

# CHAPTER I

## INTRODUCTION

### 1.1 Research Background

In this era of industrial revolution 4.0, technology is developing very rapidly in various industrial fields including the business field which encourages this field to continue to innovate at an increasing speed (Cooper, 2017). One of the innovation developments in the business sector is the emersion of E-commerce which has a major impact on the business world and will continue to be important in the next decade (Wu & Hisa, 2004). E-commerce is an online business model where businesspeople carry out their activities by providing information about products and services to consumers via the internet (Kotler & Keller, 2012). With E-commerce, buying and selling activities can be carried out more easily, practically, and efficiently without having to face to face or visit the store directly.

E-commerce in Indonesia developed significantly in 2010-2011 and in 2018, the British research institute, Merchant Machine noted that Indonesia was ranked first as the country with the fastest growing e-commerce business in the world. This rapid development is supported by the increasing number of internet users in Indonesia which is estimated to have 50 million new internet users between 2015 and 2020 (Das et al, 2018). The latest data from the We Are Social report shows that internet users in Indonesia have reached 204.7 million users as of January 2022 with a total Indonesian population of 277.7 million people (Kemp, 2022). With this data, 73.7% of the population in Indonesia has used the internet in their lives.

The number of internet users and the rapidly growing E-commerce in Indonesia encourage an increase in online shopping activities for the Indonesian people. Based on data from NielsenIQ, it was noted that the number of online shopping consumers using e-commerce reached 32 million people in 2021 in Indonesia. The number of online shopping consumers increased by 88% compared to 2020, which only reached 17 million online shopping consumers through e-commerce (Makki, 2021).



**Picture 1. 1 Weekly Online Shopping Activities in Indonesia in 2022**

Sources: (Kemp, 2022)

Based on Figure 1.1, survey data from We Are Social shows that in February 2022, 60.6% of internet users in Indonesia made transactions through selected e-commerce every week (Kemp, 2022). It can also be seen that there are various types of transactions made by consumers, ranging from purchasing groceries, used goods, to services. The increasing level of activeness of the Indonesian people doing online shopping is also triggered by the regulation of restrictions on mobilization from the government in 2020, so that e-commerce is an alternative for people to shop for necessities and becomes a habit until 2022 (Makki, 2021).

The high percentage of online shopping consumers has encouraged various e-commerce business owners to set up their marketplace platforms in Indonesia. One of the marketplaces that has managed to get a lot of users in Indonesia is Shopee. Shopee is a marketplace that was founded in 2015 and headquartered in Singapore. Shopee aims to change the world for the better by providing a platform to connect buyers and sellers in one community. By bringing the company's core value of “Simple, Happy, and Together” on every journey, Shopee has managed to gain a large number of users and become the leading shopping platform in Southeast Asia (Shopee Karier, n.d.).

iprice insights PRODUK KUPON TREND View in English Ubah Laporan

**Telusuri Persaingan Toko Online di Indonesia**

Filter berdasarkan Model Bisnis Store Type Asal Toko Pilih Data per Kuartal Q1 2022

Toko Online	Pengunjung Web Bulanan	Ranking Aplikasi	Ranking Playstore	Twitter	Instagram	Facebook	Jumlah Pengguna
1 Tokopedia	137,235,395	#2	#3	1,000,000	5,194,460	6,518,940	7,409
2 Shopee	132,776,700	#1	#1	778,100	8,518,710	25,087,130	6,232
3 Lazada	24,686,700	#3	#2	464,000	3,122,270	21,833,880	1,447
4 Bukalapak	23,096,700	#7	#7	239,300	1,857,790	2,511,780	2,915
5 Orami	19,953,300	n/a	n/a	5,690	16,200	350,680	247
6 Bibli	16,326,700	#6	#5	573,600	2,152,230	8,976,930	2,768
7 Ralali	8,883,300	#22	n/a	3,830	53,190	90,740	196
8 Zalora	2,776,700	#4	#8	7,460	756,890	8,012,210	271
9 JD ID	2,546,700	#8	#6	57,300	646,160	1,021,070	1,577
10 Bhinneka	2,360,000	#16	#12	66,100	42,220	1,028,810	606
11 Sociolla	1,456,700	#5	#4	8,180	1,033,660	18,480	887

