

CHAPTER 1

INTRODUCTION

1.1 Background

Development of the internet has demanded changes in many aspects of human lives, including improvement in business processes. It allows the eradication of geographical and time boundaries. Customer demands for easier practice in doing business which can be done through the utilization of internet, including buying decision process.

There are 5 stages in Consumer Buying Decision Process which are need recognition, information search, evaluation of alternatives, purchase decision, and then post purchase behavior (Oblak, Pirc Barčič, Klarić, Kitek Kuzman, & Grošelj, 2017). In the past, the 2nd stage would be done through more traditional ways such as asking to friends, relatives, advertisements, retailers, etc. But the behavior is changing, the information search stage could be done more efficiently using the search engine on the internet.

Search engine is a service that allows Internet users to search for content via the World Wide Web (WWW). A user enters keywords or key phrases into a search engine and receives a list of Web content results in the form of websites, images, videos or other online data. In 2017 46.8% of the global population accessed the internet and by 2021 this figure is projected to grow to 53.7%.

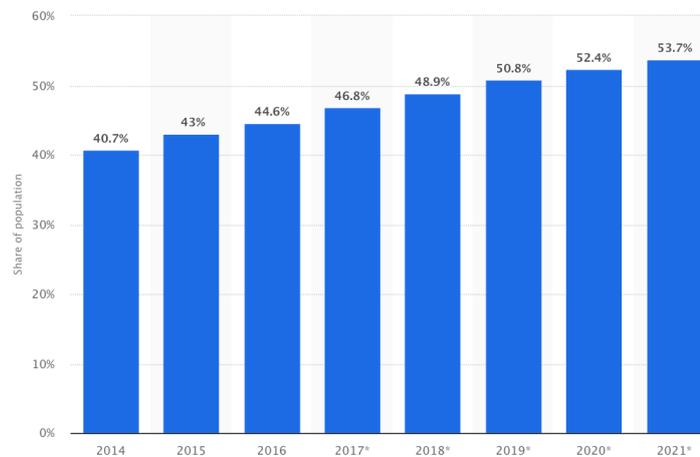


Figure 1.1 Number of Internet User Globally (in percentage)

Source : www.statista.com

Customers are changing the way they purchase, they are online and offline searching websites, visiting physical stores, using smartphones and tablets to get information, compare products and prices and, then, find the best purchase option (Milan, Bebbler, Toni, & Eberle, 2015).

Due to the change in the behavior of doing information search, more and more companies take the advantage of this opportunity by using website as a channel of sales. The growth of online sales channel or majorly understood as e-commerce is on exponential rate. The attention of modern businesses are now headed towards the utilization of website since the number of digital shoppers keep on growing rapidly as predicted in the graphic below.

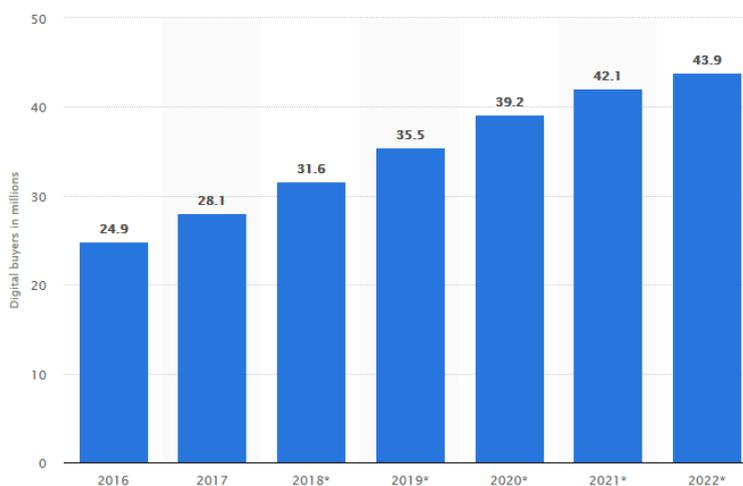


Figure 1.2 Number of Digital Buyers in Indonesia from 2016 to 2022

Source : www.statista.com

Although the growth of digital transaction is predicted to be continuously increasing, the factor supporting customers trust in making digital transaction is still vague.

