

CHAPTER I

INTRODUCTION

1.1 Research Background

The digital transformation has greatly transformed the consumer behavior of users globally and even in Indonesia especially in cities such as Padang. Recent data indicates the growth of the Indonesian e-commerce transactions between IDR 205.5 trillion in 2019 and IDR 487.01 trillion in 2024 (Pusat Data Kontan, 2024). According to data from Payments and Commerce Market Intelligence (2024), 37% of Indonesians are already engaging their online shopping every week and showcasing the growth use of digital platforms to get their daily needs. E-commerce is convenient and efficient in the sense that it eliminates the geographical and time barriers, converting the physical transactions that were previously carried out physically to virtual transactions. The change is largely influenced by generation Z as digital natives, as 87,80% of generation Z in Indonesia are internet users (APJII, 2025), their technological lifestyles affect their distinct shopping habits. It is thus important that contemporary businesses and marketers understand their motivations and decision-making.

The online shopping trends have indicated that there are a number of trends in which certain types of products are mostly popular and fashion and accessories are one of the most outstanding ones. A survey conducted by the Indonesian Internet Service Providers Association (APJII) in 2025 showed clothing and accessories as the most commonly purchased type of product by Indonesian consumers on e-commerce websites, with 43,37% of consumers purchase this type of product. This number is considerably higher than the other segments, including beauty products and household appliances. The overwhelming presence indicates that lifestyle products are an important factor in motivating online shopping in Indonesia. It also shows that there is a lot of competition and market potential in this segment. As may be seen in the following data:

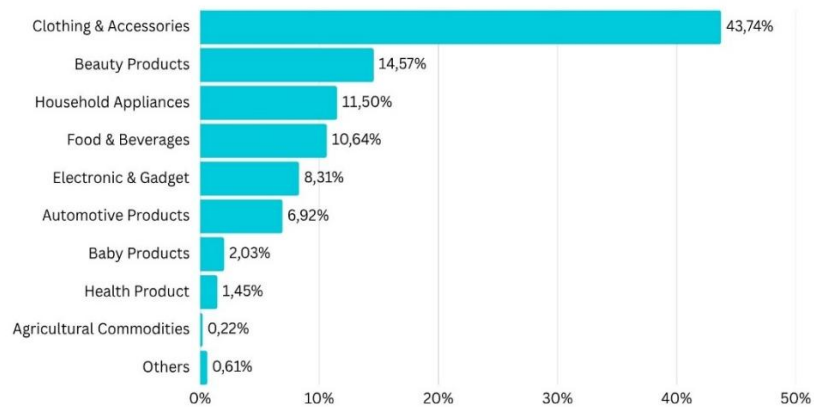


Figure 1.1 Types of Products Most Purchased on E-commerce

Source: Databoks (APJII, 2025)

The younger consumers, especially the generation Z, are the main driving force behind this trend. According to the data collected by the Alvara Research Center (2022), indicate that the clothing category is the most purchase by generation Z and it takes 56% of the total routine expenditure. The data indicates that over fifty percent of the generation Zs regular shopping expenditure is spent on fashion related products, by far, compared to spending the same amount on other products like household appliances or electronic gadgets. This data reinforces the fact that fashion is one of the leading categories of products and emphasizes that generation Z is the primary force and trendsetter within this market. It highlights the aspect of how the online fashion industry is dependent on the success of businesses in attracting attention and trust of young consumers. Competitive advantage is no longer based on product quality alone, but instead, on a comprehensive and holistic insight into what influences consumers to make a buying decision.

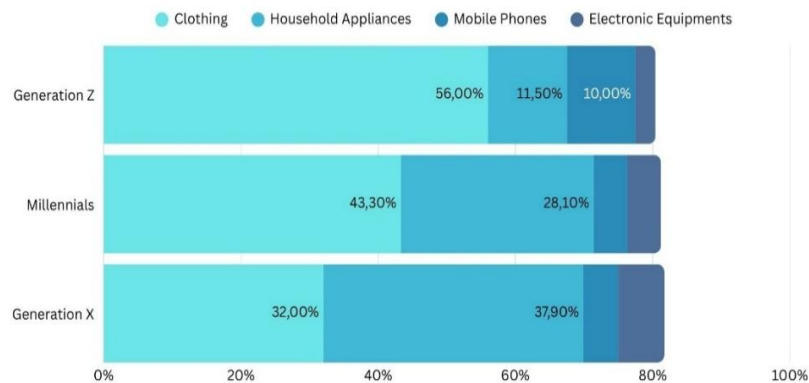


Figure 1.2 Types of Products Routinely Purchased by each Generation

Source: Databoks (Alvara Research Center, 2022)

Within the highly dynamic and competitive Indonesian e-commerce ecosystem, some of these platforms have been able to capture a large market share. Nevertheless, Shopee has solidified itself as the market leader among young consumers. Based on research data from PopuliX (2024) shows that 76% of generation Z users recognized Shopee as their primary e-commerce platform to make purchases. This high preference provides a strong point of difference with its rivals, where Tokopedia is only favored by 15% and Lazada by 8% of generation Z. The absolute dominance of Shopee makes the latter the most adequate and representative context within which to do in-depth research of the shopping behavior of generation Z as it is possible to assume that most of their online shopping experiences and actions take place in this platform.

