

# CHAPTER 1

## INTRODUCTION

### 1.1 Background

With a population of over 270 million people and a fast increasing middle class, Indonesia is a vast and rapidly developing market. Indonesian customers are increasingly turning to e-commerce to suit their buying demands as digital technologies and the internet become more widely available. According to Widagdo (2016), the development of e-commerce in Indonesia is influenced by the quality of human resources, internet network infrastructure, and the availability of electricity networks where these three factors are interrelated in influencing the development of e-commerce.

Cross border e-commerce has emerged as a crucial area of growth in the Indonesian e-commerce business in recent years. According to Chaffey (2009), the driving factors for the development of e-commerce are split into two categories: (1) competitive drivers and (2) cost drives. Competitive drivers is defined as the ability to increase the number of consumers and transaction value generated through consumer demand, as well as the ability to ensure the quality and diversity of goods and services and attempts to retain share value. Cost drives refer to the factors that make e-commerce a cheaper alternative to traditional business models. These include cost savings in areas such as reduced transaction costs, lower marketing and advertising expenses, and decreased overhead costs, for example, reducing product ordering and delivery channels, accelerating distribution channels for information on products and services, limiting operating costs, and lowering additional costs associated with online purchases and sales of goods and services.

Indonesia has a lot of natural resources, and many of its people have taken use of it, successfully converting it into semi-finished commodities and finished goods. For example, cocobit, which is made from coconut waste and has been successfully sold to a number of countries throughout the world. This demonstrates Indonesia's great potential for Indonesia to participate in international market.

### 1.2 Problem Formulation

From the background above, the identification of the problem is as follows:

1. How far along is the development of cross border e-commerce in Indonesia?

2. What are the factors influencing the development of cross border e-commerce in Indonesia?
3. What are Indonesia's strengths, weaknesses, opportunities and threats in the development of cross border e-commerce?

### 1.3 Research Objectives and Benefits

The objectives of the research on the development and potential of cross border e-commerce in Indonesia are:

1. To understand the factors driving the growth of cross border e-commerce in Indonesia.
2. To identify the challenges and barriers to the growth of cross border e-commerce in Indonesia, including payment and logistics challenges.
3. To explore the opportunities and potential for growth in cross border e-commerce in Indonesia.

The research on the development and potential of cross-border e-commerce in Indonesia will have several benefits, including:

1. Identifying opportunities for growth and innovation in cross border e-commerce in Indonesia.
2. Highlighting the challenges and barriers that need to be addressed to ensure the continued growth and success of cross border e-commerce in Indonesia.
3. Contributing to the body of knowledge on e-commerce and cross border trade in Indonesia and informing future research in this area.