Many researches hypothesized various antecedents of customers trust. In (D. J. Kim, Ferrin, & Rao, 2008) the research stated that the antecedents of trusts are security protection, privacy protection, and the quality of information given on the website. While (Chang, Kuo, Hsu, & Cheng, 2014) stated that Website Quality positively impacts customer perceived trusts. The components of website quality,

based on (Chang et al., 2014) are information quality, service quality, and service quality.

Due to variabilities in the antecedents of trust, this research seeks to confirm the gap in the antecedent of customer trust by analyzing the relation between information quality in website and trust.

Based on 2 previous researches, it has been proven that website information quality could influence customers' purchase intention through perceived value and perceived trust. These findings were based on the research of (Carvajal-trujillo & Bons, 2015) and the research of (Chang et al., 2014). But these researches were conducted studying the tourism industry in Spain and hotel industry in Taiwan. The respondents were 451 random people from Spain. The research model from the 1st journal has not been tested in the context of privately owned website from Indonesian local SMEs. This research seeks to fill the gap by testing the model in a different kind of industry. The characteristics of the respondents would also differ compared to the previous study therefore it needs to be further confirmed.

Information quality is defined as consumers' general perception about the completeness and accuracy of the website information concerning both the services offered and the procedure for carrying out an online purchase transaction (D. J. Kim et al., 2008). When a customer chooses a website over others which offer information regarding similar products, the factor that cause this is the quality of the information the website is perceived to provide. Thus, the greater consumers' perception that the website of an online seller contains high-quality information, the more likely they are to think that the website of the online seller is trustworthy (D. J. Kim et al., 2008).

The second variable that will be further explored in this paper is perceived trust. (Melorose, Perroy, & Careas, 2015) defines perceived trust as a set of specific beliefs that relate to integrity, benevolence, and the ability of other parties. Perceived trust could also reduce the level of risk in online transactions (S. L. Jarvenpaa, Tractinsky, & Vitale, 2000). Trust is considered as one of important factors in customers' purchasing decision-making process. Customer will more likely to buy products from an online vendor if they trust the vendor. Therefore, an

online vendor can capture a larger market share if it is able to increase customer trust to them (M. J. Kim, Chung, & Lee, 2011).

With this understanding, it could be concluded that a higher perceived trust would increase the level of confidence in doing online transaction which implicitly means higher purchase intention.

The third variable in this research model is perceived value. Values are implicit criteria, which customers apply when judging their preferences. results from customers' preferences and evaluation. Perceived value has been defined as the customer's belief about the amount that he or she will benefit when buying a product (D. J. Kim et al., 2008). From that statement we can understand that customers consider value as the decisional factor whether a product should be purchased or not. Obviously, consumers wish to shop for products with those vendors who offer maximum value (H. W. Kim, Xu, & Gupta, 2012). Which is why a perceived value will influence purchase intention.

It is important for businesses to understand the importance of purchase intention and how to achieve it through some sets of marketing strategies. This is an important aspect in winning the competition in the market against competitors. The term *intention* is defined as the antecedents that stimulate and drive consumers' purchases of products and services (Haque et al., 2015). (Defranc et al., 2008) mentioned that intention is the factor that motivates consumers and in turn influences their behavior.

Purchase intention is defined as the disposition the customer presents to acquire a product and/or service and express the probability of this coming to be effectively purchased (Wu, Wu, Lee, & Lee, 2015). With this concept, a further understanding on what triggers customers intention is very crucial.

Many Indonesian local SMEs, particularly those which are related in clothing industry utilize private website as their main sales channel. This study seeks to confirm the relation between information quality in website and the purchase intention of the customers. More and more local brands which are in rapid growth, use website as their sales channels. One of the most successful example company following this approach is Brodo.

Brodo is an online based clothing retailer established in 2010 by Yukka and Uta. 2 young men from Bandung who are very creative and ambitious in making a homegrown global brand. Brodo sells a wide variety of footwear at the beginning and now is expanding by selling fashion apparel from shoes, pants, shirts, polo shirts, shorts, jacket, and of course shoes. This company emphasizes on quality, proven by the usage of high quality materials, tight quality control process, which results in highly valuable products. The direct sales system allows Brodo to cut costs, since there is no third party involvement in the process. Therefore a high quality product with lower cost could be made possible.

