CHAPTER 1

INTRODUCTION

The aim of first chapter is to determine and introduce the background of the study, which includes the problems, aims, scopes, and benefits. This chapter will summarize the importance and benefit of this study for managerial and academic use.

1.1.   Background

1.1.1. Introduction

The research is based on a replication study from the original journal in 2012 by Marine Aghekyan- Simonian, Sandra Forsythe, Wi Suk Kwon, and Veena Chattaraman from the title "The Role of Product Brand Image and Online Store Image on Perceived Risks and Online Purchase Intentions for Apparel".

In digital era, most of people are trying to adapt with the advance of technology. They follow the current trends about technology as well as electronic such as smartphone or Internet connection. Nowadays, the need of Internet is increasing since Internet connection is very beneficial for people. The usage of Internet is to connect people with digital world, for example they are able to communicate with other people within a thousand miles. Besides that, the function of Internet is to find information about other countries.

Ecommerce has several advantages such as: Online shopping can increase sales and decrease costs. If the advertising is well organized in the website it can reach to the potential customers in every country in the world, even for the small companies. (Schneider, 2007). Usually a firm use the electronic commerce to reach their small groups of customers in every country in the world that geographically scattered. (Schneider, 2007). One of the advantages in using digital media it would be creating virtual communities that become ideal target markets for specific types of products and services. (Schneider, 2007). E-commerce is not only increasing the sales opportunities, but also increase their buyer's opportunities. Furthermore, E-commerce can be used to identify the new suppliers and business partners. (Schneider, 2007). Besides that, negotiating price and delivery is easier because in the e-commerce there are systems in online which called bid information. By using that system, it can help the companies to obtain a good information about the products and also the competitive price of the products. (Schneider, 2007)

Electronic commerce increases the speed and accuracy with which companies can trade data, which diminishes costs on both sides of exchanges. Many companies are decreasing their expenses of handling sales inquiries, providing price quotes, and deciding item accessibility by utilizing electronic business as a part of their business support and request taking procedures. (Schneider, 2007)

Electronic business provides buyers with more extensive scope of choices than conventional trade since buyers can consider a wide range of items and services from more extensive assortment of sellers. The wide assortment is accessible for buyers to assess 24

hours a day. (Schneider, 2007). A few buyers favor a lot of data in purchase intention; others lean toward less. Electronic commerce delivers buyers with a simple approach to customize the level of detail in the data they acquire about a prospective purchase. Instead of waiting days for the mail to bring a list or product sheet, or even minutes for fax transmission, buyers can have instant access to the data on the website. (Schneider, 2007)

As for disadvantages of Ecommerce are: Even though purchasing online is convenient, the cost of this convenience is not always clear at the front end. For example, online purchases are often being unclear especially for the delivery costs or shipping costs, lack of warranty coverage, the price of shipping is unclear, and late arrival of the products that have been purchases. (Gupta, 2015).

Internet is being developed to overcome the single point of failure problem, however there have been several problems regarding of network failures during the past few years. The effects of this failures make the e-commerce website cannot serve their customers, thus they lose sales, credibility, and even the customers itself. (Gupta, 2015)

Ensuring the security of the data is one of important things that businesses or sellers must aware. Because customers worry about the privacy implications of data gathered by organizations of all types and sizes. In data gathering on the web is so easy, every customer who purchase online they should to fill their personal information for example like demographic data, purchasing habits, and credit information. Sometimes customer feels

inconvenience to put their personal information because there's no guarantee about the safety and prevention from cyber attackers. (Gupta, 2015).

Customer service is one the common complaint from the customers because in online business they tend to have a low level of customer services. Even though technology has automated business transactions to a large extent, there remains a real need for the human touch. Therefore, customer service has become a major differentiating factor with offline store. (Gupta, 2015).

While Internet is continuously developing, some of companies also found out the advantage about Internet for their business. According to Zaroban (2016), USA E-commerce growth 14.6% in 2015. It means all the business industries try to moves their business process into online which can double up their sales. The total sales that United States got are $341,7 billion in 2015. Moreover, the majority of E-commerce in United States is retail industry, electronic items, and automobiles. The increasing in industry' sales followed by the growth of Internet users that reached 286 million with total population 324 million (Internet Live Stats, 2016).

