CHAPTER 1

INTRODUCTION

This chapter consisting of a brief background about the research by providing relevant informations that related to the topic on this study. The first chapter consists of brief explanation about online shopping in worldwide, explanation of details information regarding online shopping usage in Indonesia and millennials explanation. In this chapter, the researcher necessarily covering the problem statement in which includes the research gap as well. Afterward, the researcher also provide the detail information regarding the scope of the study as well as the importance of the study to the readers that completely elaborated in aims and benefits part. Moreover, the researcher had elaborate whole research questions in order to aid in confirming the hypotheses, as well as ended with the research structure that covered in this research study.

1.1. Background

This research is a replication study that was written by Mutaz M. Al-Debei, Mamoun N. Akroush, Mohamed Ibrahiem Ashouri, (2015) from journal of internet research and adapted from the previous journal entitled "Consumer attitudes towards online shopping : The effects of trust, perceived benefits, and perceived web quality". Focus on the background part, the researcher will be discussing of online shopping that includes history and number of digital shoppers worldwidely, online shopper number and usage in Indonesia, online shopping platform in Indonesia, as well as the explanation about millennials.

In the recent era, the fast-paced development of technology led to internet as one of greatest creation ever invented by human being and become the fastest growing communication medium as well (Burger, 2014). According to Statista.com stated by Clement (2020), recently there had been 4.54 billion of people around the world has been an active internet users, which has utilizing internet in their daily life to support daily activity. The advancement of internet throughout the years had influences human being life and activities, such as enable business to market their product through internet or known as *electronic* marketing (e-marketing); as well as enable people to

find recent data, news and information, socialize with friends, entertain users, and most importantly to do online shopping (Suleman, 2018).

The invention of internet extremely capable of assisting people needs and wants including shopping as shopping through internet or online shopping has strongly shaped an ideal pattern for people with disabilities, busy / hectic people, or those who have no enough fatigue to doing the traditional shopping to find the goods demanded (Khalil, 2014). In accordance to Lee, Eze, and Ndubisi (as cited in Burger, 2014), internet has been considered as the fastest growing mode used to shop or purchasing goods. Hence, the presence and fast-growth of internet among people has necessarily influence business to started utilize the digital medium to reach greater consumers where it helps to sustain business through digital enhancement (Ijaz & Rhee, 2018).

Papadopoulos, Diamantaris, Papadopoulos, Petsas, Ioannidis & Markatos (2017) stated that the vast major of online shop had provides both web site as well as the mobile application as it is part of the advancing technology. As Technology enhancements in the retail or reselling environment that referring to market practitioners (online shop) are constantly evolving, and the way consumers engage with retailers through these technological channels are becoming more flawless, most notably through the mobile channel (Willman, 2015). This study aim to understand the attitudes from millennials perspective since this generation have grown up in the internet age consistently to do shopping online (Burger, 2014).

Nowadays, online shop can be done through vary of medium such as e-commerce, social commerce, as well as marketplace. Briefly explanation of these types of online shop, firstly e-commerce or electronic commerce can be defined as a process that occured among business and market through internet as a medium (Fayad & Paper, 2015). These days, the advancing technology has enhanced the capability and functionality, which in this case is referring to social commerce. In simple word, Wigand et al (as cited from Huang & Benyoucef, 2013) social commerce defined as a blend of social media with e-commerce that enable the users to sharing and socializing within the platform. Moreover, marketplace can be defined as an information system that enables to match multiple number of sellers and buyers as well as other stackholder to have a communication and transaction within the platform (Stockdale & Standing, 2004; Agarwal, Dahleh & Sarkar, 2019). As an information, this research will referring online shopping within e-commerce.