Due to its extensive growth, Brodo now opens several offline stores in Jakarta, Bekasi, Bandung, and Surabaya. The company sells a quality oriented products and embracing localness of the brand. It promotes the campaign of being proud wearing local products, which will contribute not only to the company, but to the dream of Indonesian young generation in general that local brands are capable in conquering global market.

They started their business online and uses website as the sales channel, and grows even better now. This gentlemen brand has created a big recognition in Indonesian youth and nominated as Indonesia Most Creative Companies in 2015 by SWA.

The previous researches seek to relation between purchase intention and information quality in website through perceived trust. This is applicable with Brodo since 60% of Brodo sales is through its website based on an interview conducted by CNN Indonesia on January 2015.

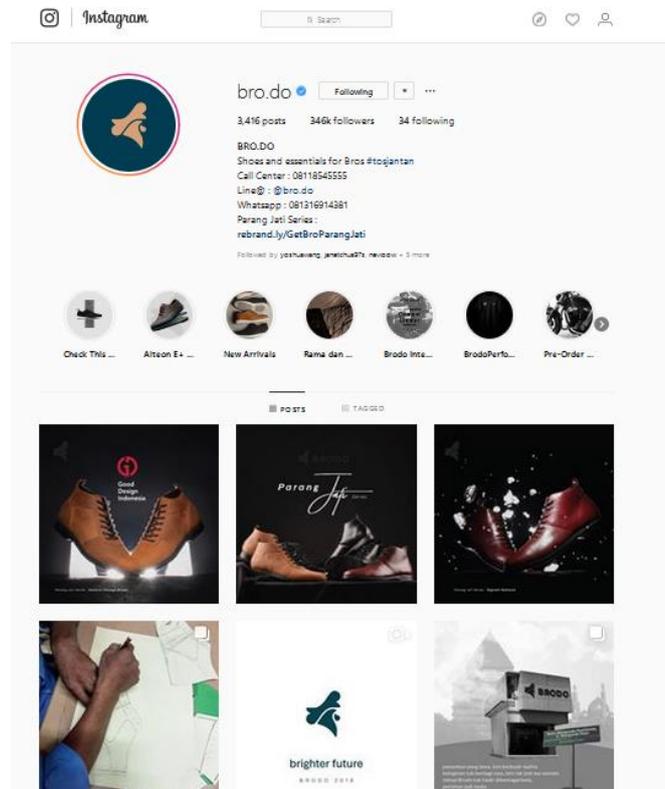


Figure 1.3. A preview of Brodo's Social Media Page

Source : www.instagram.com

This research paper aims to find how information quality on Brodo website influences perceived trust, and perceived value towards customers' purchase intention.

1.2. Research Questions

From the background elaborated above, problems can be formulated as follows:

1. Does Website Information Quality have an effect on Perceived Trust?
2. Does Perceived Trust have an effect on Purchase Intention?
3. Does Perceived Trust have an effect on Perceived Value?
4. Does Perceived Value have an effect on Purchase Intention?

1.3. Objectives of the Study

The purposes of this study are to explore:

1. The influence of website information quality on perceived trust.

2. The influence of perceived trust on purchase intention.
3. The influence of perceived trust on perceived value.
4. The influence of perceived value on purchase intention.

1.4. Significance of the Study

From the elaborated objectives, this study is expected to provide significant advantages within theoretical and practical significance.

1. Academic Significance

- To provide more evidence on the influences of website information quality on trust, perceived value, and purchase intention.
- To provide additional information or issues about website information quality.

2. Practical Significance - The study would be helpful for companies to understand more about website information quality and utilize it as an advantage.

3. Practical Significance - The study would be helpful for online-based brands and any kind of brands to enhance their website information quality to achieve trust, perceived value, and purchase intention.

1.5 Scope of Study

CHAPTER I: This chapter will explain about the background and the purpose of this research, the research question, significance and also scope of study.

CHAPTER II: This chapter will explain about the previous study and literature review including information quality in website, perceived trust, perceived value, and purchase intention on Brodo Website

CHAPTER III: This chapter will explain about research methodology include research design

CHAPTER IV: This chapter will show the result of the research and discussion of the result

CHAPTER V: This chapter will explain about the conclusions and suggestions of the result of this research.