

CHAPTER I

INTRODUCTION

1.1 Overview of Research Object

1.1.1 Company Profile

Shopee is the most popular e-commerce site in Southeast Asia and Taiwan. Launched in 2015, Shopee is a platform suited to each region that offers customers a simple, safe, and reliable online shopping experience through efficient payment and logistics support (Shopee Karier, 2022).

The firm that operates Shopee, Sea Limited (formerly called Garena) was established in 2009 by Forrest Li as the founder and had its headquarters in Singapore. Shopee has extended its services to Indonesia, Malaysia, Taiwan, Thailand, Philippines and Vietnam after it was founded in 2015. Shopee first launched as a platform for consumer-to-consumer (C2C) marketplace. However, the company had transitioned from consumer-to-consumer (C2C) to a business-to-consumer (B2C) hybrid model since launching Shopee Mall which is an online store platform for well-known brands. Starting in 2019, Shopee has also been active in Brazil, making it the first country in South America and outside of Asia that Shopee visited. The CEO of Shopee is Chris Feng, a former Garena and Rocket Internet executive which formerly ran Zalora and Lazada (Shopee Karier, 2022).

Shopee believes in the transformative power of technology and wants to change the world for the better by providing a platform to connect buyers and sellers in one community. In addition, Shopee also thinks that online shopping activities must be affordable, easy, and fun. This is the vision that Shopee wants to deliver through its platform (Shopee Karier, 2022).

Shopee positions its brand as a platform that offers a one-stop online shopping experience that provides a wide selection of products, a social community for exploration, and seamless fulfilment services. To realize this position, Shopee emphasizes values that must always be applied. Shopee is essentially Simple, Happy,

and Together. These essential values can be found at every stage of the Shopee journey (Shopee Karier, 2022).

1.1.2 Company Vision and Mission

Shopee's Vision and Mission in Indonesia are as follows:

Shopee Vision

"Becoming Indonesia's number one mobile marketplace"

Shopee Mission

"Develop an entrepreneurial spirit for sellers in Indonesia"

1.1.3 Company Logo



Figure 1. 1 Shopee Logo

Source: shopee.co.id

Shopee has a philosophy behind its logo. If you look at Shopee logo, it has an orange logo with an image of a basket that says the letter S. The choice of orange colour is defined as a warm colour, has an appeal, and can help increase the interest of buyers. As for the selection of the basket image, it means a shopping basket and the letter S is the Shopee symbol (Shopee Karier, 2022).

