


Purchase Intention in the Fashion Industry on Local and International E-Commerce in Indonesia

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ABSTRACT

The purpose of this research is to examine the impact of the two categories of sales promotional tools (monetary and non-monetary) on purchase intention with the consideration of consumers' perceived quality for fashion products in local and international e-commerce. As the competition between local and international e-commerce is increasingly fierce, it requires an appropriate sales promotion strategy that is in accordance with customer perceptions in Indonesia to capture customer purchase intention. This research is purely quantitative by using primary data through distributing online questionnaires to customers who have shopped fashion products in local or international e-commerce. Path analysis was used to verify the conceptual model and hypotheses in this research. This research confirms that sales promotions (both monetary and non-monetary) affect customers' perceived quality of a product in e-commerce.

KEYWORDS

E-Commerce, Fashion Industry, Path Analysis, Perceived Quality, Purchase Intention, Sales Promotions

INTRODUCTION

Total internet users in Indonesia for the year 2018 accounts for 171,17 million people out of Indonesia's total population 264,16 million people in 2018. This has seen a 10,12% increase compared to the previous year's total internet users of 143,26 million users (APJII, 2019). Google-Temasek and Bain & Company stated that Indonesia has the largest digital economy value in the ASEAN region and grows the most rapidly. In 2015, Indonesia's digital economy value was US\$ 8 billion, but predicted to reach US\$ 40 billion in 2019 and US\$ 133 billion in 2025. Amongst Southeast Asia countries, Indonesia is "the largest and fastest growing Internet economy in the region" (Google & Temasek/Bain, 2019) well on track preceding Vietnam, Philippines, Thailand, Malaysia, and Singapore.

Over the last years, to reach out new markets and escalate more sales businesses have shifted from the traditional brick-and-mortar sales to the usage of online e-commerce platforms. E-commerce can be defined as "the electronic process by which individuals or organizations make a transaction, such as buy, sell, transfer, or exchange products, services and/or information" as explained before by Turban, McLean, and Weatherbe (2004) in Alyoubi (2015). E-commerce also refers to the aspects of online

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business involving exchanges between customers, business partners and vendors (Joseph, 2019:15). Therefore, e-commerce is a place where everyone can start a business and do business transactions, including Customer to Customer (C2C), Customer to Business (C2B), Business to Customer (B2C), and Business to Business (B2B).

There are multiple choices of e-commerce sites in Indonesia with many different deals and features. Shopee, Lazada, Tokopedia, and Bukalapak are some of the popular e-commerce sites or applications. As we can see in the graph above, Shopee and Lazada were the top 2 most visited e-commerce websites in Southeast Asia for 2019, with Tokopedia and Bukalapak following behind in top 3 and 4. Noting that Shopee and Lazada have established their presence in 6-7 countries such as Indonesia, Singapore, Malaysia, Thailand, Vietnam, Philippines, and Taiwan. While Tokopedia and Bukalapak only operate in Indonesia, surely they are showing potential that they are able to compete with foreign e-commerce.

As in Indonesia itself, the origin country of Tokopedia and Bukalapak, from mid to the end of 2019 (Q3-Q4) Shopee had overcome other e-commerce platforms (including Tokopedia and Bukalapak) and became the number one top e-commerce with the most monthly active users. By the end of 2019 (Q4) Lazada also overcame Bukalapak with their monthly active users and became top 3. In the end of 2019, most of the customers in Indonesia started to shift their preference towards foreign e-commerce platforms. Looking at this situation, soon Indonesia's market will be monopolized by foreign e-commerce platforms. One of the key differences in local and foreign e-commerce is in international e-commerce, they provide multinational transactions (as they operate in more than 1 countries) for their customers. This feature provides their customers with more choices, like more variant, quality choices, and even prices of the product. To prevent foreign e-commerce from dominating Indonesia's market, our local e-commerce immediately needs to revamp their strategies to be more suitable with customers' perception in Indonesia, so they're able to capture customers' purchase intention and increase their sales.

Statista reported the total revenue of the e-commerce sector in Indonesia amounts to US\$18.764 million in 2019, with the fashion industry as the market's largest segment with a volume of US\$4.792 million in 2019, an increase of 54% compared to 2018. Fashion seems to be playing the biggest role in the market. Badan Ekonomi Kreatif Indonesia in the OPUS 2019 creative-economy outlook presented a survey conducted by Snapcart in the year 2018 had shown the Fashion & Accessories industry as the category with the most purchases made in e-commerce, 48.2% in amount. The fashion industry is promising in Indonesia and is expected to reach a revenue showing an annual growth rate (CAGR 2020-2024) of 16.8%, resulting in a market volume of US\$12.592 million by 2024, according to Statista. Also, Statista forecasted that 35% of total market revenue will be generated through online sales by 2024. As a developing country rich in raw materials with large easily influenced potential markets, the fashion industry keeps on taking its place in the aforementioned country. As a promising business sector, there are many business players in this industry. Considering the many options, consumers have the free will to make comparisons in evaluating the best options.

In Taiwan, monetary promotions activities exhibit a stronger influence on purchase intentions than that from non-monetary promotions (Pai, Chen, Yeh, & Metghalchi, 2017). Santini et al. (2015) also proved monetary promotions to have a greater influence on purchase intention. But cited from Aigner, Wilsen, & Geisendorf (2019), previous studies conducted by Chandran & Morwitz (2006) and Diamond & Sanyal (1990) conclude the use of non-monetary promotions are also considered effective as they increase consumers' purchase intentions.

There is still little attention given to study non-monetary promotions (Liao, 2006; Carpenter & Moore, 2008; Boschetti, 2017). There are studies that have analyzed the role of monetary and non-monetary sales promotions on perceived quality for instance Salelaw & Singh (2016) found that monetary promotions positively affect perceived quality and non-monetary promotions negatively affect perceived quality. Nikabadi, Safui, & Agheshlouei (2015) found monetary promotions' influence positive toward the building of perceived quality and show a lack of positive and meaningful influence

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