

CHAPTER I

INTRODUCTION

1.1 Background

The use of the internet has experienced massive development in the business field, especially in large scale companies. Since the discovery of internet technology in the 1990s, its use has been widespread because it is seen as providing enormous benefits for the smooth running of business / business activities. Internet users around the world are around 200 million, 67 million of them are in the United States, and internet in Indonesia doubles every 100 days (Kasali, 2000). The emergence of the internet has created opportunities not only to socialize and sharing information, but also for firms to stay competitive by providing consumers with a convenient, faster and cheaper way to make purchases. Purchase Transactions that were initially carried out with a face-to-face action between the seller and the buyer are now starting to change. The process of buying and selling goods and services can be done in the palm of a finger based on an electronic network. This is what is called E-Commerce. The presence of E-Commerce makes it very easy for people to buy a product. From the perspective of business actors, they can further expand their market reach. The dissemination of information about a product can be done more quickly, and has a very broad scope, so that it has begun to shift consumption patterns and methods, and has even become part of people's lifestyle.

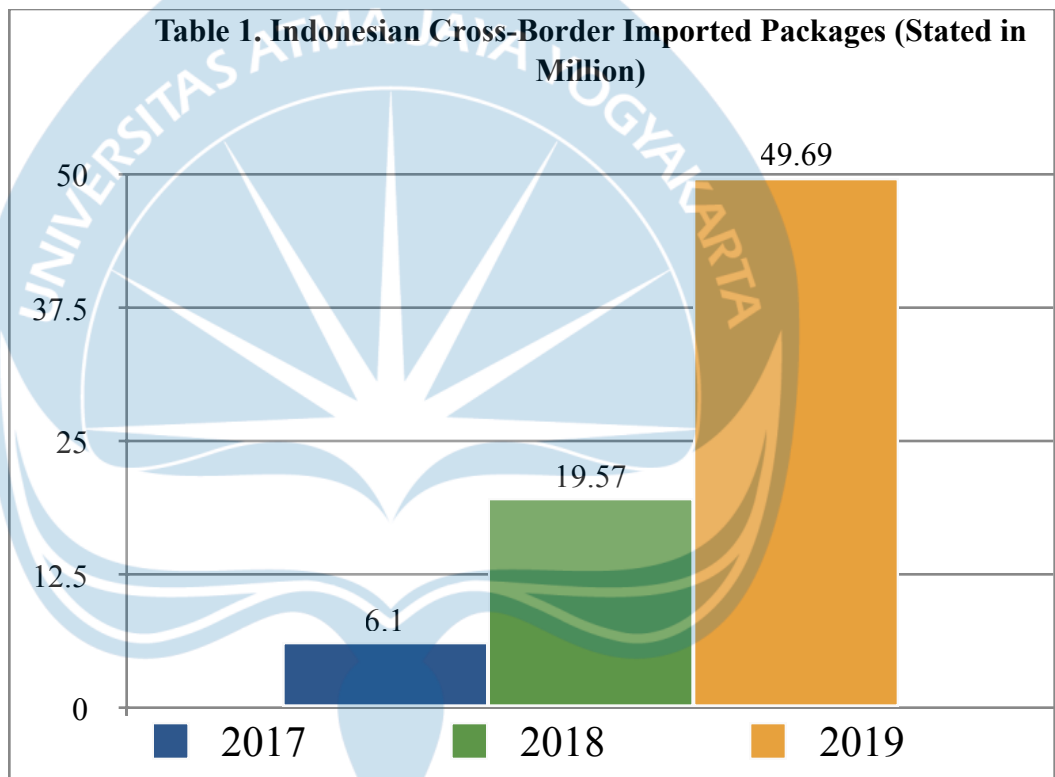
Online shopping is apart of electronic commerce in which consumers can directly purchase goods or services from the seller over the internet. Online shopping allows consumers to purchase faster, more alternatives and easy to order products or services with comparative and lowest price (Cuneyt & Gautam, 2004). Everything can be done easily with just a gadget. It cannot be denied that