Followed by Asian countries, most of them have announced their success in using Internet as a platform to sell product or service. Southeast Asia has become the new leading edge for e-commerce today. Recently, Alibaba has announced that it is willing to pay $1 billion for a majority stake in Lazada, furthermore, China's JD.com opened up a shop in Indonesia late last year. Foreign banks such as Japan's SoftBank, Sequoia Capital and SB

Pan-Asia Fund, made an investment in Tokopedia, which is Indonesia's largest online marketplace, as much as $100 million; the list of foreign investments that are made in Indonesia continues to increase daily. The level of digital adoption in Southeast Asia is incomparable; and with that being said The Philippines alone sends more texts than any other country in the world. Meanwhile, Jakarta has earned the title of becoming the world's number one city for tweets since it has more than 250 million smartphone users in the area. Therefore, from the data stated it is indicate that online marketplace in Indonesia is big. (Hoppe & Lamy, 2016).

However, Bain & Company and Google conducted a survey of more than 6,000 consumers in Indonesia, Philippines, Malaysia, Vietnam, Singapore and Thailand showing that the online marketplace is still relatively small because only one in four consumers over 16 years old has ever shopped online. (Hoppe & Lamy, 2016).

Moreover, the retail penetration level of Southeast Asia is a mere 3% which represents roughly only about $6 billion in sales. The U.S and China's penetration levels on the other hand, is an impressive 14% which is equivalent to online sales surpassing $250 billion. Based on our survey, 100 million consumers in Southeast Asia have made a digital purchase however 150 million of them have either researched the products or interacted with venders online. For some industries, they are already making a significant online progress, with 24% of clothing and footwear, 18% of all travel are now being purchased

online. Therefore, this research focuses on a clothing industry in Indonesia. (Hoppe & Lamy, 2016).

1.1.2. Ecommerce in Indonesia

Companies in Indonesia develop their online business by providing the modernized logistics system and delivery platform. They strengthen the supplier by analyzing the current trends followed with the demand. The most popular online business platforms were Kaskus, Zalora, Tokobagus and Sukamart (Harsono, 2016). It was proven by the feedback regarding the products quality offered, optimized image, and online website features. Even though retail channel has been transform their business into online, but traditional retail such as in beverage sector also use Internet to reach more market. (Das, Sohoni, & Razdan, 2013).
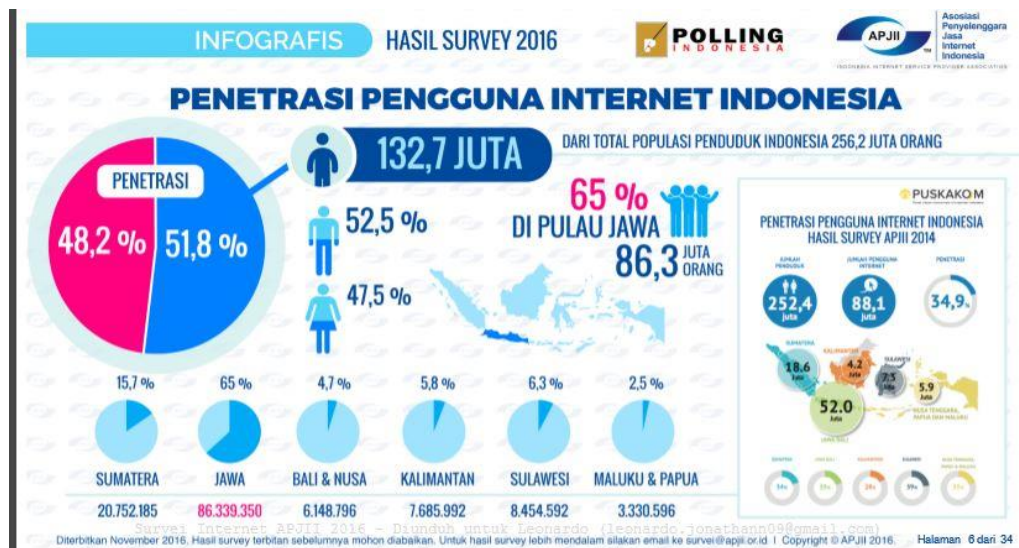

Figure 1.1 Internet Users in Indonesia

Source: APJII, 2016

Based on recent data from APJII, as indicated in figure1.1 there are 132 million internet users in Indonesia, with Internet penetration at 48.2% for female and 51.8% for male (APJII, 2016). The data from APJII (2016), stated that mostly of Indonesian internet population access for online shopping (62%), second personal business (34.2%), and the others (3.8%). Therefore, people living in Indonesia have accepted and already made online shopping a part of their lives. (APJII, 2016)

Figure 1.2 List of Online Shopping That Customer Purchase

Source: APJII, 2016

According to APJII, the top four products that customer purchase via online are ticketing (25.7%), household needs (22.2%), apparel products (3.6%), and hotel (3.4%). While apparel is third products among the top three that purchased online in Indonesia, the number is still smaller compare to the travel and household needs. It indicates that Indonesian consumers are still reluctant in purchasing apparel online. (APJII, 2016).