Furthermore, the presence of e-commerce has changed people or in this study referring to millennials' behavior in online shopping whereas it influence consumer to shop via mobile commerce application (Chia-Ying, 2017). As Septiari & Kusuma (2016) argued that millennials especially in Indonesia are became the greatest generation consumers in Indonesia, which led to the strong determinant of online shopping behavior as well as contribute to the highest percentage of online purchases. However, consumers in Indonesia that includes millennials generation are classified as late adopters where mediating role of trust play a key role in adopting technology that refers to online shop and the application in this research context (McKinsey & Company, 2015). In addition, mediating role of trust that encouraged by quality of application perceived, and mediating role of eWOM, as well as perceived benefits will be extremely impacting on attitudes towards online shopping in Greater Jakarta Area (Al-Debei, Akroush & Ashouri, 2015). Hence, it is necessary to understand these variables as aimed by the researcher in conducting this research where millennials consumers nowadays able to purchase products, pay bills, find local businesses includes online store through application (Kim, Lin & Sung, 2013).

1.1.1. Online Shopping

Online shopping can be defined as an action taken by an individual that influenced by intention to shop via online (Verma & Jain, 2015). Necessarily, a personal motivation is driven by certain needs and wants at certain period of time and conditions whereas determining to do online shopping. The phenomenon of online shopping has occured for a long-time ago, even before year 2000. Concordia University Saint Paul (2016) stated that, in early 1960s business practicioners have enabled electronic transactions via primitive computer network. In 1994, as the emergence of Netscape 1.0 invented by Netscape Company featured Security Socket Layer (SSL), a security system in online transaction that strictly secure both sender and receiver parties that involved within an online transaction, was an indication that online transaction security system had been developed and much safer than the previous years. (Concordia University Saint Paul, 2016).

Arcand (2019) stated that precisely on August 11th, 1994, a 21-years-old U.S college student named Dan Kahn sold the Sting (musician) album to his colleague called Phil Berdenberger whereas became the first ever secured online transaction occurred. This historical phenomenon marked the first safety online shopping occurred

which followed by the emergence of digital platform designed to sell and buy goods purposes which refers to e-commerce (Concordia University Saint Paul, 2016).

In 2014, online shopping trend among people reported had reach 1.32 billion digital shopper globally and consistenly growth to the years after, as it is recorded on the statistical data below.
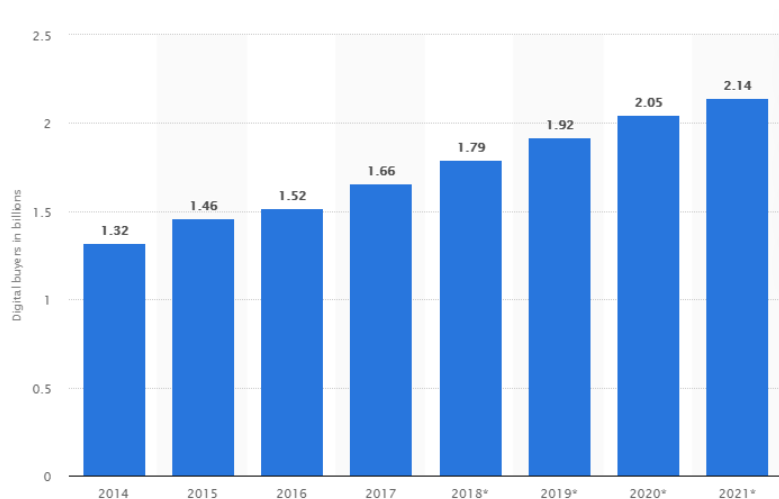

Figure 1. 1 Number of Global Digital Shoppers

Sources: Statista.com

The future of online shopping briefly recorded and forcasted as displayed on Figure 1.1 above. Online shopping trend among consumers over the world strongly affects on the sustainability of online shop as well as the online shopping as the technology is advancing through the years. According to Clements (2019), in this year or referring to year 2020, it was expected to reach 2.05 billions of people worldwidely to shop digitally where the number is higher compared to the previous years. Moreover, according to the statistical data, the digital shoppers in 2021 was expected to reach 2.14 billions where it is significantly that digital shoppers estimately will be increasing in the years after (Clements, 2019).