1.1.4 Company Organizational Structure

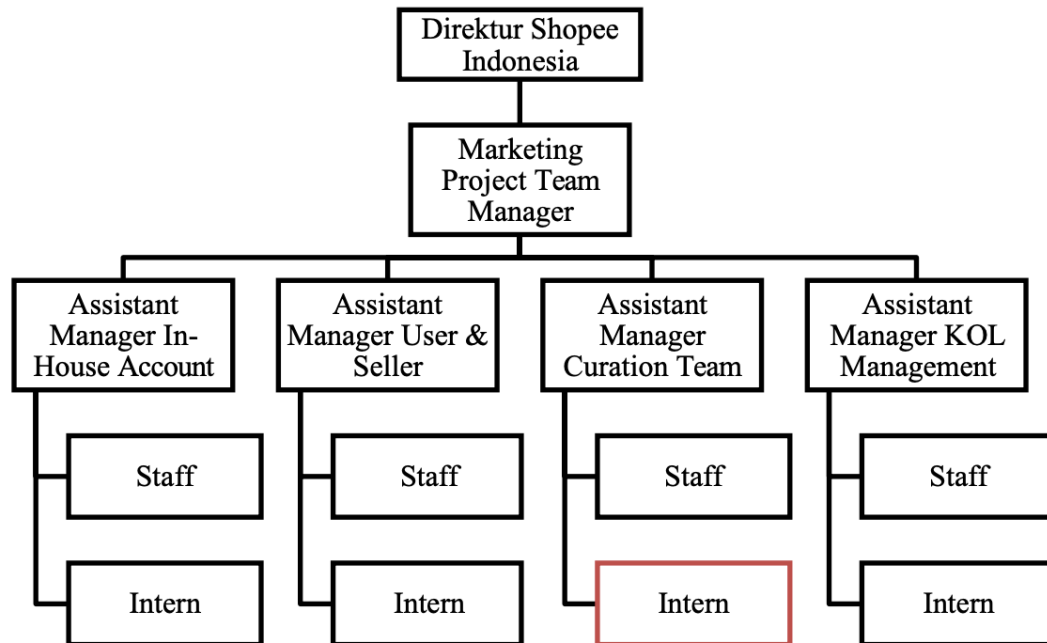


Figure 1. 2 Shopee Organizational Structure

Source: data that has been processed

1.1.5 Products and Services

As a shopping platform with an online system. Shopee available in a mobile form to simplify and speed up the shopping process. On the home page of Shopee platform, there are 21 categories of items that will appear, ranging from electronics to household appliances. Shopee also provides various services to make it easier for users to make online shopping processes such as a communicative live chat feature, choosing a complete courier service, free shipping, payment methods, and others (Shopee Karier, 2022).

1.2 Research Background

The e-commerce industry is witnessing rapid expansion. Indonesia now has the largest e-commerce market in the world. Septriana Tangkary, Director of Information

Empowerment at the Ministry of Communication and Informatics, stated that the growth in the value of electronic commerce (e-commerce) in Indonesia reached 78% in 2019 (Zuraya, 2019). Indonesia ranked first in terms of e-commerce growth, followed by Mexico in second place, with a 59% increase. The population of internet users is one of the factors driving the rapid growth of e-commerce in Indonesia. To support this statement, internetworldstats has conducted a survey on the number of internet users in various Asian countries. The survey can be seen in Figure 1.3 which shows the 10 Asian Countries with the Most Internet Users.

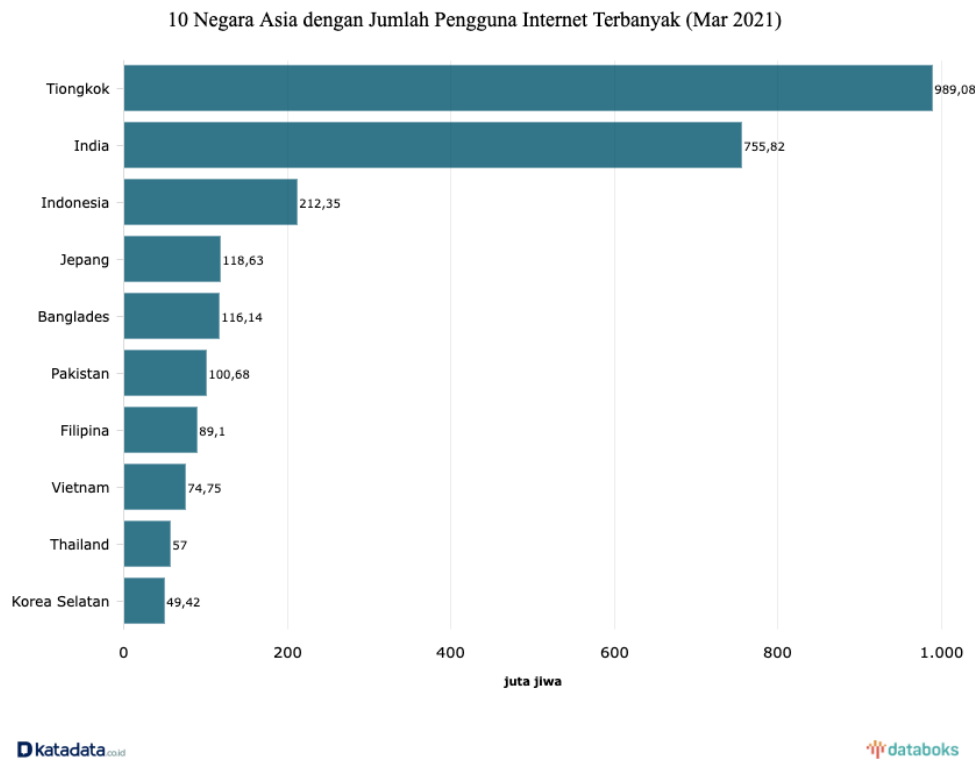


Figure 1. 3 Asian Countries with the Most Internet Users

Source: internetworldstats.com (2021)

Based on the internetworldstats report in figure 1.3, Indonesia is included in the 10 Asian countries with the most internet users after China (989.08 million) and India (755.82 million). The total Indonesian internet users are 212.35 million. Indonesia is also ranked third among Asian countries in terms of number of internet users

(Kusnandar, 2021). Furthermore, Indonesia surpassed numerous Southeast Asian developing countries like the Philippines, Vietnam, and Thailand, as well as other Asian countries such as South Korea, Pakistan, Bangladesh, and Japan. The number of internet users is in line with the growth of e-commerce in Indonesia.