A survey conducted by Adwani (2014) to two million Internet users in Indonesia Identified five top online stores specialty in apparel, which are:

1. Zalora

Zalora is one of the famous online apparel store in Asia, in Indonesia this store is highly recommended for online shoppers. Zalora afford customer with a wide variety of products for both genders also they provide largest collection of well-known brands in the country. Zalora has a number of local manufacturer and designer, furthermore because they increasing their range of products that they afford, it allows Zalora to supply to a larger variety of consumers and makes them remains competitively priced compared to some of Indonesia's retail outlets. (Adwani, 2014)
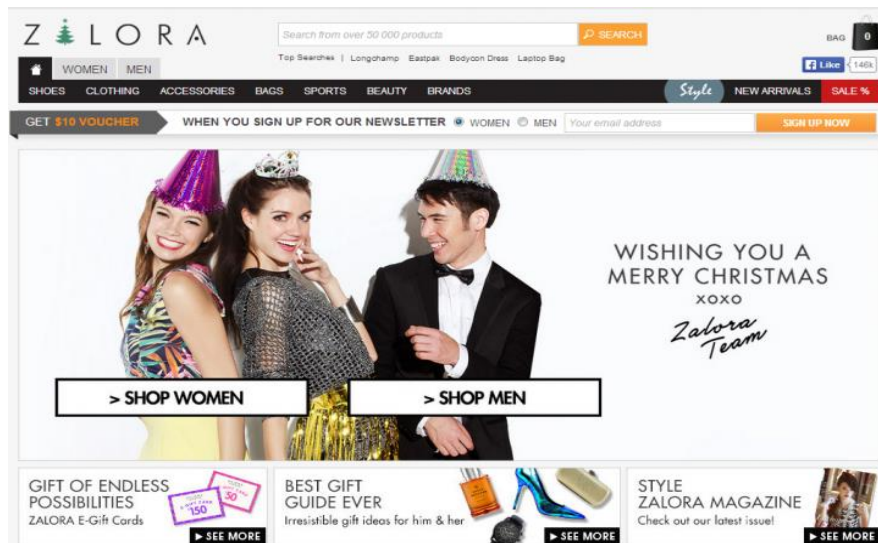

Figure 1.3 Zalora Homepage

Source: Tech in Asia, 2014

2. VIP Plaza

VIP Plaza is one of the well-known online stores in Indonesia because of their promotion, which is that they give priority to their flash sales. The store puts up new sales of 30 to 80 percent off every day at 10am for up to 10 days, up from their previous seven days. This online apparel store is mainly targeted on mid-range brands, however sometimes they also have sales higher- end brands as well. (Adwani, 2014).
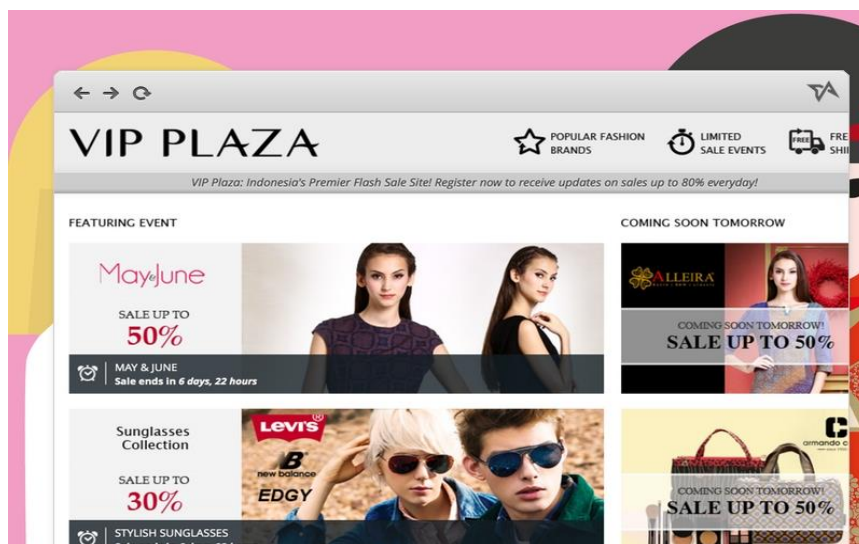