The increasing number of digital shoppers should be motivated by the advantages offered by online shopping. The common advantages of online shopping are including convenience and time-saving. As consumers allocate less time to shopping and more to other endeavors, their wish for convenience has grown, and consequently, their attention has turned to online shopping (Kumar & Kashyap, 2018). Convenience shopping is specified on the efficiency of completing the shopping

activity and earning the product that required a minimum effort (Kaltcheva & Weitz, 2006). While time-saving referring to searching for product information, locating the wanted product to the chart (Emrich, Paul & Rudolph, 2015) and finishing the checkout stages (Berry, Seiders & Grewal, 2002). In comparison with traditional shopping, online shopping enable consumers to shop from any point of location as well as point of time since online shop does not limiting the time and shopping location as traditional shopping does (Al-Debei, Akroush & Ashouri, 2015).

1.1.2. Online Shopping Usage in Indonesia

Figure 1. 2. Number of Indonesian Digital Shoppers

Sources: eshopworld.com

According to Anna Wadolowska (2018) as seen on Figure 1.2, it is known that number of online shoppers in Indonesia was consistenly increasing throughout 2016 to forcasted 2022. Currently in 2020, it is expected that 39.2 millions of people in Indonesia has choosing online shopping as an alternatives to do shopping. In accordance to Snapchart Research (as cited in Tan, 2019) stated that currently in Indonesia 50% of online shoppers were goes to millennials and the rest is other generations.The number has significantly increasing from year 2016 in amount of 24.9 millions of people and from previous year in amount of 35.5 millions online shoppers in Indonesia. The increasing number of online shopping adoption supposed to corellated with few factors such as trust and perceived benefits of online shop compared to traditional shopping since consumers experience the perceived risk and perceived benefits as impact from emergence of technology (Van der Heijden, Verhagen & Creemers, 2003).

However, in accordance to number of digital shoppers that increasing years and follows, Indonesian citizens do online shopping for many purposes which explained as follows.

Figure 1. 3. Devices Used to do Purchase over Internet

Sources: yStats.com

In accordance with the increasing number of digital shoppers in Indonesia, above Figure 1.3 will provide information in regards with devices when they making purchases over the internet. Accordingly to yStats.com (2017) it is known that vast major of people doing purchase online through mobile devices that consist of 66% smartphone and 4% tablet. While the rest 30% of the consumers use computer or laptop. With the data above it related to behavior or attitudes on Indonesian people that utilizing application in doing online shopping as explained in figure below.
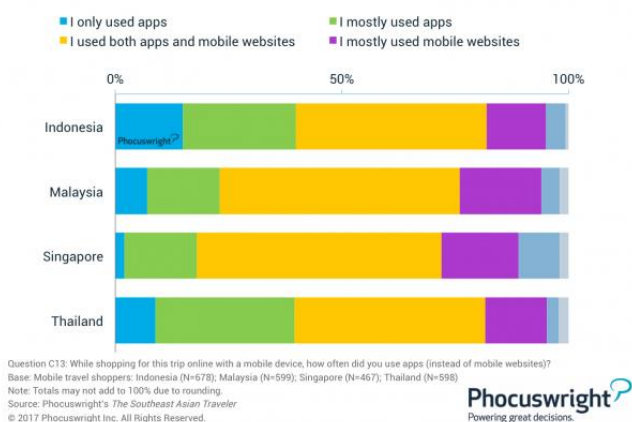

Figure 1. 4. Application Preference Percentage to do Online Shopping

Sources: iambassador.com

In accordance with Figure 1.4 above, it can be seen that in Indonesia, that vast major of people was relying on application as the option to do purchasing online. In details, almost 70 to 80% consumers do online shopping through application and website (Thompson, 2017). Meanwhile, 40% among them were making application as their preference to do online purchase with application as it is known that their mostly used apps in making online shopping (Thompson, 2017). Lastly, estimately around 20% among them only used application in making online shopping (Thompson, 2017). Hence, the application became the preference by consumers in Indonesia since the presence of the app could make the experience of using the internet to access online shopping easier (Lubis, 2017). According to Mauldin & Arunachalam (as cited in Lubis, 2017) Ease of use was the basis in choosing to shop online rather than doing convenience shop or same with traditional shopping, where required consumers to visit in-stores and finding the goods within. In addition, the goods commonly purchased by millennials through online shopping among other were clothes and shoes (fashions), electronic devices, gadgets, food and beverages, books, and et cetera (Alvara Strategic Research, 2019).