The increasing growth of e-commerce in Indonesia also has a positive impact on the value of the digital economy. The positive impact given to the digital value of the Indonesian economy is the increase in Gross Merchandise Value (GMV) compared to the previous year. This statement is supported by research results from Google, Temasek, and Bain & Company that shows Indonesia's Gross Merchandise Value (GMV) has increased and reached US\$ 70 billion in 2021 (Pink, 2021). This number has increased by 49% when compared to 2020 which only reached US\$ 47 billion. The increase in this projection is supported by the level of e-commerce sales which contribute US\$ 53 billion in 2021. The e-commerce sub-sector also experienced an increase of 52%, which in 2020 only reached US\$ 35 billion. This increase makes Indonesia become the country with the largest Gross Merchandise Value (GMV) in Southeast Asia (Jayani, 2021).

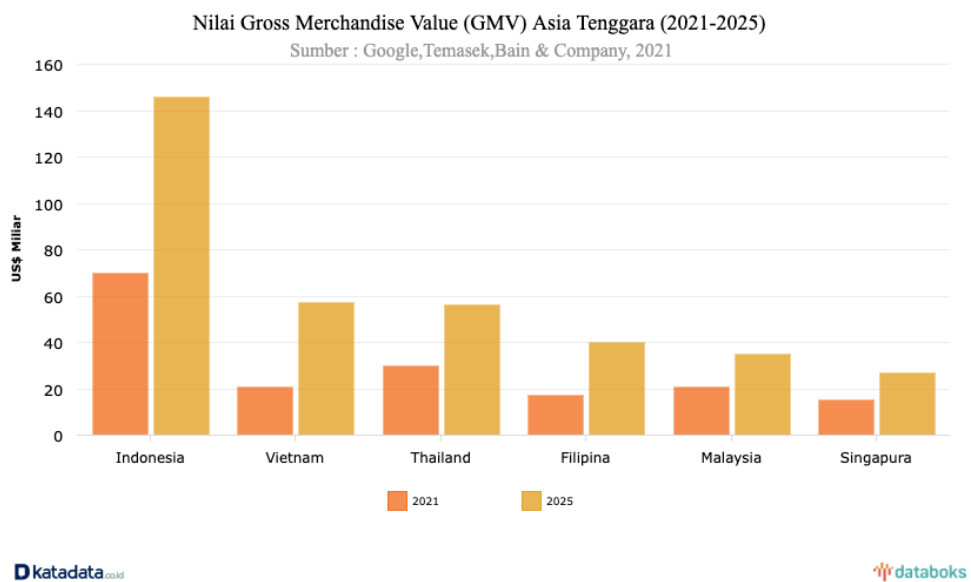


Figure 1. 4 Southeast Asia Countries Gross Merchandise Value (GMV)

Source: Google, Temasek, Bain & Company (2021)

In 2021, Indonesia is ranked first as the country with the largest Gross Merchandise Value (GMV) in Southeast Asia, surpassing other Southeast Asian countries. The difference in Gross Merchandise Value (GMV) between Indonesia and the rest of Southeast Asia is also very significant. Indonesia's Gross Merchandise Value (GMV) in 2021 has reached US\$ 70 billion and it is projected that Indonesia's Gross Merchandise Value (GMV) will reach US\$ 146 billion by 2025. When compared to Vietnam as the country with the second highest Gross Merchandise Value (GMV), there is a difference of US\$ 50 billion where Vietnam's Gross Merchandise Value (GMV) only reached US\$ 20 billion by 2021. Gross Merchandise Value (GMV) is often used by company engaged in e-commerce as a measure of business growth (Hayes, 2021). This makes the competition in the e-commerce industry more competitive because every e-commerce company is competing to be number one in Indonesia.

