shopping Day to trigger customer's emotion that could lead to impulse buying. However, despite marketing campaign and promotional events implemented by Tokopedia, perceived risk itself is also a factor experienced by Tokopedia customers.

There several effort by Tokopedia to induce positive feeling, excitement and emotional relevancy in order to increase sales transaction through marketing campaign such as uplifting jingle in their audio-visual, promotional events, and advertisement or using famous brand ambassador such as South Korean music group BTS and Blackpink, that the campaign has been proved to increase Tokopedia's visitor and transaction twenty-six times compared to previous year, 2020, even surpassing Shopee during 2021. These campaigns have been shown to elicit change in consumer behaviour and according to Overveld (2016) emotions, both positive and negative emotion, are significant influences for unplanned or impulsive purchase as it is an important factor in emotion-driven consumer behavior.

In case of perceived risk, there are notable perceived risks that concern Tokopedia customers such as fraud by merchants in financial or product quality, or due to its security of payment, Tokopedia customers often prefer to purchase expensive products only to end up that the product is not delivered by the delivery service or stolen during delivery process. Customers may be influenced to hesitate making a purchase if they perceive a high level of risk, such as the potential for fraud or the possibility of receiving a defective or unsatisfactory product. This phenomenon is also explained by Pradhana et al. (2021) because the nature of online transaction in e-commerce, risk is also a significant concern for consumers as they don't know what risk might happen in making purchases especially when cases of fraud are frequently happening. However, some consumers may also be willing to

take risks in order to take advantage of a perceived opportunity or deal, such as a limited-time discount.

Furthermore, price/cost reduction such as discounted/free shipment, voucher to price discount, or discount from the merchant is also another marketing strategy implemented by Tokopedia to trigger purchase from customers. Aside from the usual yearly flash sale event, Tokopedia also has its own flash sale campaign called Waktu Indonesia Belanja or WIB for short. This campaign happens between 25<sup>th</sup> to the end of each month and aside from the price decrease, shipping cost discount may go up to entirely free depending on the store and products during this campaign. According to an interview by Katadata with Tokopedia's CEO, William Tanuwidjaja during 2021, last week of the month is specifically chosen to push demand as it is the payday period of Indonesian citizen. Furthermore, supported by Fataron (2020), unplanned buying often influenced by the situations consumers perceive during shopping and by promotions such as free shipping, cashback or even the convenience of online shipping itself.

**Table 1.1 Online Marketplace Visitors in Indonesia by 2021**

<b>E-Commerce Site</b>	<b>Visitors (in million)</b>
Tokopedia	149.61
Shopee	131.89
Bukalapak	29.88
Lazada	28.58
Blibli	17.51
Orami	10.28
Bhinneka	6.08

E-Commerce Site	Visitors (in million)
Ralali.com	5.26
JD.ID	3.67
ZALORA	3.02
Sociolla	2.08

