

# CHAPTER I

## INTRODUCTION

### 1.1 Research Background

Nowadays, technology has grown rapidly. In order to live side by side with economic development, and technology now can be used easily. So easy the young to the elderly can use the technology easily. with the ease of using technology, we live depend on technology and without technology, we can not move smoothly. Technology that we use in everyday life in the form of samrtphone, laptop and sometimes tablet. with the use of the technology just mentioned, we are familiar with the internet name.

| City           | Population | Internet Users | Percentage |
|----------------|------------|----------------|------------|
| Banda Aceh     | 244.000    | 88.000         | 36.1%      |
| Medan          | 2.294.000  | 389.000        | 17.8%      |
| Padang         | 912.000    | 223.000        | 24.4%      |
| Pekanbaru      | 982.000    | 199.000        | 28.3%      |
| Batam          | 1.033.000  | 263.000        | 25.4%      |
| Bengkulu       | 338.000    | 88.000         | 26.1%      |
| Jambi          | 582.000    | 153.000        | 26.3%      |
| Palembang      | 1.582.000  | 383.000        | 24.1%      |
| Bandar Lampung | 965.000    | 290.000        | 30.1%      |

**Table1.1 Data of Internet Users in Sumatera Island**  
Source : Asosiasi Jasa Penyelenggara Intenet Indonesia

Internet is a system designed to connect between different networks around the world. By using the standard that has been agreed (international standard) as packet / data exchange protocol is TCP / IP (packet switching communication protocol / Internet Protocol).

With the internet we can find a lot of information like news that is happening right then and there from other countries, latest movie movies and knowledge that can help us add insight and help students to complete the assigned tasks, for example looking for sources in making papers. now it's a lot of people who can already use the internet. with the internet everyone is free to express their opinions and channel their inspiration and works.

In our real life also can buy something on internet just from our smartphones. Based on Investopedia.com Electronic retailing is the sale of goods and services through the internet. Electronic retailing, or e-tailing, can include business-to-business (B2B) and business-to-consumer (B2C) sales of products and services, through subscriptions to website content, or through advertising. E-tailing requires businesses to tailor traditional business models to the rapidly changing face of the internet and its users. Electronic retailing requires many product and service displays and specifications, giving shoppers a personal feel for the look and quality of the offerings without requiring them to be present in a store.

E tail, e-retail and ecommerce all are same it sells the goods/products via internet. While Online marketplace it provides the product & inventory information provided by multiple third parties like .According to Investopedia.com Ecommerce has allowed firms to establish a market presence, or to enhance an existing market position, by providing a cheaper and more efficient distribution chain for their products or services. One example of a firm that has successfully used ecommerce is Target. This mass retailer not only has physical stores, but also has an online store where the customer can buy from clothes to coffee makers to action figures. Electronic

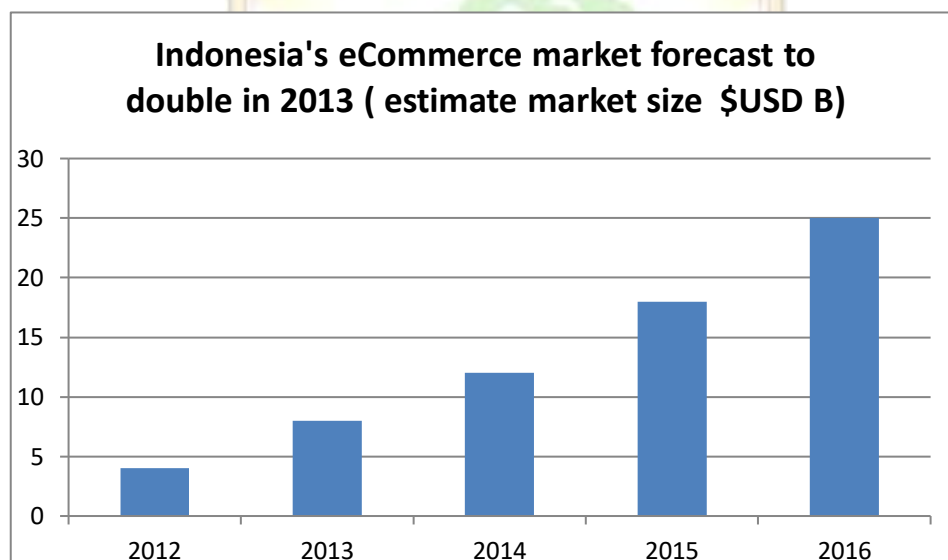
commerce or e-commerce deals with the facilitation of transactions and selling of products and services online, i.e. via the Internet or any other telecommunication network (Jelassi & Enders, 2005).

Lazada, one of the largest e-commerce platforms in Southeast Asia, is expecting online sales in Indonesia to experience one of the highest growth rates in the next few years owing to the country's high penetration rate of internet users and demand from a huge number of potential customers. As China has "better roads and highways", as well as other infrastructure facilities compared to countries in Southeast Asia, a comprehensive e-commerce ecosystem similar to that in China has just started to emerge in this region, said Granzio.