In Indonesia, there are several e-commerce companies that compete to be the best. One of the e-commerce companies is Shopee. Shopee is one of the largest e-commerce sites and is also familiar to the Indonesian people. Shopee is also an e-commerce that has the largest Gross Merchandise Value (GMV) and transaction value per hour in 2021 when compared to its competitors (Pahlevi, 2021).

BERAPA NILAI TRANSAKSI E-COMMERCE SETIAP JAM?



Pada 2020, nilai transaksi atau *gross merchandise value* (GMV) e-commerce di Indonesia mencapai US\$40,7 miliar atau sekitar Rp 577,9 triliun (kurs Rp 14.200).



Figure 1. 5 Transaction Value per Hour of E-commerce in Indonesia

Source: Momentum Works (2021)

According to the study report in Figure 1.5, the Gross Merchandise Value (GMV) of e-commerce in Indonesia in 2021 reached US\$ 40.1 billion (Rp 577.9 trillion). This means that there are transactions worth Rp. 6.5 trillion in Indonesian e-commerce in just one hour. In Indonesia, Shopee has the largest transaction value per hour. With a GMV of \$14.2 billion in 2021, Shopee's hourly transaction value is \$1.6 million (Rp 23 billion). In second place is Tokopedia, followed by Lazada and Bukalapak. It can be concluded that Shopee is leading in terms of Gross Merchandise Value (GMV) and hourly transactions compared to other competitors. This statement is also supported by Ipsos research, which found that on the transaction value indicator, Shopee was ranked first, with a transaction value of 40%. Meanwhile, on the transaction number indicator, Shopee also managed to achieve the highest number of transactions in three months with 41% (Nurhadi, 2022).

Shopee's dominance as an e-commerce superior in terms of transactions is also shown in the results of research conducted by Kantar. Shopee occupies the first place in the indicator of the monthly average transaction value (Makmun, 2021).

Table 1. 1 Monthly Average of Transaction Value of E-Commerce Indonesia

E-Commerce	Monthly Average Transaction Value
Shopee	Rp 856.810, -
Tokopedia	Rp 642.060, -
Lazada	Rp 422.630, -
Bukalapak	Rp 278.990, -

Source: Kantar (2021)

Based on table 1.1 regarding the monthly average transaction value, Shopee is again in the top position. Shopee recorded an average monthly transaction value of around Rp 800 thousand and in second place was Tokopedia with monthly average transaction value of around Rp 600 thousand, followed by Lazada and Bukalapak. The difference in the monthly average transaction value between Shopee and other competitors is quite significant. When compared to Tokopedia in second place, there is a difference of around 25%. This shows that consumers in Indonesia prefer to spend more of their money on Shopee as an online shopping platform. The indicator of the monthly average transaction value is an important factor to see which e-commerce is the most superior and most attractive to consumers, but indicators such as transaction frequency can also be considered as a benchmark.

In September 2021, SnapCart conducted research using an online survey method that aims to measure the performance of several e-commerce in Indonesia. One of the indicators used in this research is the frequency of transactions. On the transaction frequency indicator, Shopee is the company with the highest monthly transaction frequency compared to other e-commerce in the last three months (Amanda, 2021). Shopee records an average value of 5.44 times per month. Meanwhile, the next position was filled in a row by Tokopedia with an average of 3.99 times and Lazada with an average of 3.61 times. From the results of research conducted by SnapCart, it can be concluded that consumers in Indonesia more often do online

shopping activities through the Shopee e-commerce platform. Based on the phenomena that have been presented previously, it can be concluded that Shopee has always excelled in terms of transactions, both based on the number and frequency compared to other e-commerce in Indonesia. This can happen because there are consumers who make online purchases on the Shopee e-commerce platform. One of the things that consumers consider when shopping online is risk.

Shopee domination in terms of transactions does not make Shopee consumers free from risk when they shop online. Shopee also has bad news about their services which will make consumers think twice when they want to shop online on the Shopee e-commerce platform. Shopee is reported to have poor security issues in maintaining and protecting user data. According to DarkTracer, who is a dark web security researcher, said that in January 2021 hundreds of thousands of credential data accessed via Indonesian websites or domains had been leaked (Burhan, 2022). This user data leak involved several e-commerce as well as government websites. Shopee is one of the e-commerce sites whose user data has been leaked and spread on the dark web. This statement has been confirmed by katadata.co.id to the Shopee e-commerce party who confirmed that there was an alleged leak of user data.