1.1.3. Millennials Attitudes in Indonesia

Salim, Alfansi, Darta, Anggarawati & Amin (2019) stated that millennials of Indonesia always develop themselves to anticipate change as a result of technological advances. This is an opportunity for online sellers to increase the online purchase intention of the millennial generation in Indonesia (Salim, Alfansi, Darta, Anggarawati & Amin, 2019). As the millennials is different with the generation before them since they were practicable, result-oriented, but more particular, shapping this generation as the unique and interesting to discover more about the attitudes toward latest trend in shopping, which is online shopping (Septiari & Kusuma, 2016). There are numerous researcher and study that defined millennials ages range. In this research, the researcher is ranging millennials ages in accordance to Pew Research Center per 2019, that define millennials generation as a people that was born between 1981 to 1996 (ages 23 to 38) (Dimock, 2019). In accordance to IDN research institute, from 179.1 millions of people in 2020, 63.5 millions among them are coming from millennials generation (IDN Media, 2019). This generation became the leader of online shopping and became its preference due to several aspect which explained below.

There were several millennials behavior in accordance to Sweeney (2006) that extremely related to motivation in doing online shopping, includes, **more choice or more selectivity** which characterized as this generation desire great consumer control which could control what, when, and how they earn the product. Moreover, this generation also more **flexible and convenience** where they understand the time and commitment longer in order to get more advantaging choices. Personalization and costumization which enable this generation to get goods as they desired to make the goods more personal aligned with their changing needs, interests, and tastes. **Impatience** became one of the character triggering people to shop online as they have no tolerance in waiting. **Practical** interested in processes and services that work and speed their interactions. Moreover, millennials expert to juggling several tasks at once since this an efficient, practical use of their time and, as already noted, they are very impatient, which refering to **multitasker**. Lastly, **digital native** also became the factor why millennials adopt online shopping, since they expecting the quickness, convenience, more flexible and impactful earned from digital services as well as the resources.

According to Jakartaglobe.id, 64% of online shopping in Indonesia was conducted by millennials generation and driven by them (Muchtar, 2018). Moreover, there were several Indonesian millennials online shoppers personas in accordance to Janio.asia (2020) such as **City Convenience, Trendsetter, Muslim Millennials, Busy Small Business Owners, as well as Industrious Mother**. City convenience characterized as always enthusiast in following the latest trend that includes technology, lifestyle, fashion, and other things. Trendsetter, can be characterized as a big fan of trending style that includes international brands, and items which required them to find it on online shop due to unavailability of goods in offline store (brick and mortar store). Muslim millennials also often to search goods through online shop since it is more aligned with values as well as the availability of goods in online shopping. Fourth aspect is busy small business owners, that often to shop via online due to limited time owned by them. They always busy with their business and causing on limited time to shop via offline which directing them to online shopping whereas enable them to shop in short amount of time and simplicity. Lastly is industrious mother which similar to busy small business owners, that have no time due to motherhood duties which enable them to shop via online that can be done everywhere and anytime as well as goods delivered direct to them. Therefore, these personas and its characteristics

influence the attitudes in adoption of online shopping performed by millennials, where conveniency also act supportive towards the adoption of online shop performed by millennials (Muchtar, 2018).

1.2. Problem Statement

Menon (as cited in Meszaros, 2016) stated that as Indonesia being the fourth biggest market in the world, e-commerce was emerged up quickly which acknowledge from different startup as well as online shop that are coming in. The emerging of vary online shops and e-commerce platforms presence in Indonesia significantly symbolized the high number of competition in the market. Absolutely, the great number of existing e-commerce and online shop definitely complicate the new both local and global online shop as well as e-commerce to entering the market since these market practitioners required to build trust of consumers towards' the product offered. Moreover, this become challenges that commonly faced by the new comers in the marketplace whereas millennials consumers in Indonesia considered as risk avoiders that related to trust (Cosseboom, 2015). Moore (2017) argued that trust and reliability of online shop have played a crucial role in order to gain consumers, which implied to United States of America and Indonesia marketplace as well. Thus, in accordance to zoovu.com (2019) complex-looking app design and missing product information were the common problem faced by the e-commerce or online shop, which influence the level of trust and benefits perceived by the consumers.