in the era of globalization and today's developments, people in the world and Indonesia have started to implement online purchases. The number of transactions has also increased from year to year and the types of goods that people buy are also increasingly diverse. The growth of the e-commerce market in Indonesia continues to increase every year. Many consumers who have never previously shopped online now have to rely on digital shopping platforms to meet their needs. Based on the results of a survey conducted by the Indonesian Internet Service Providers Association (APJII), the number of internet users in Indonesia increased to 196.7 million in the second quarter of 2020. This figure has certainly increased when compared to the number of internet users in Indonesia in 2018 which was only 171.2 million people. With the increasing public access to the internet, this also makes it easier for everyone to buy goods online, both through domestic and foreign online shopping applications. This growth is also inseparable from the development of infrastructure and digital penetration in Indonesia. E-commerce is also an alternative for many Indonesians to find and buy products. This year, almost all internet users in Indonesia, to be exact, 88% have bought online products.

Online shopping also tends to cross barriers, national boundaries, and without any hard rules. Due to the global trade and the advance of technology of digital society, nowadays consumer can break the limits and enjoy shopping abroad. Cross-border e-commerce has spread all around the world. Cross-border e-commerce refers to the practice of buying online from merchants located in other countries and jurisdictions (Giuffrida, 2017). Cross-border trade through e-commerce is unstoppable along with the penetration of billions of social media users in the world and fulfilling imported products in Indonesia. Twitter, Instagram, and Facebook are powerful promotional tools for product owners to market their products throughout the world, including Indonesia. Based on import document records, Indonesian Customs and Excise (2019) noted that e-commerce ac-

tivities through shipments in the country reached 49.69 million packages in 2019. This figure has increased sharply from previously which was only 19.57 million packages in 2018 and 6.1 million packages in 2017. This means that the nominal grew by 254 percent compared to 2018 and 814 percent compared to 2017.

External technology is indeed more sophisticated and produces a lot of unique and interesting items, as well as different from Indonesia that the con-



Source: Ministry of Finance, Directorate General of Customs and Excise of Indonesia 2019

sumers can buy online. Many people shop on foreign websites because they cannot buy a particular product in their own country. Some products which have limited availability or cannot be found in the consumers' home country might be popular or common in other countries. Unique products can reshape consumer preferences and differentiate themselves from other products. In fact, there are

many e-commerce sites that provide sellers from other countries so that it can make it easier for buyers to buy goods that are not available in Indonesia. Nowadays, it is easier than ever to buy goods from various countries without having to go to the country.

Based on data from LIPI (Indonesian Institute of Sciences) through the Center for Economic Research conducted a survey of 1.626 online buyers and sellers throughout Indonesia. The two main reasons Indonesian consumers shop online directly from abroad are because the products are rare, do not exist and even are not yet available in the Indonesian market and the prices of the goods are relatively cheaper in the original country store. Buyers can take advantage of e-commerce sites and shop for various items they want easily since E-commerce and International Shopping nowadays shows clear prices, shipping costs, and estimated import duties, which are claimed to have been coordinated with courier services for customs on behalf of customers. All the buyers need to do is access the site and open an account to start making purchases. Other than that, a lot of products in online store are much cheaper than products that selling in shops or malls. It is due to the products that purchase through online do not include any additional fees or taxes. So, consumers can enjoy the purchasing process of products easily and lower cost. There are many cross border E-commerce platforms that provide the abroad online shop that can be visited; Shopee, eBay, Amazon, AliExpress, Lazada, JD.id, and many more. All those platform are created to make consumers more efficient, and enhance satisfaction. For instance, consumers will ease to access the product's information.