*Source: iPrice Group (2021)*

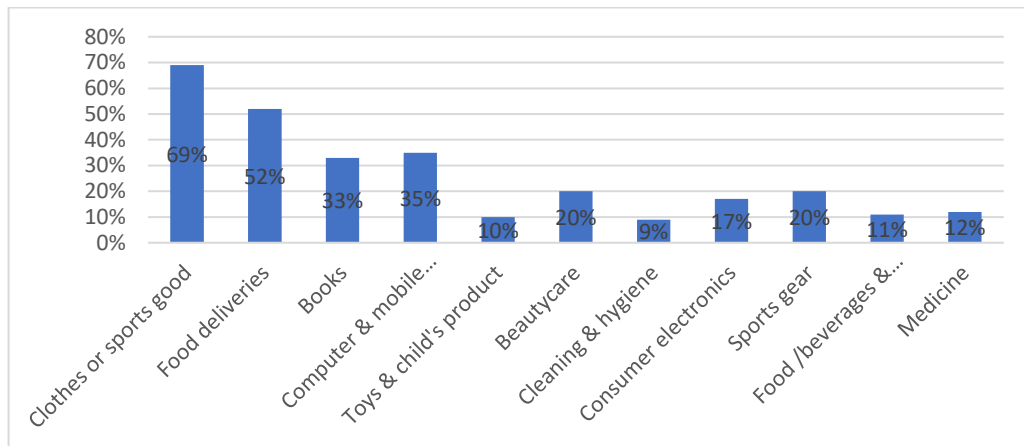
In table 1.1, data obtained from iPrice group in two thousand and twenty one, Tokopedia is the leading online marketplace in terms of popularity with the amount of visitors roughly 149.61 million which followed by Shopee with 131.89 million, Bukalapak with 29.88 million and Lazada 28.58 million visitors per month. This information showed that e-commerce has been a major business model due to massive amount of visitors alone. In general, younger generations tend to be more frequent visitors to e-commerce platforms than older generations. This is because younger generations, such as Millennials and Gen Z, have grown up in the digital age and are more comfortable using technology for everyday tasks, including shopping. Millennials and Gen Z are the most active e-commerce shoppers, with the majority of their purchases being made online.

Generation Z or commonly called Gen Z, refers to the generation born from nineteen ninety fives to two thousand and tens and known as the natives of digital era (Djafarova & Bowes, 2021). Generation Z as digital natives, have a strong preference for e-commerce due to their familiarity with online platforms, desire for convenience, and expectation for a seamless and personalized user experience. A lot of concerns are taken into account by Gen Z in their preference toward e-commerce, they prefer it because the less effort or resources they have to expend,

especially in time and money, and most likely to be satisfied by the overall aesthetic, easiness, privacy, and reliability offered by e-commerce (Ayuni, 2019). Their need to be always connected and dependency to seek information through internet influenced how all sectors should consider the demand of internet as the main media for communication in the future (Perumal et al., 2019).

A global survey of Gen Z conducted by IBM in 2017 with 15,600 respondents between the ages of 13-21, showed that 60% of Gen Z are least likely to uses slow app or websites and 70% of them influence their family in purchase decision. Their gadget of choice also vary, with 70% of Gen Z prefer mobile smartphone, 45% prefer laptop and 30% prefer the desktop computer. These numbers showed that Gen Z do prefer efficiency and mobility in their lifestyle. In relation with their influence over purchase decision in family scope, Gen Z influence their family through their familiarity of browsing in internet that lead to them evaluating the product they're going to purchase, deciding which method of purchase will be used, and even the post-purchase steps.

Categories of product purchased by Gen Z also varies. A survey of product purchased online by Gen Z in Great Britain was conducted by Statista during 2020 and the result show that the top 3 products were clothes/sports goods, food deliveries and printed books/magazine or newspapers.



**Figure 1.1 Categories of online product popular among Gen Z in Great Britain during 2020**

*Source: statista.com (2020)*

In Southeast Asia region, the same survey was also conducted in February 2022, the top three products were clothes & accessories, beauty products, and food and beverages.

**Table 1.2 Product popular among Gen Z in SEA Region by 2022**

Product characteristic	Singapore	Thailand	Malaysia	Philippines	Vietnam	Overall
Clothes & Accessories	60%	57%	65%	69%	62%	63%
Beauty	39%	44%	52%	47%	40%	44%
Electronics & software	37%	27%	40%	30%	32%	33%
Books	12%	19%	27%	21%	32%	22%
Food & beverages	40%	40%	55%	30%	35%	40%
Sports & outdoor gear	10%	11%	20%	11%	16%	14%
Automotive	3%	8%	12%	6%	4%	7%
Household	27%	27%	34%	31%	33%	30%
Office/school	60%	7%	23%	36%	33%	24%
Photography related	7%	7%	11%	7%	9%	8%
Toys & games	21%	28%	28%	13%	25%	23%
Others	8%	9%	12%	10%	5%	9%

*Source: statista.com (2022)*



In Indonesia, according to Simangunsong (2018), the purchasing behavior of Gen Z is quite apparent as well, they prefer shopping online and tend to spend their money whenever the chance is available (for example, have been wanting to purchase products). Categories of product purchased by Gen Z in Indonesia also varies. An insight by Alvara Research Centre shows that in research, out of 1,529 respondents consist of Gen X, Millennial, and Gen Z, fashion products are the most regularly purchased product by Gen Z, followed by home appliances, handphone and electronic appliances.