In fact, numerous of researcher argued that trust was the most significant factors for success in online environment (Shao Yeh & Li, 2009). This statement led to lack of trust may result in reluctant to participate in e-commerce or online shop (Pavlou, 2003). In order to increase the level of trust of the consumers, many market practitioners utilizing mobile application as a medium to increase consumers' engagement. As by the definition, consumer engagement occured when the consumers feeling that they have connected with a brand where this engagement encourage them to experiencing the apps in particular way (Calder & Malthouse, 2008). The engagement between online store and consumers, required the good quality of online application, which represented by the ease of use as the main factors which encourage consumers to shop online; this also became the application quality that perceived by the consumers (Skarzauskiene, Glaveckaitė & Gulevičiūtė, 2015).

Secondly, online store also should pay attention toward the information provided to the consumers, or refer to the product information. With product information, its enable consumers to evaluate the products or services given from the market practitioners toward particular product benefits (Meyvis & Janiszewski, 2002). The presence of product information was necessary as consumers frequently make judgements and decisions based on limitation information and knowledge (Kardes, Posavac & Cronley, 2004). If there are missing products information, crucially has a potential of deducting the value of benefits perceived by the consumers, which affect their level of trust toward the online shopping. Nevertheless, providing precise product information enable online retailers to eliminate consumers' concerns and fears of consumers towards a particular product or online shopping (Dawn, Michael & David, 2006).

As the high quality of application and benefits of online shopping perceived by the consumers, triggering them to express the satisfaction in form of *electronic* Word-of-Mouth or eWOM toward the online store. Three aspects mentioned before, extremely affects the level of consumers' trust (Al-Debei, Akroush & Ashouri, 2015). Unfortunately, several online shop still have not created a user-friendly application including the complex-looking app as well as unresponsive application which can deduct the consumers' satisfaction and trust toward the online shop especially in Indonesia, or even worse that influence them to not adopting the application in doing online shopping. For example, "OLX" one of C2C e-commerce received poor feedback as it was only limiting up to 5 KM range only, as well as taking too much battery when using the app (Yuniarni, 2017). Another example is on "CGV Blitz" application as Devian (2019) argued that most of the users have a difficulty in seeing the menu's pictures, which doubt consumers to purchase through application. In context to compete within the marketplace in Indonesia, market practitioners supposed to provides both user-friendly application as well as precise product information, in order to earn consumers eWOM in which enable online shop to gain new consumers' trust and influence the attitudes towards online shopping (Malla, 2018).

1.2.1. Research Gap

As the dominant online shoppers in Indonesia were millennials generation, thus this study will be conducted specify toward millennials (Tan, 2019). The result of specifying the generations would affects the attitudes, since the researcher understand

that millennials was the generation that most likely accept and volunteering to adapt with the advancing technology that may include internet growth, online shopping, as well as the application usage as this generation growth with the presence of advancing technology (Burger, 2014). Moreover, the researcher belief that differences characteristic of consumers in Jordan and Indonesia will be performing different attitudes towards online shopping, whereas Jordan consumers are considered as early adopters and preferring web site as the platform utilized, while Indonesian are late adopters that preferring application to do online shopping (Al-Debei, Akroush & Ashouri, 2015; McKinsey & Company, 2015; Thompson, 2017). In addition, the presence of this research as to understand the attitude using application as the platform, which there are only few research conducted in understanding mobile application.

1.3. Scope

The researcher aiming to discover the factors that influence millennials attitudes toward online shopping. The researcher is focusing on millennials aged 23 to 38 years old that at least have purchased goods or services in online shop through application to discover the factors that influenced them to do online shopping. Since it is focusing on millennials as this generation was growing up with the present and advancing technology (Burger, 2014), therefore people below 23 and above 38 years old are excluded in this research and will be not received the online questionnaire distributed by the researcher. Moreover, the researcher aim to discover lifestyle and behavior of millennials in Greater Jakarta Area since it possibly affects the attitudes towards online shopping as well. Last of all, there is no specific occupations, specific college or company, and minimum income required in order to fill this questionnaire.