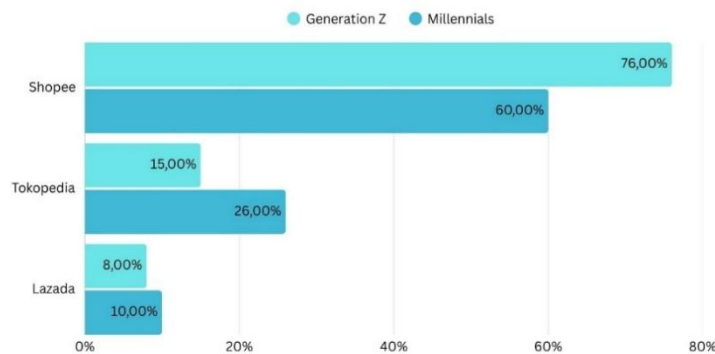


Figure 1.3 Preference of E-Commerce Platforms Among Generation Z and Millennials

Source: Databoks (PopuliX, 2024)

The large amount of transactions and extensive consumer interaction at Shopee has provided a big problem that is of relevancy to both academics and marketing practitioners. Within the framework of the nature of competition and with the unique features of the generation Z consumers in question, and with Padang City as a case study of the area, it is essential to determine the key aspects that primarily affect the purchasing behavior of fashion items among generation Z users on the Shopee platform. The answer to this question will also give strategic information that will support a conception of the needs and preferences of the future generation of consumers with a specific eye on the Padang population.

Addressing this question is a challenging feat, given that the process of purchasing decision-making is a complex and multifaceted. Regardless of all these benefits that e-commerce offers, very often consumers are afraid to make the purchase and the reason is that the consumer often thinks about trust, risk, as well as fraud. The phenomenon has resulted in large numbers of consumers choosing to utilize online platforms with the sole intention of acquiring and not concluding a transaction. Thus, it has become essential that academics and practitioners analyze the factors that may affect the decision of consumers to purchase online.

Several studies have shown that online purchase intention as an indicator of purchase decisions that is strongly influenced by social factors such as online customer review. As a form of electronic word of mouth (e-WOM), these reviews provide positive or negative evaluations that help consumers make informed choices. A meta-analysis found that e-WOM significantly and positively affects online purchase intention (Ghosh, 2024). A finding supported by Arief et al., (2023), the credibility and trustworthiness of an online review are enhanced by the fact that consumers tend to place more trust in recommendations from other users than in advertisements. This finding is further supported by the results of a pre-survey of 20 generation Z respondents, conducted by the researcher in Padang, showed that 20% consider positive reviews when making online purchases, highlighting the continued importance of online reviews in shaping purchasing decisions.

In addition to external social factors, internal consumer traits also shape the decision-making process when it comes to purchasing, with price consciousness being identified as a primary determinant. Price consciousness is defined as the tendency to prioritize price, seek discounts, and choose lower-priced products. Research has indicated a strong influence of price consciousness on purchasing decisions (Siraj et al., 2024). Among generation Z who are known to be financially smart and use promotion-driven platform such as Shopee. This finding is supported by the results of the pre-survey conducted by the researcher in Padang, which revealed that 70% of respondents selected Shopee for its prices and promotions, while 80% cited cheaper prices and 60% cited discounts as reasons for buying fashion products online. The findings emphasize price consciousness as a dominant trait and major driver of generation Z's online shopping behavior.

The third factor that will be considered in the study is Perceived Ease of Use (PEOU), which is one of the fundamental aspects of the Technology Acceptance Model (TAM). Perceived ease of use is determined as how much the users think that a technology is effortless and needs low energy. When it comes to e-commerce, the user

experience is affected by such issues as easy navigation, intuitive interfaces, and transparency of transactions. A meta-analysis established that PEOU positively and significantly affects online purchase intention (Ghosh, 2024), as an Indonesian study determined that PEOU does not have a direct impact on repurchase intention, but a strong one on customer satisfaction which in turn leads to repurchase behavior (Nuralam et al., 2024). The significance of PEOU is also exhibited in a pre-survey conducted by the researcher in Padang where 55% of the respondent chose Shopee because it was easy to use and 65% said that they used online shopping because it was convenient and saved time. These results further confirm that perceived ease of use is a very important factor in shaping the shopping experience of consumers and their attitudes towards using the platform.