**Picture 1. 2 E-commerce Competition Map in Indonesia in 2022**

Sources: (Iprice Insights, 2022)

Figure 1.2 is the result of Iprice's research which shows that Shopee is ranked second as e-commerce with the highest monthly website visitors in Indonesia per quarter 1 in 2022. The research results note that Shopee has 132 million website visitors every month. Research results also show that the Shopee e-commerce application on IOS and Android is consistently ranked first. The data shows that Shopee is one of the most trusted e-commerce marketplaces by the Indonesian people (Iprice Insights, 2022). Having many users encourages Shopee to develop features that can facilitate and satisfy its users such as Shopee Food, Shopee Pay Later and other features.



**Picture 1. 3 Shopee Affiliates Program Introduction**

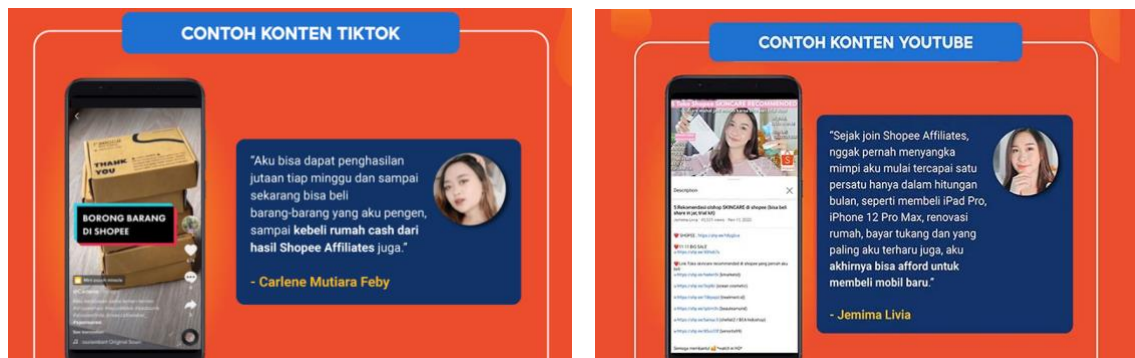
Sources: (Shopee Affiliate, n.d.)

Besides developing features, Shopee also uses various ways to promote its products, both conventionally and digitally. Picture 1.3 is an introductory banner for the Shopee Affiliate program to invite users to register as an affiliate. Shopee Affiliate Program is one of the digital marketing strategies by Shopee. As the name implies, this program is a marketing strategy by utilizing the Affiliate Marketing strategy. Affiliate

marketing is a marketing strategy that aims to advertise marketers' goods or services from one site to another in exchange for a commission. In this affiliate marketing strategy, affiliate marketers will act as intermediaries between merchants and consumers (Ryan & Jones, 2009). The Shopee Affiliate Program is a program that can provide additional income by promoting various Shopee products to other internet sites such as social media, blogs, and others.

The terms and conditions for joining the Shopee Affiliate program are not difficult, registrants only must have an active Shopee account and personal social media, open to the public and have original content. After registering and having been confirmed by Shopee, the registrant's Shopee Affiliates account will be automatically activated, and can immediately start distributing links for the products they want to promote. Affiliates can earn a commission of 2.5% - 10% of the product price for every purchase by an audience through a shared link (Shopee Affiliate, n.d.).

Shopee Affiliate program is a marketing strategy that involving several parties. It is necessary to plan and implement effective and efficient marketing communications so that all parties involved can achieve the targeted goals and profits (Jatmiko, 2014). Marketing communication can be defined as a marketing activity that uses communication techniques with the aim of providing information to the audience to achieve the company's goals, namely an increase in income from the products/services offered (Firmansyah, 2020). A marketing plan that is carried out without the right marketing communication strategy can hinder the achievement of marketing objectives because it runs ineffectively and inefficiently (Jatmiko, 2014). Marketing communications is the important thing to be developed by the affiliates. Affiliates of Shopee Affiliate program cannot reach the intended target market (consumers) and do not get results from the program if there isn't good marketing communication in running the marketing strategy.



