

# CHAPTER I

## INTRODUCTION

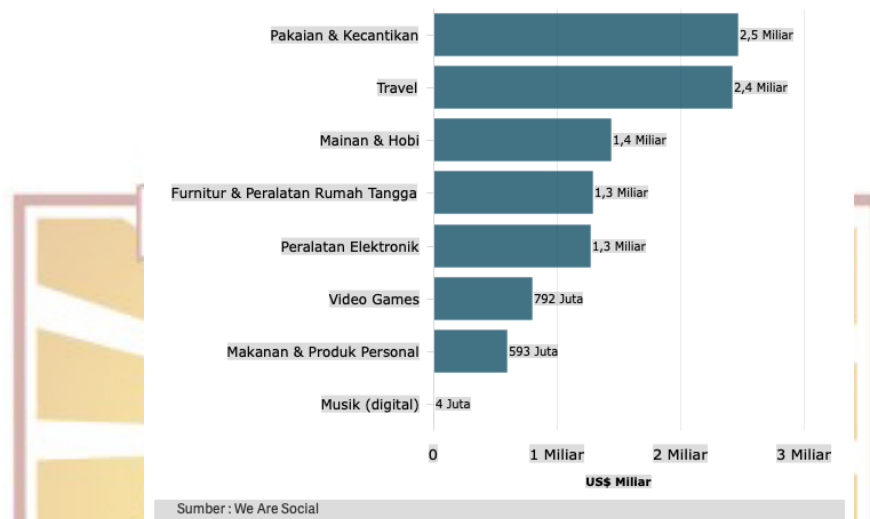
### 1.1 Background Research

The internet has been an essential part of consumer life and influence consumer's behavior in daily activities, especially shopping. As Indonesian consumers' confidence in making online transaction increases, they are continuously converting from offline to online. Online retailer is considered as a good alternative to shop by Indonesian as it is more efficient and helps give access for those who don't have certain brands in near their area. Indonesia is the country with the highest e-commerce usage rate among any country/region in the world, 90% of Internet users between the ages of 16 and 64 in the country said they have purchased products and services online (GlobalWebIndex).

Although Indonesia's Internet penetration rate is only 53.7%, which is lower than many countries in the Asia-Pacific region, Indonesia is still one of the countries with the largest number of Internet users in the world; as of June 2019, the country has 172.6 million people out of a total population of more than 260 million Active internet users (J. Muller, 2020). Many Indonesians regularly access the Internet through mobile devices. In 2019, about 62% of the population used mobile phones to access the Internet. It is expected that this number will increase to 87% by 2025 (Statista, 2020).

**Figure 1. 1**

Categories of goods/services that are most in demand online shopping in Indonesia



*Source: wearesocial.com*

E-commerce trend has attracted various company, foreign brands, local brands and small-medium enterprise to make their own online web shop to support sales and marketing strategies. Beauty products has recently become popular in society and many websites are specialized in selling beauty products such Sociolla.. According to figure 1.2 fashion and beauty products are the categories of goods and services that are most in demand by people in online shopping in Indonesia, sales for this category reached US\$ 2.47 billion around Rp 32 trillion.

Sociolla is an e-commerce company that was founded in March 2015 with the aim of providing comfort to everyone in Indonesia to shop for beauty products. Presenting the best and most comprehensive features makes it easy for people to access and find their dream products easily. Previous study shows that Consumers

tend to be the most impulsive when buying skin care products in beauty and cosmetics store (Prakash & Sharma, 2016).

Since the world is shifting, it is necessary to understand online impulse buying. Study shows that a large number of buyers purchased products impulsively (Floh & Madlberger, 2013). 40% of online shopping transactions are classified as impulse purchases (Verhagen and van Dolen, 2011). Having a retailer's website that give clear price comparison and outlining potential savings when buying promotional items can facilitate this consumer type's impulse purchases.

Unlike retail stores which can encourage impulse buying through their merchandise or point-of-purchase (POP) display, online retailer has to find a set of cues to trigger the same behavior in online shoppers. Several studies suggest that website elements and quality have an impact on impulse buying behavior of online shoppers (Elliot and Speck, 2005; Loiacono *et al.*, 2007; Wells *et al.*, 2011). A well-designed website can increase the conversion rate. When customer can effectively find the item they want on an online retailer website, the probability of them to purchase something is higher. Other studies also found that sales promotion plays a role in triggering impulse buying behavior of online shopper as sales promotion add a sense of urgency to buy something instantly by offering better value. Zhu & Zhang (2010) identify discounts as an important factor that users perceive as attractive when browsing a website.