Previous statement shows that security is one of the risks that consumers must face when shopping online at Shopee. In addition, the Shopee e-wallet, known as ShopeePay, which is often used by consumers as a payment method, has also been reported to have problems. Reporting from wartaekonomi.co.id, where it was reported that one of the ShopeePay e-wallet users had lost all the funds in the e-wallet without any transactions being made (Sukma, 2021). After this incident of losing funds at ShopeePay, a report was made to Shopee customer service to follow up on this incident. As a result of the report, customer service from Shopee is reluctant to replace lost funds due to a transfer of funds from ShopeePay to merchants. This is contrary to the victim testimony where the victim stated that no transaction was made and there was also no confirmation via smartphone regarding the transfer of funds. Security is a crucial issue because many consumers prioritize the security of their personal data in online

shopping. Consumers tend to be unable to tolerate e-commerce companies that cannot maintain the security and confidentiality of their personal information.

The risks faced by consumers can also arise from the logistics side. Shopee logistics called Shopee Express has also experienced a bad incident where a strike incident carried out by Shopee Express couriers. According to Arif Novianto, a researcher at Gajah Mada University's Institute of Governance and Public Affairs (IGPA), one of them was a strike by Shopee Express couriers in response to a wage cut by Shopee (Bagir, 2021). In addition, Shopee Express couriers complain about the large workload due to wage cuts that are getting bigger day by day and the increase in packages that must be delivered per day which takes longer working hours. This policy carried out by Shopee resulted in many couriers resigning from their jobs. This incident caused a lot of negative perceptions from consumers about the way Shopee makes policies and ensures the welfare of its workers. This can be one of the barriers for consumers when they want to shop online at Shopee considering many negative perceptions circulating about Shopee in the society.

This strike incident does not only affect Shopee workers but also Shopee consumers. Reporting from finance.detik.com, some consumers attribute this strike to the late delivery of the products they have purchased (Novika, 2021). Many consumers complain that the products they have purchased have not arrived at their destination addresses. This incident caused a lot of consumer time wasted and made many consumers frustrated when the product they bought did not arrive. The impact of this incident can make consumers reluctant to shop online again at Shopee and discourage potential consumers who will shop online at Shopee.

Shopee was also reportedly placed on a watch list by the United States (US) Department of Commerce for allegedly selling counterfeit goods. Reporting from Kompas.com, it is known that the United States (US) Department of Commerce released the 2021 edition of the Notorious Market List (Catriana, 2022). In it, there are 42 online platforms or companies suspected of having been involved or facilitating the sale of counterfeit goods. The United States (US) Department of Commerce also claims

to have discovered numerous counterfeit goods marketed on the Shopee platform in several Shopee business regions. The United States (US) Commerce Department stated that it discovered multiple counterfeit goods in several categories such as clothes, cosmetics, accessories, books, and so on. This makes consumers worry about the risks that will be accepted when making online purchases through Shopee because there is a possibility that the goods to be received are counterfeit goods that do not match expectations and the money the consumer has spent. Based on the explanations provided in the previous news and articles, it is possible to conclude that, while Shopee outperforms much of Indonesian e-commerce in terms of transactions, these advantages cannot guarantee that consumers are free of the risks that must be faced when making online purchases at Shopee.

Risk is something that consumers will always face in making purchases. Consumers will be faced with the perception of uncertainty that cannot be estimated and handled or that is beyond the ability of consumers. The concept of perceived risk itself is defined as a feeling of uncertainty about the customer experience when they cannot predict the consequences regarding purchasing decisions (Liaw and Le, 2017; in Lisnawati et al., 2019). The risks faced are not only in making direct purchases, but online as well. The risk faced by consumers when making online purchases is higher than making purchases in person (Hashemi & Hajiheydari, 2012; Silaban et al., 2020; Yang & Zhang, 2009; in Rahmi et al., 2022). Financial risk, product risk, security risk, time risk, social risk, and psychological risk are the six dimensions of perceived risk (Ariffin et al., 2018). Each of these six dimensions has its own role in influencing consumer purchases both in person and online.