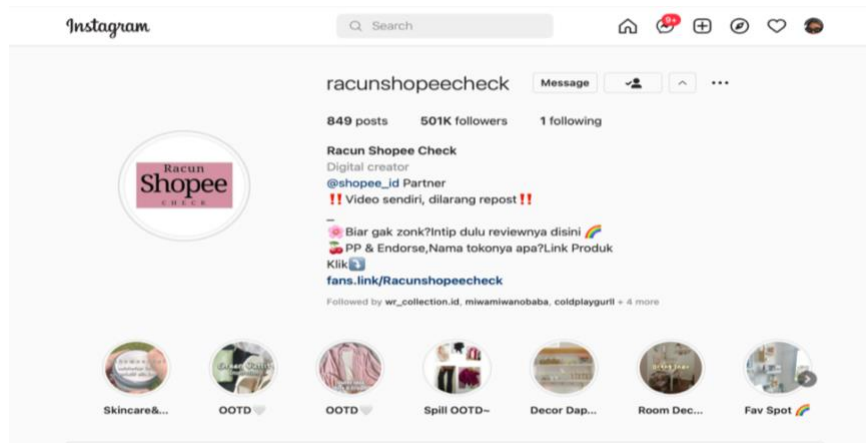
**Picture 1. 4 Examples of Shopee Affiliate Marketing Content**

Sources: (Shopee Affiliate, n.d.)

Picture 1.4 are the examples of marketing content that Shopee affiliate can make to attract consumers. Affiliates can place various types of advertisements or creative content on websites and social media to motivate consumers to act and potentially buy products or services from their affiliate product links. Affiliates can also use several variations of strategies to drive audiences to their sites such as using paid advertising services from Google (Google Ads) or relying on search engine optimization (Duffy, 2005). To help those affiliate of Shopee, Shopee also provides some promotional tips in the Shopee Affiliate program guide called T.I.K.E.T. T.I.K.E.T is an abbreviation from words in Bahasa with the following information (Shopee Affiliate, n.d.):

1. T (*Tampilkan*): Show products and share experiences. Describe the highlights of the product
2. I (*Interaksi*): Interact with followers and create content according to follower requests.
3. K (*Kualitas*): The quality of the content must be considered.
4. E (*Elemen*): Use font, color, and illustration elements to emphasize details.
5. T (*Trend*): Use things that are trending.

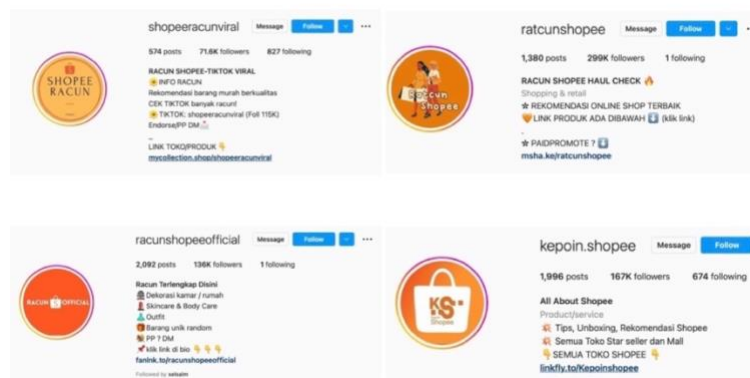
By using this T.I.K.E.T tips or other similar promotional tips, affiliates can attract audiences to their product reviews/recommendations. This kind of promotional strategy can be run effectively if affiliates implement it in the content that will be published to social media.



**Picture 1. 5 @racunshopeecheck Instagram Account Profile**

Sources: Via Instagram @racunshopeecheck (2022)

Picture 1.5 shows one of the affiliates from Shopee Affiliate program commonly known with username @racunshopeecheck that implements the promotion strategy on social media (Instagram). The @racunshopeecheck account first appeared around mid-2021. Within a year, Instagram account @racunshopeecheck already has several followers of approximately 501,000 followers as of August 2022. Having high number of followers shows that there are a lot of Instagram users who interested with the Instagram account @racunshopeecheck. In its Instagram bio, the account @racunshopeecheck attracts consumers to check Shopee product reviews on its page to avoid zonk products.