With the current beauty products shopping trends and competitive market landscape, online retailer must be able to attract customers to shop as to avoid being driven out of the market. There is a need to understand the consumer decision

making in the context of online shopping better in this digital area but the study of online impulse buying on beauty products has received little or limited attention from various marketing academicians. To contribute into the development of online impulse buying behavior, especially in a growing market like Indonesia, this study aims to provide a better understanding on how factors of website quality and promotion affects impulse buying behavior in e-commerce.

To minimize the research scope, this research will be focused on Gen Z since the population of people in Indonesia have been shift from Millennial to Gen Z. Based on Indonesia's Central Bureau of Statistics stated that from 270 million people in Indonesia, more than 75 Million of it is categorizing as Gen Z. This generation was born during the exposed of internet era, therefore they also known as digital natives' generations. According to (Francis & Hoefel, 2018), Gen Z is formed up of people born from 1995 and 2010. Since they were born during the internet period, they are also known as digital natives' generations. Data also shows that 64% of population in Indonesia is using internet, where people with the age between 18 – 26 years old dominated the population of internet and social media user. Furthermore, it's reported that Gen Z tend to visited search engine, search some information related to the product that they want to buy, and even they tend to make an online purchasing (GlobalWebIndex, 2019). Meanwhile, other side when it comes to the brand of product or services, research has confirmed that Gen Z is the generations that will educate themselves about the brand they want to buy (Francis & Hoefel, 2018b), therefore at some point it also makes them not focused on the label or brand, instead they tend to focus on the quality of product

and the benefit that they will get if they make a purchase. Benefit such as discounts, free gifts, or other financial rewards will be so much appealing for Gen Z (GlobalWebIndex, 2019)..

## 1.2 Problem Statement

Triggering impulse shopping behavior of customers can help retailers to be more profitable. Online shopping provides customers the convenience to shop anywhere at any time, thus it can be seen as an alternative impulsive channel aside from brick-and-mortar store. This research is conducted to see whether website quality and sales promotion can influence customers' impulsive buying behavior:

1. How does website quality influence impulse purchase behaviour?
2. How does website quality influence sales promotion?
3. How does sales promotion influence impulse purchase behaviour?
4. How does the website quality mediate by sales promotion influence impulse purchase behavior?

## 1.3 Research Objective

Based on the problem formulation discussed earlier, this study aims to:

1. To examine the influence of website quality on consumers impulse purchase behaviour.
2. To examine the influence of website quality on sales promotion.
3. To examine the influence of sales promotion on consumers impulse purchase behaviour.
4. To examine the influence of website quality mediated by sales promotion on consumers impulse purchase behaviour.

## 1.4 Significant of Research

This research hopefully will give a significant contribution to:

### 1. Theoretical Advantages

Trought the research process and the results, this research can be a reference source and contribute to the development of studies on strategic marketing and can be used as the reference in future research. Especially for impulse buying in customer behaviour considering the lack amount of empirical research that has been conducted. The researchers can understand the application of the theory on the field and gain more the knowledge and insight regarding the Marketing Management Strategy and Customer Behaviour, especially the application of Website Quality and Sales Promotion on Impulsive Buying Behavior as seen on beauty e-commerce in Indonesia.

### 2. Practical Advantages

The result of this research can be a reference in measuring businesses competencies in their marketing strategy, and as the material consideration in implementing good Website Quality and Sales Promotion utilizing the Impulse Buying Behavior to increase the customer satisfaction level. Expected to be beneficial for the company to improve and sustain in the market.

## 1.5 Scope of Research

This study analysed the influence of website quality and sales promotion on impulse buying behavior of beauty products purchased from e-commerce in

Indonesia. Respondent are consumer groups in the 18-26 age range and required to be those who have bought beauty products in the last six months through a website and purchase its by impulsive or unplanned purchase.

## **1.6 Outline of Research**

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

### **CHAPTER I: INTRODUCTION**

The first chapter is elaborating on the background of the problem, problem statement, research objective, significant of research, scope of research and outline of research.

### **CHAPTER II: LITERATURE REVIEW**

The second chapter contains description of theoretical variables that include the theories that support and underline the variables used in the research and framework.

### **CHAPTER III: RESEARCH METHOD**

In this chapter, the author put forward about the object of study, population data and data sources, techniques data collection, operational definitions of variables, data presentation techniques, and data analysis techniques.

### **CHAPTER IV: ANALYSIS AND DISCUSSION**

This chapter discusses the results of primary data obtained. Deeper explanation of analysis is done to answer the research problems that have been formulated above so that the objectives of this study can be achieved.

## **CHAPTER V: CONCLUSION AND RECOMMENDATION**

This chapter is the last part of this study which contains the conclusions from the research. In this chapter, the researcher also provides suggestions for the managerial and/or practitioner and for further research.