1.4. Aims & Benefits

In this part, the researcher will elaborate the objective of this research that could be useful for various online business and readers, which enable them to understand attitudes of millennials consumers toward online shopping and the effect of trust, perceived benefits, and perceived app quality followed by the benefits of this study for online shop knowledge and also for readers that includes personal, society, as well as organization.

The aims of this research are as follows:

- To understand the factors such as quality of application, and benefits perceived by the customers are shaping the consumers' trust in online shopping
- To understand the mediating roles of eWOM and trust assist perceived app quality and perceived benefits in shaping the level of trust of millennials consumers
- To understand that trust that gained from application quality perceived, benefits perceived, and eWOM is impacting on attitudes towards online shopping
- To discover the level of each factors that acting on shaping millennials consumers attitudes

By conducting this research, the researcher aim to bring the results that beneficial for all parties including online business as well as readers, notably millennials consumers. Thus, the benefits of this study are as follows:

- This research will provides insights about factors that influence consumers among millennials' attitudes toward online shopping phenomenon to the readers
- To help local and especially global market practitioners in understanding the factors that influence Indonesian millennials' attitudes in online shopping
- To assist market practitioners strategizing the effective e-marketing that correlated with factors that influence existing as well as potential millennials consumers attitudes toward online shopping

1.5. Research Questions

RQ1. Is there any positive relationship between online shopping app quality toward perceived benefits?

RQ2. Is there any positive relationship between online shopping app quality toward positive eWOM?

RQ3. Is there any positive relationship between online shopping app quality toward consumers' trust?

RQ4. Is there any positive relationship between online shopping app quality toward positive and favorable attitudes?

RQ5. Is there any positive relationship between eWOM toward level of trust in online shopping app?

RQ6. Is there any positive relationship between greater perceived benefits related to an online shopping app toward more favorable attitudes?

RQ7. Is there any positive relationship between greater level of trust toward greater positive attitude to online shopping app?

1.6. Research Structures

This section is specified to briefly explaining in details of all chapters within this research. Thus, the research consisting of 5 chapters that includes :

Chapter 1 : Introduction

In the first chapter of this study, the researcher will elaborate the background of this research regarding online shopping in global, online shopping usage in Indonesia, as well as Millennials and attitudes determined in this research. This chapter also containing problem statement which raising the issues concerned in this research, followed by scope and limitation of the research. Moreover, aims and benefits are written in this chapter to assist the readers recognize the purpose of the research. Last part is research questions as a crucial part whereas will be useful to help the researcher in constructing hypotheses.

Chapter 2 : Literature Review

Hereafter, the second chapter will provide readers in-depth understanding about trust, perceived app quality, perceived benefits, eWOM, and attitudes toward online shopping. Following the explanation, the resarcher will be explaining the correlation between the variables by providing the theoretical framework and hypothesis which will be necessary to support research findings. In addition, these hypotheses and the

framework are provided by the researcher in order to help the understanding of the readers in regard with each variables and further study

Chapter 3 : Research Methodology

In the chapter three, the researcher will be explaining about the research methodology, which includes hypotheses, research questions, research objectives, research design utilized, and data analysis. Moreover, the elaboration about data collection method that includes primary and secondary data utilized by the researcher to formulated the questionnaire, questionnaire design, scaling technique, pre-test & pilot questionnaire, as well as operationalization of variables and questionnaire language will be specified within this chapter.

Chapter 4 : Research Findings

Proceed to chapter four, this chapter will include the research results that collected from the survey and also the analysis of all hypotheses by using SPSS software. The researcher will elaborate about the findings of the study to determine whether the hypotheses are fully supported or not supported.

Chapter 5 : Conclusion & Recommendation

In this last chapter of the research which refers to chapter five, the researcher will be summarizing all the data findings from the previous chapter that includes the managerial implication and limitation of this study. Lastly, the researcher will also recommending the solution to answers the problems stated in earlier chapter.