In relation to Gen Z behavior during flash sale promotion, another research by iPrice, 3 most popular flash sale promotions in 2019 were observed, which were Ramadan sale, 11.11 sale, and 12.12 sale. In all of the flash sale events, electronic were the most purchased product by Gen Z, followed by fashion, health & beauty and home & living. Furthermore, in the same research by iPrice, it's found that the most used platform for online shopping by Gen Z is mobile platform. Lina et al. (2022) also concluded that impulse purchase is common among Gen Z due to apparent use of social media and is more likely to engage in impulse buying compared to other generation such as Millennials and Generation X. The findings between Great Britain, Southeast Asia and Indonesia Gen Z's behavior shows that fashion product is the most purchased product categories of Gen Z shoppers and, among other generations Gen Z is the generation that is most likely to engage in impulse buying frequently.

Between each marketplace and its popularity, another survey was conducted in August 2022 by Kumparan about Gen Z and Millennial e-commerce shopping

preference in Tokopedia, Shopee, Lazada, Blibli, Bukalapak, and JD.id. Fashion product is the most purchased product category, meanwhile Tokopedia is the e-commerce with most trustworthy merchant or seller and most favorite e-commerce among Gen Z and Millennial. Despite the existing risks in online shopping, the survey shows that Gen Z consider Tokopedia as a trustworthy e-commerce platform among its competitor.

An initial survey was also conducted to examine whether emotions, perceived risk and promotions (flash sale) have an impact in impulse buying of Gen Z or not. There are 32 respondents aging from 19 to 23 that were surveyed. The results show that from 32 respondents, 96.9% have purchased out of impulsiveness, 9.4% were affected by emotional factors, 31.3% were affected by promotional factors, and 59.4% were affected by both factors. 84.4% respondents also consider the risks before making an impulsive purchase.

Based on the background explanation and initial survey above. The researcher is interested to explore the impact of emotions, perceived risk and flash sale promotion on impulse buying with the research entitled **“The Impact of Emotions, Perceived Risk, Flash Sale Promotion on Impulse Buying Behavior: Study of Tokopedia Customers”**.

## 1.2 Research Questions

Based on the development in background of the research, the research questions can be formulated as follows:

1. How does emotions impact impulse buy of Gen Z Tokopedia customers?

2. How does perceived risk impact impulse buying of Gen Z Tokopedia customers?
3. How does flash sale impact impulse buying of Gen Z Tokopedia customers?

### **1.3 Objective of the Research**

This research objectives are addressed as below:

1. To examine the impact of emotions towards impulse buying of Gen Z Tokopedia customers
2. To examine the impact of perceived risk towards impulse buying of Gen Z Tokopedia customers.
3. To examine the impact of flash sale towards impulse buying of Gen Z Tokopedia

### **1.4 Implication of the Research**

1. Theoretically, as references for further study, research and sources to the development of consumer behavior studies on how consumer impulse buying is influenced by external stimuli such as risk and discount and how customer psychological and emotional condition could influence the decision to engage in impulse buying.
2. Practically, the result of this research hopefully could help e-commerce marketplace and vendors especially Tokopedia, in formulating, implementing, and improving marketing campaign and strategy that capitalize on customer's tendency to purchase impulsively triggered by

emotional factors, and promotional events and how to decrease and relieve customer's concerns regarding perceived risks during online shopping.

### **1.5 Scope of Research**

The research scope will be limited to Indonesia citizen who have participated in flash sale promotional event of Tokopedia. Theoretical aspect will focus on four variables which are emotions, perceived risk, flash sale and impulse buying.