Figure 1.4 VIP Plaza Homepage

Source: Tech in Asia, 2014

3. BerryBenka

BerryBenka is one of the famous online apparel store in Indonesia focusing on women's clothing. BerryBenka is different with other apparel online store because they prefer to partner up with local and independent manufactures rather than the more well-known brands. Therefore, giving them a unique catalog compared to some of their online store competitors. (Adwani, 2014).
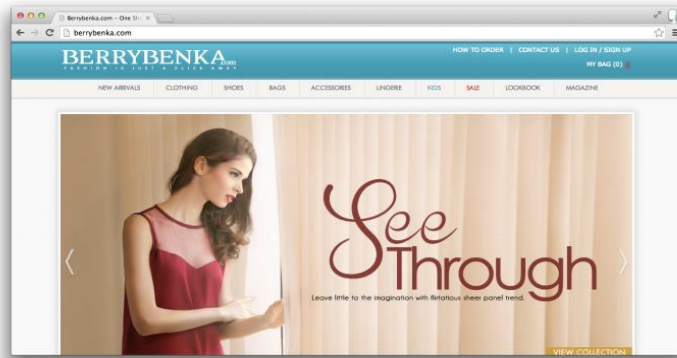
Figure 1.5 Berrybenka Homepage

Source: Tech in Asia, 2014

4. Maskoolin

Maskoolin is consider as 'hipster' online apparel store in Indonesia. The plentiful use of classic typography and filters makes the feeling of the customer like on VSCO cam rather than a store. Their catalog shows customers that teenagers create up this website. With wide variety of snapback caps and t-shirts also with random quotes scribbled all over. (Adwani, 2014).

Figure 1.6 Maskoolin Homepage

Source: Tech in Asia, 2014

5. ETCLO

Etlco is a premium online apparel store they offer a different twist to the market by showcasing designs based more on the Asian market, rather than by copying trends and designs made popular in overseas markets. (Adwani, 2014)
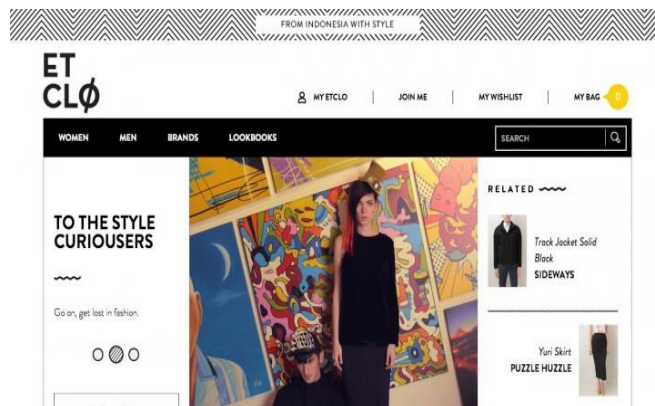

Figure 1.7 Etclo Homepage

Source: Tech in Asia, 2014

1.2. Scope

This research is aiming to investigate the role of product brand image and online store image on perceived risks and online purchase intentions for apparel in Indonesia. There are six variables that will be used in this study, which product brand image, online store image, financial risk, product risk, time risk toward purchase intention.

In order to conduct this study, the author has determined the scope of respondents as Jakarta teenagers to adults (18 – 34 years old), who have experienced in using Internet to shop apparel online. The reason is according to data from APJII it is stated the biggest internet users are in between 18 years old to 34 years old and for the other reason is

because in 18 years old it is the legal age for online shopping because they have their own credit card, debit card, or other payment method to purchase the products. (APJII, 2016) As for the second reason is because the teenagers start from 18 years old are categorized as the most active users to do online shopping. Furthermore, people who are about 34 years old also still curious about the new trends and advance technology about online shopping. Also, consumers in that aged is spending more money online. (Smith, 2014)

1.3.   Problem Statement

Nowadays, the function of store has been moved into digital, followed by the advance of technology makes communication delivered faster than usual. People can access much information through Internet just by typing certain keywords and they will get the result faster and easier. The usage of Internet is very beneficial for user, for example people can use that technology everywhere and anytime that makes movement be more efficient. People can access Internet on their laptop, but now the smartphone with Internet provided is booming in market. They were provided with the easiness of using smartphone with cheaper price.