Although Southeast Asia is a fragmented e-commerce market with a low percentage of e-commerce activity compared to total retail sales, growth in broadband and mobile connectivity combined with consumer openness to online retail buying means there is huge potential, according to consulting firm Research and Markets. Major players in the region include Lazada and Singapore-based Sea, backed Shopee, both of which have been competing head-to-head in the e-commerce market. Indonesian's Finance Minister Sri Mulyani told to finance.detik.com in Indonesia people that buying goods or product using internet are still lower than standards. "In Indonesia now only 27% of electronic payment, e-commerce is only 2%, whereas the average world of e-commerce it is 8%.

Then follow the countries that have been advanced, such as China, even already 40-50%," said Sri Mulyani .Eventhough in Indonesia there are several website for e-commerce .Examples : lazada.co.id , zalora.com , blibli.com , tokepedia.com and many more.

There are several key why people rather to choose e commerce than traditional shop. The researcher analyze it from Purchase Intention with Trusting Belief and Information Privacy. Customer purchase intention has gained considerable attention in the e-commerce literature (Oliver, 2009), and as a result, previous studies have addressed the causal relationships between direct and indirect effects on customer purchase intentions (Kassim & Abdullah, 2010; Lee et al., 2011; Liang & Zhang, 2012). For example, while customer satisfaction has been strongly linked to customer purchase intention (Coil et al., 2007), it may have no impact on purchase intentions follow-involvement or low-income customers or when repurchase is not convenient (Seiders et al., 2005)



**Figure 1.2 Market share growth of E-Commerce in Indonesia**

Source:detikfinance

For Information Privacy Concern we can know it why people choose to using e-commerce is with account. They must create an account that fill about all of their information such as Name, Age , Gender, and Adress. In general, security breaches are categorized as unauthorized data observation, incorrect data modification, and data unavailability. Unauthorized data observation is whenever the disclosure of information to users which are not entitled to gain access to such information. Incorrect data modifications, either intentional or unintentional, may result in any incorrect database state (Gani & Sidek, 2009).

## **1.2 Problem Statement**

Trustworthiness attributes is important antecedents of consumer trust in electronic retailing. Consumer trust in online retailing affect their attitude and perceived risk which in turn influences their willingness to buy (Jarvenpaa et al, 2000).

Author thought that its important to identify what are the factor that affect consumer trust towards consumers purchase intention of electronic retailing. In this research author will use two factors of trust that affect purchase intention which are trusting belief and purchase intention .The research background proposes 4 research question.

1. How Information Privacy Concern of electronic retailer influence Purchase Intention ?
2. How Information Privacy Concern of electronic retailer influence Trusting Belief ?
3. How Trusting Belief of electronic retailer influence Purchase Intention ?
4. How Trusting Belief mediates the influence Information Privacy Concern of electronic retailer towards Purchase Intention ?

### **1.3 Research Objective**

This research intends to analyze the effect of Information Privacy Concern and Trusting Belief towards Purchase Intention in electronic retailing

1. To analyze the influence of Information Privacy Concern towards Purchase Intention in electronic retailer
2. To analyze the influence of Information Privacy Concern towards Trusting Belief in electronic retailer
3. To analyze the influence of Trusting Belief towards Purchase Intention in electronic retailer
4. To analyze the influence of Trusting Belief mediates the effect of Trusting Belief towards Purchase Intention in electronic retailer / online retailer

### **1.4 Significant of Research**

This research is expected to contribute on:

1. Researcher

This research will be the reference for researcher for the research in the next time and can be the information that will advance the knowledge of the researcher. Furthermore, this research also used by researcher in the thesis for the final assignment of graduation

2. E- Commerce Company

Expected to be a valuable input in order to solve problems related on price-quality inference, consumer attitude and purchase intention. The Company also cause the result to create a new marketing strategy associated with those topics. The Company may determine consumer interest towards branded goods (original) and the interest of consumers against conventional

store products, especially Private company employee so that it can become informed about the success of its products.

### 3. For Literature and Next Study

It is expected to train and develop other references, as well as add some insights and knowledge related to price-quality inference, consumer attitude and purchase intention.

## 1.5 Research Scope

This research has a limited scope of analysis in terms of numbers of variables and object of the research. The researcher limits the research context by focusing to Private Company employee in Padang, West Sumatera.

## 1.6 Research Organization

In order to make it easier and make moderate the forwarding of content, This research is divided into five chapters:

### 1. CHAPTER I – Introduction

Contains about background to the research, problemstatement, objectives of research, contribution ofresearch, and outline of research.

### 2. CHAPTER II - Literature Review

This chapter contains the literature, theory, last researchrelated with this research. This chapter also contains the literature that evaluate the variables of this research, which are trusting beliefs, trusting intentions, purchase intentions, andelectronicretailing it sef. This chapter also contains the theoritical framework of this research.

### 3. CHAPTER III – Research Methodology

This chapter contains the explanation about researchmethod which are research design, population, and source of sample, type of data and variable measurement, researchvariables,

operational definition, data analysis, test of instrumental, structural model test, and hypothesis testing.

#### 4. CHAPTER IV – Analysis and Discussion

This chapter contains the explanation about result and consist of characteristic of respondent, descriptive analysis, structural measurement of the influence of consumer trust towards purchase intentions of electronic retailing.

#### 5. CHAPTER V – Conclusion and Suggestion

This chapter is the conclusion of the analysis and research that was conducted previously, the error and benefit in application of research a and generating the conclusion regarding the effect of situational normality and information privacy towards trusting belief in online retailing. This chapter will also giving some advice for the future research