According to Bauer (1967) in Ghassani (2019) states that consumer behavior involves several risks, where every consumer action leads to consequences that he sees with uncertainty. Consumers develop ways to reduce the perceived risk when participating in transactions, by seeking information that enables them to act with confidence under uncertainty. This statement is also supported by Dursun et al., (2011) in Nyssa & Rahmidani (2019) which states that when the perceived risk is high,

consumers will think about whether they will avoid buying, using, or minimizing risk through a search. Expectations arise from brand information; therefore, consumers must know the brand in advance to predict the risk of consuming the brand. To reduce the level of risk perceived by consumers, e-commerce platforms must pay attention to what things are worried about by consumers. One way is by providing clear information about things that have been worried by consumers because consumers tend to dig up information to reduce the level of perceived risk. In this way will facilitate the process of purchasing decisions made by consumers.

According to Kotler & Keller (2016), the purchasing decision process consists of five stages, namely need recognition, information search, evaluation of alternatives, purchase decisions, and post-purchase behavior. The stage of purchase decision process is a condition where consumers decide to buy or try the product they like. Before entering the purchase decision stage, consumers will go through the process of recognizing the product to be purchased, then they find information about the product, evaluate, buy, and provide feedback about the product. Therefore, they will buy the product after conducting research in advance so that they buy the right product according to their needs and desires (Rahim et al., 2016; in Lisnawati et al., 2019). The process is included in the concept of purchase intention. Purchase intention itself is a process that is between the evaluation of alternatives and the purchase decision in the purchase decision process.

Purchase intention is considered as the most accurate predictor of the likelihood of a purchase by a customer (Morrison, 1979; Abrar, 2017; in Lisnawati et al., 2019). Meskaran et al., (2013) in Ariffin et al., (2018) described online purchase intention as a consumer's willingness to buy online. Close and Kukar-Kinney (2010) in Ariffin et al., (2018) also defined online purchase intention as the intention of online shoppers to buy goods and services via the internet or virtual shopping carts. Furthermore, Iqbal et al., (2012) in Ariffin et al., (2018) defined online purchase intentions as the customers' willingness to use internet services, making an actual purchase of goods and services or comparing the prices of products.

Perceived risk which consists of six dimensions: financial risk, product risk, security risk, time risk, social risk, and psychological risk is closely related to consumers' online purchase intention. This can be a parameter of success in the middle of intense competition between e-commerce in Indonesia. Shopee always dominates and excels in terms of the number and frequency of transactions compared to other e-commerce in Indonesia. The number and frequency of transactions that occur at Shopee shows that the interest in buying online by Indonesian consumers at Shopee is very high. The success of an e-commerce company, as experienced by Shopee today, will not continue if Shopee does not continue to maintain the company's superior performance and does not follow the developments and desires of the targeted consumers. With the increasingly fierce competition in the e-commerce industry in Indonesia, especially in the future, Shopee must be able to see what are the perceived risks that affect consumers online purchase intentions. Knowing the risks consumers perceive when making online purchases makes it possible for Shopee to take preventive action in the future to decrease the risk level perceived by consumers and prevent the occurrence of risks that consumers are concerned about, allowing Shopee to remain the leader of the Indonesian e-commerce market.

Based on the phenomena and background data taken, the researcher felt the need to examine the influence of consumer perceived risk on consumers' online purchase intentions at Shopee as the object of research. Based on that, the research will conduct research entitled **"INFLUENCE OF CONSUMERS PERCEIVED RISK ON CONSUMERS ONLINE PURCHASE INTENTION (CASE STUDY ON SHOPEE CONSUMERS IN INDONESIA)"**.

1.3 Problem Formulation

Shopee has dominated and become number one in the number of transactions in the Indonesian e-commerce industry. The success that Shopee has achieved today will not continue if Shopee does not continue to maintain the consistency of its company performance, especially in service and does not follow the needs of

consumers as its target market. Coupled with increasingly competitive competition in the Indonesian e-commerce industry now and in the future, Shopee must be able to see what risks are perceived by consumers, such as financial risk, product risk, security risk, time risk, social risk, and psychological risk that can affect consumers online purchase intentions so that Shopee can become an ideal e-commerce platform that can reduce the level of consumers perceived risk and keep consumers online purchase intention high. By doing so, it allows Shopee to remain a leader in the Indonesian e-commerce market. With this, the researcher formulates a problem regarding the influence of consumer perceived risk on consumers' online purchase intentions.