According to Saleh (2016), around 67% of online consumers buy from foreign and cross-border online stores because the prices are relatively lower outside of their countries. With the lower nominal price, consumers get benefit from the reduction price in distance-related trade costs, since in online shopping activity physical distance between buyer and seller is not really important compared to

offline shopping activity (Martens, 2013). Many researchers have stated that products that offered at lower prices will be more likely to attract consumers. Usually, cross-border exporters or sellers are able to sell their products with cheaper prices because the products are originally made by their own country. Moreover, the price of products in border land is highly competitive as most of the shopkeepers usually sell the same products to customers. Therefore, they must offer the best price to attract consumers to purchase their products. (Timothy & Butler, 1995; Subramaniam, Devadason, & Sundararaja, 2008). Consumers may evaluate the value to be gained from shopping from a foreign website when choosing between foreign and domestic vendors, which can influence their intention to shop across national borders. According to antecedent studies, although the price is the key factor that consumers concerned the most. However, other factors way consumers' purchasing intention, such as attitudes, reference group and others (Chang, Lai, & Wu, 2010).

Other than that, in import shopping the consumer's consideration when having cross-border shopping online is the shipping costs. Usually, when buying goods from abroad, the price of postage is even more expensive, High shipping costs are the major barrier to when online shopping especially since Indonesia's logistic performance is still low due to the lack of infrastructures. That is according to the 2015 Pitney Bowes Online Shopping study. High shipping costs (64%) were ranked as the biggest barrier in the survey, followed by additional fees owed at time of delivery (48%) and product delivery taking too long (39%) and based on the Forrester Research (2014), it is also stated that long delivery times and high shipping costs are the two main problems that shoppers have experienced when making cross-border purchases. Sometimes, in order to gain abroad consumers, the local and even global seller makes a strategy in applying free shipping. So that at the next stage the buyer only needs to pay the price of the goods they buy. Online businessmen will also collaborate with the market place on the

free shipping strategy and also provide benefits for both parties. So that to avoid losses, business people apply free shipping promos through certain terms and conditions policies. Running an online business by offering free shipping is certainly not an easy thing. There are many considerations regarding the allocation of funds or other costs that must be seen.

Furthermore, usually on e-commerce, consumers seek the shorter and more reliable delivery shipping. Apparently this expectation is not always met with cross-border shipments due to transportation infrastructure problems in the country-of-origin or – destination. Dissonant customs practices in different countries can also create delays and uncertainties. Reliable package tracking for international shipments may not be available, which decreases the value of the information, particularly for short delivery times (Bandyopadhyay and Soumava, 2019)

Based on this background, the writer wants to analyze the influence factors that affecting purchase intention towards cross-border E-commerce in Indonesia, and specifically take three factors which are price, shipping cost, and delivery time to be examined. The results of this study are expected to improve the purchase online and change the negative impressions about cross-border purchase intention towards E-commerce in Indonesia, and also provide learning and improvement for other company in the future.

1.2 Problem Formulation

Based on the reviews above, This paper is trying to answer the following questions:

1. Does price have a significant effect on consumers' cross-border e-shopping intention in Indonesia?

2. Does shipping cost (postage) have a significant effect on consumers' cross-border e-shopping intention in Indonesia?
3. Does delivery time have significant effects on consumers' cross-border e-shopping intention in Indonesia?

1.3 Problem Limitation

So that the research is not too broad and more focused, a limit is made that will limit the problems that arise in this research:

1. The sample are only people who are active users on internet and ever bought something on cross-border e-commerce. Thus the number of respondents are limited.
2. Consumers' satisfaction does not include in this research study. It is an important area to examine the consumers' willingness to purchase products or services from online shopping. With regards to that, it may help investigate consumers' repurchase intention as well.

1.4 Purpose of the Research

1. To to examine the relationships of price on consumers' cross-border e-shopping intention in Indonesia
2. To to examine the relationships of shipping cost on consumers' cross-border e-shopping intention in Indonesia
3. To to examine the relationships of delivery time on consumers' cross-border e-shopping intention in Indonesia

1.5 Research Value

1. For Researchers

This research can increase knowledge and understanding in the field of research starting from data collection, data processing, to presentation in the form of reports that can provide added value in education.

2. For the E-commerce company

Providing an alternative for companies to develop more strategies and learn more about the consumer behaviors on purchase decision

3. For Other Parties

It is hoped that this research can provide additional knowledge, sources of information and references regarding future studies. Also provides additional information for researchers researching the same thing as the research being conducted.