Based on data by APJII (Asosiasi Penyelenggara Jasa Internet Indonesia), apparel products are in the third among top product purchased online. The first is travel (25%), second is household needs (22%) and then apparel (3.6%). Compared to travel and household needs, the purchase of online transaction for apparel is still small. (APJII, 2016). The reason of the small percentage can be of the facts that when consumers

purchase apparel products online, they cannot touch and feel the product. They may rely on product brand image to mitigate the risks associated with not being able to try on the products. Similarly, consumers may rely on the online store image to mitigate the financial, product, and time risks associated with buying the product online. Therefore, it is important that online apparel businesses understand how product brand image and online store image influence the perceived risks of online transaction and how they influence the online consumer's intention to buy. (Anghekyan-Simonian, Forsythe, Kwon, & Chattaraman, 2012).

A study by (Razdan & Sohoni, 2013) also identified similar issues in online transaction. The study reveals that the top reason for not shopping online are has problems in the image of the online store itself, followed by product risk as which is the customer cannot try or test the product that they purchased, and for the financial risk customer feel that the payment is not safe or convenient. (Das, Sohoni, Razdan, 2013).

Therefore, this study is meant to provide insights for online businesses, particularly online apparel businesses to understand the risks associated with online transaction and how to mitigate those risk, so that more customers are willing to purchase online.

1.4. Aims and Benefits

The aim of this study is to provide some benefits either for company or readers regarding the topics. Here is the aim of this study as follow:

- To investigate whether product brand image positively influence online purchase intentions for apparel product

- To investigate whether online store image positively influence online purchase intentions for apparel product

- To investigate whether product brand image negatively influence perceived product performance risk for apparel product in online shopping

- To investigate whether online store image negatively influence perceived product performance risk for apparel product in online shopping?

- To investigate whether online store image negatively influence perceived financial risk related with apparel products in online shopping

- To investigate whether online store image negatively influence perceived time risk in online shopping for apparel products

- To investigate whether the perception of financial risk negatively influence online purchase intentions for apparel product

- To investigate whether the perception of product risk negatively influence online purchase intentions for apparel product

- To investigate whether the perception of time risk negatively influence online purchase intentions for apparel product

However, this research also offers several benefits:

- This research provides insight what kinds of factors that influence online purchase intension for apparel products

- This research knowledge regarding the variables and the function of each variable to determine the result

- This research helps marketers to clarify their strategy to grab market in online shopping especially for apparel products

- This research provides some suggestions to management of apparel Product Company.

1.5.   Research Questions

According to the aims in section 1.4, here is the research questions that author found to get the result:

Q1: Does product brand image positively influence online purchase intentions for apparel product?

Q2: Does online store image positively influence online purchase intentions for apparel product?

Q3: Does product brand image negatively influence perceived product performance risk for apparel product in online shopping?

Q4: Does online store image negatively influence perceived product performance risk for apparel product in online shopping?

Q5: Does online store image negatively influence perceived financial risk related with apparel products in online shopping?

Q6: Does online store image negatively influence perceived time risk in online shopping for apparel products?

Q7: Does perceived financial risk negatively influence online purchase intentions for apparel product?

Q8: Does perceived product risk negatively influence online purchase intentions for apparel product?

Q9: Does perceived time risk negatively influence online purchase intentions for apparel product

1.6. Structure

Chapter 1 – Introduction

In the first chapter of this study explores brief background about online shopping in general followed by the condition of online shopping in Jakarta. As the first chapter, readers will understand the aim and benefit of this study, what are the reasons to conduct this study by determining the problem statement as well as the coming chapter.

Chapter 2 – Theoretical Foundation

The second chapter is mainly discussed about variable that will answer the hypothesis. There are some variables as the framework to support this research. Besides that, the author will also explain one by one about the variables and the relationship to the theories.

Chapter 3 – Research Methodology

There is some information given in Chapter 3 such as the objective of this study, the research design, data analysis method and the sampling method followed by the questionnaire that will be distributed to respondents. This chapter will also explain about the sampling size that author used and population of respondents.

Chapter 4 – Research Findings

In the fourth chapter of this study will elaborate the result of main study that author have gathered the data. To get the final result, author used SPSS 22 to calculate the answer from respondents and analyze according to the hypothesis. Thus, reader can understand the accuracy of result and methodology.

Chapter 5 – Conclusion and Recommendation

This last chapter content is about the conclusion and recommendation given by author regarding to the topic and result. Furthermore, there are summaries provided start from chapter 1 to 4 about the background and findings and also the conclusion of each hypothesis. There will be limitation and recommendation to future research.