The following research questions are related to the research backdrop and problem formulation:

1. How do Shopee consumers in Indonesia perceive financial risk?
2. How do Shopee consumers in Indonesia perceive product risk?
3. How do Shopee consumers in Indonesia perceive security risk?
4. How do Shopee consumers in Indonesia perceive time risk?
5. How do Shopee consumers in Indonesia perceive social risk?
6. How do Shopee consumers in Indonesia perceive psychological risk?
7. How do consumer perceived risk on Shopee in Indonesia?
8. How do consumer online purchase intentions on Shopee in Indonesia?
9. Is there a negative effect of financial risk on consumers' online purchase intentions at Shopee in Indonesia?
10. Is there a negative effect of product risk on consumers' online purchase intentions at Shopee in Indonesia?
11. Is there a negative effect of security risk on consumers' online purchase intentions at Shopee in Indonesia?
12. Is there a negative effect of time risk on consumers' online purchase intentions at Shopee in Indonesia?
13. Is there a negative effect of social risk on consumers' online purchase intentions at Shopee in Indonesia?

14. Is there a negative effect of psychological risk on consumers' online purchase intentions at Shopee in Indonesia?
15. Do financial, product, security, time, social, and psychological risks simultaneously affect consumers' online purchase intentions at Shopee in Indonesia?

1.4 Research Purposes

The following are the purposes of the author's research:

1. To determine the financial risk of Shopee consumers in Indonesia.
2. To determine the product risk of Shopee consumers in Indonesia.
3. To determine the security risk of Shopee consumers in Indonesia.
4. To determine the time risk of Shopee consumers in Indonesia.
5. To determine the social risk of Shopee consumers in Indonesia.
6. To determine the psychological risk of Shopee consumers in Indonesia.
7. To determine the consumers' perceived risk on Shopee in Indonesia.
8. To determine consumer online purchase intentions on Shopee in Indonesia.
9. To determine the negative effect of financial risk on consumers' online purchase intentions at Shopee in Indonesia.
10. To determine the negative effect of product risk on consumers' online purchase intentions at Shopee in Indonesia.
11. To determine the negative effect of security risk on consumers' online purchase intentions at Shopee in Indonesia.
12. To determine the negative effect of time risk on consumers' online purchase intentions at Shopee in Indonesia.
13. To determine the negative effect of social risk on consumers' online purchase intentions at Shopee in Indonesia.
14. To determine the negative effect of psychological risk on consumers' online purchase intentions at Shopee in Indonesia.

15. To determine the significant effect of financial, product, security, time, social, and psychological risks simultaneously on consumers' online purchase intentions at Shopee in Indonesia.

1.5 Research Benefits

The following are the projected benefits of this research:

1. Academic Benefits

This research is expected to provide information and complement knowledge in the field of marketing related to the theme of the influence of perceived risk on purchase intention. And this research can be used as a medium for enhancing knowledge or can be used as a reference and reference for future research, especially in the field of e-commerce.

2. Practical Benefits

The results of the research are expected to be used as an input for companies in improving deficiencies and or other companies, especially related to perceived risk on purchase intention so that they can determine the appropriate marketing strategy.

1.6 Systematic Writing

The following systematic writing is used in the preparation of this research:

CHAPTER I INTRODUCTION

This chapter contains an overview of the research object, research background, problem formulation, research objectives, research uses, and research systematics.

CHAPTER II LITERATURE REVIEW

Explaining previous research and theories related to the problems discussed as well as supporting theories that are useful for solving problems, so that a framework of thought will be formed that will lead to research conclusions.

CHAPTER III RESEARCH METHODS

Describes the method approach, and techniques used to collect and analyze data that can explain or answer research problems which include an explanation of the type of research, research stages, population and samples, data collection methods, and data analysis techniques.

CHAPTER IV RESEARCH RESULTS AND DISCUSSION

Discusses the results of the research and discusses the relationship between one variable and another.

CHAPTER V CONCLUSIONS AND SUGGESTIONS

From the results of the study, obtained results that can make the author draw conclusions from the results of the study. In this chapter, suggestions are also formulated which are inputs to the research results that aim to build for the object of research and related parties.