Despite the three variables have each been examined in previous studies, the existing literature tends to investigate these variables separately rather than within an integrated and comprehensive framework. A study involving social influence (online reviews) and internal consumer traits (price consciousness) and technological perception (perceived ease of use) is quite sparse, and there is still a theoretical gap in comprehending the interaction between multiple dimensions of factors that influence the formation of an online purchase decision. Moreover, the empirical research that targets the generation Z and the geographic background of Padang City in particular is limited, with most of the previous study examining the consumer in major cities or considering online customers a homogenous group. This presents a contextual gap since generation Z in Padang might have different digital behaviors and buying intentions and platform preferences than generation Z groups in other Indonesian cities. Hence, both the unavailability of an integrated variable model and lack of localized evidence in secondary cities such as Padang needs to be addressed to offer a more precise, pertinent, and holistic view of the determinants of fashion purchase choices among generation Z on Shopee platform.

1.2 Problem Statement

Based on the background of the problems that have been described above, several research questions can be formulated as follows:

1. Does online customer review effect generation Z's purchase decision for fashion products on Shopee?
2. Does price consciousness effect generation Z's purchase decision for fashion products on Shopee?
3. Does perceived ease of use effect generation Z's purchase decision for fashion products on Shopee?

1.3 Research Objective

In accordance with the problem formulation previously presented, the objectives of the present research are outlined as such:

1. This research aims to analyses the effect of online customer review on purchase decision regarding fashion products by generation Z on Shopee.
2. The objective of this research is to analyses the effect of price consciousness on the purchase decision of fashion products by generation Z on Shopee.
3. To analyze the effect of perceived ease of use on purchase decision regarding fashion products by generation Z on Shopee.

1.4 Research Benefit

The aim of this study is to identify several potential benefits, which are listed below:

1.4.1 Theoretical Benefits

This research is expected to make a theoretical and practical contribution. In terms of its theoretical contribution, the study aims to contribute theoretically to the development of marketing and consumer behavior literature, particularly in the context of e-commerce. The study focuses on identifying the factors that influence purchase decisions among generation Z in Padang City. It also contributes by integrating online

customer review, price consciousness, and perceived ease of use into a more comprehensive framework for explaining purchase decisions. In addition, the findings are expected to provide useful references for future studies on generation Z consumer behavior, online shopping, and the fashion industry, as well as for comparative research across different cities in Indonesia.

1.4.2 Practical Benefits

Practically, this research is expected to provide valuable insights for business people and marketers in the online fashion industry targeting the Padang market, especially those operating on the Shopee platform. The results of this study can identify key factors that need to be considered to attract local generation Z consumers. This insight can further be the basis for the development of a more effective and localized marketing strategy for the Padang market, for example in terms of managing online reviews, setting pricing strategies that are in line with local purchasing power, and efforts to improve the platform's ease of use. In addition, these findings can also provide insight to e-commerce platforms such as Shopee on aspects that may need to be adjusted for the Padang market to maintain their dominance among generation Z.

1.5 Scope of Research

The study focuses on the analysis of the influence of independent variables, such as online customer review, price consciousness, and perceived ease of use, on dependent variables, including purchase decision. The subject of this study is limited to generation Z consumers who are individuals born between 1997-2012 who are domiciliated in Padang City and have purchased fashion products through the Shopee e-commerce platform in the past year. The ensuing discussion will entail an in-depth examination of the relationship between these variables, with a focus on the primary data obtained from respondents. The present study will not address other factors beyond the predetermined variables, such as specific product quality, shipping logistics, or other demographic factors beyond the boundaries of generation Z, except as part of the respondents' characteristics.

1.6 Structure of the Thesis

This thesis is systematically arranged into five chapters, each divided into several subsections to ensure a clear and logical flow of discussion. The structure is described as follows:

CHAPTER I: INTRODUCTION

This chapter contains a description of the background of the underlying problems carried out by the research, the formulation of the research problem, the goals to be achieved through the research, the theoretical and practical benefits expected from the research results, the scope of discussion that limits the focus of the study, and the systematics of thesis writing as a whole.

CHAPTER II: LITERATURE REVIEW

This chapter will outline the relevant and in-depth theoretical foundations of the concepts of research variables, namely Online Customer Review, Price Consciousness, Perceived Ease of Use, and Purchase Decision. In addition, this chapter will also present a review of relevant previous research, the development of a framework of thought, and the formulation of research hypotheses to be tested.

CHAPTER III: RESEARCH METHODOLOGY

This chapter explains in detail the research approach and design used. The discussion included the operational definition and measurement of each variable, population determination and research sampling techniques, the types and data sources used, data collection methods through questionnaires, and statistical data analysis techniques that will be applied to process data and test hypotheses.

CHAPTER IV: DATA ANALYSIS AND DISCUSSION

This chapter presents the results of the research that has been conducted. Starting with the presentation of the characteristics of the research respondents,

followed by the results of statistical data analysis, both descriptive and inferential (hypothesis testing). The main part of this chapter is an in-depth discussion of the research findings, the interpretation of the analysis results, and the association of these findings with the theoretical foundations and relevant results of previous research.

CHAPTER V: COCLUSION

This chapter contains a summary of the conclusions drawn based on the results of the analysis and discussion in the previous chapter. The chapter also sets out the theoretical and practical implications of the research findings, acknowledges the limitations that exist during the research process, and provides constructive suggestions aimed at relevant parties and for the development of further research in this field.

