

CHAPTER 1

INTRODUCTION

1.1. Background

In the present day, the competition in business is becoming more and more competitive. The competing companies are striving to win the customers in the market whether their business are focusing on products or services. There are some ways for the company to attract the customer's attention which can be done through advertising, event, discount, sponsorship, etc. However, the company's aggressive attempt to attract customers through those various ways of promotion is not the only way to do it. Perhaps the most effective and cost efficient method for the company to attract customers is by being able to satisfy their current customers. By being able to make their own customers happy, the customers may actually grant the company a good favor by giving them a good promotion to their peers which actually cost the company nothing at all.

On the other hand, by failing to reach their customers' expectation, the customers are able to do some damage to the company which can range from minor to major impacts. The minor damage can be in form of negative word of mouth, which means that the customers are saying terrible things about the companies to their peers. One of the examples of the major damage on companies is by suffering a lawsuit filed by the angry customers. It gives companies dreadful effects on the companies' image because the media will likely to cover this sort of story.

The consumer's purchasing behavior can be induced either internally or externally. This thesis will focus on the externally induced customer's purchasing behavior done by peer to peer in Jakarta. And how much it will affect the purchasing behavior of the people who are close to them, whether they are highly dependent on the opinions of their peers or not.

In this research however, the main focus is not on how people can affect the purchase behavior on certain brand or company to their peers, rather the effect on purchase behavior on malls and internet. The result of the two purchasing alternatives is more popular in Jakarta especially among the young people.

It is interesting to cover this topic because generally people in Indonesia like to socialize more than people in the west. Also the people in Indonesia have closer relationship towards their friends and more attached to their families than people in the West. It is fascinating to see whether the American theories about word of mouth are relevant in Indonesia.

1.2. Scope

The research was done by distributing questionnaires to students of 4 major universities in Jakarta. Each university was given 50 questionnaires, which made a total of 200 respondents. These students were asked some questions the effect of externally induced purchasing behavior by peers and relatives specifically towards purchasing via the internet or directly to the mall. The universities selected were Universitas Bina Nusantara, Universitas Trisakti, Binus University International, and Universitas Atma Jaya.

1.3. Aim and Benefit

The aim of the research was to see how one's purchasing behavior could be influenced by his/her relatives and peers, whether or not the effect of close people's endorsement had significant outcome to the buying decision towards in-mall and online shopping among the youngsters in Jakarta. The results would show which shopping alternatives was more popularly endorsed.

Also can seen was the difference between how different the endorsement towards in-mall shopping against online shopping between the relatives, in this case focused the parents (older generation compared to the respondents) and the peers (same generation as the respondents). From the result we could see how much different the results of the two alternatives, so that we could see the current trend and anticipate for the future trend by comparing the endorsement given by the relatives and the peers. For example if the encouragement to shop through internet were higher for younger generation than the older generation, in this case not just about checking the product availability and comparing the price but actually doing transaction through internet shops. Then we could see the change in trend between the older generation versus the younger generation, which could probably go into an online shopping trend in the future as the younger generation becoming older in the next few years. From the data obtained by APJII (Asosiasi Penyelenggara Jasa Internet Indonesia) at the end of 2006, the number of internet users increased from 16 millions in 2005 to 20 millions in 2006, which was around a 25% increase in terms of number of users. While the internet subscription level had been growing as well, in 2006 the number of subscription was 1.7 millions from 1.5 millions during the end of previous year, which was over 13% increment in one year.

This thesis was also aimed to see whether there were any differences between the original research in United States compared to the one conducted in Jakarta in order to see the differences in the purchasing decision of the young people in United States and Jakarta.

1.4. Structure

This thesis structure basically followed the format required by Binus University International. The thesis content was basically divided into five chapters. Those chapters were as the following:

- Chapter 1: Introduction

Chapter 1 basically contains the background information and about what the thesis was all about in general, it also contained scope of the research as well as the aims and benefits of the research. The details regarding the thesis could be found on the following chapters.

- Chapter 2: Theoretical Foundation

Chapter 2 basically gave the definition and explanation about some terminologies which were relevant to this thesis.

- Chapter 3: Research Methodology

Chapter 3 describes on how the research of Lueg and Finney was done. Also in this thesis, the adaptation of the original research in this thesis and also explanation on slight changes between this thesis and the one conducted by Lueg and Finney. It would also include the data collection section which would include the respondents, the time and place of data collection, and also a brief overview the data analysis method using SPSS.

- Chapter 4: Research Findings

The chapter gave the results and analysis gathered from the research itself and how it was different from the original research done by Lueg and Finney in the United States.

- Chapter 5: Conclusion and Recommendation

In this chapter, from the result of the findings the recommendation was drawn from it.