**Picture 1. 6 Comparison of Shopee Affiliates Partner Instagram Account**

Sources: Via Instagram (2022)

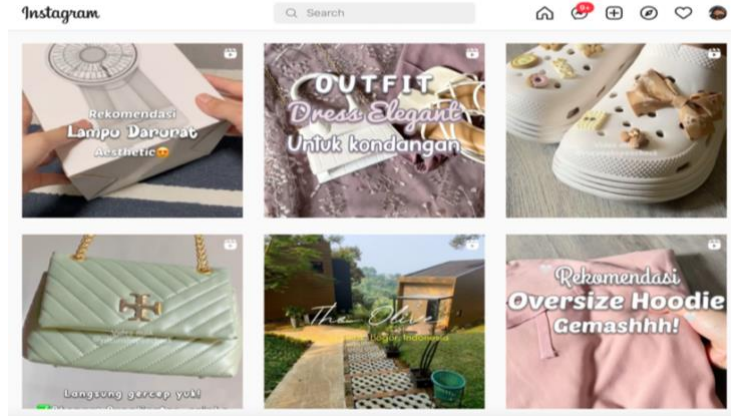
Besides @racunshopeecheck Instagram account, there are other several affiliates from Shopee Affiliate programs who also give Shopee product review/recommendation In Instagram. Picture 1.6 shows the Instagram profile of another account who also share content about Shopee products such as @keracunan.shopee, @racunshopeeofficial, @racun.shopeekkuu, @kepoinshopee. Of the many accounts, even though they use Shopee logo or use Shopee logo elements as their profile picture, only @racunshopeecheck that put a description in its Instagram bio that the account is an affiliate partner of Shopee Indonesia. Even though they have the same type of content, all those accounts have different number of followers with a significant difference.

**Table 1. 1 Comparison of Shopee Affiliate Partner Instagram Account**

No	Instagram Account	Followers	Engagement Rate by Phlanx	Average Interaction per Post
1	@racunshopeecheck	501K	0,79%	4.698 likes, 29 comments
2	@keracunan.shopee	20,7K	0,05%	11 likes, 0 comment
3	@racunshopeeofficial	135K	0,44%	671 likes, 15 comments
4	@kepoin.shopee	166K	0,32%	530 likes, 3 comments
5	@racun.shopeekkuu	13.7k	0,48%	186 likes, 24 comments

(Sources: Author's Processed Data, 2022)

Table 1.1 shows a comparison between the Instagram account @racunshopeecheck and other Shopee's affiliate Instagram accounts. It can be seen in the table, the Instagram account has the highest number of followers compared to other accounts, which is 501,000 followers. In addition, through a comparison of engagement rates, the Instagram account @racunshopeecheck also has the highest percentage of engagement rates, namely 0.79% with an average interaction in each post is 4,698 likes and 29 comments. Based on this comparison, it can be concluded that the Instagram account @racunshopeecheck is a Shopee affiliate that has the greatest reach and power on Instagram compared to other accounts. By looking at this phenomenon, the researcher makes Instagram account @racunshopeecheck as the object of the research.



**Picture 1. 7 @racunshopeecheck Instagram Content**

Sources: Via Instagram @racunshopeecheck (2022)

Picture 1.7 shows the content in Instagram account @racunshopeecheck. The content of the Instagram account @racunshopeecheck is one of the things that supports it to have many followers and a high engagement rate. As can be seen in picture 1.6, the content is focused on introducing products and providing product-related reviews as a form of product recommendations to the audience. Contents that distributed by Instagram account @racunshopeecheck are packaged in attractive and creative way. In every content, it also shares the Shopee product link that will be directly links to Shopee. This makes it easy for @racunshopeecheck's audience who are Shopee users to access product-related information.



**Picture 1. 8 @racunshopeecheck Comment Section**

Sources: Via Instagram @racunshopeecheck (2022)



Having many audiences and content about product information that is packaged in an attractive way encourages many audiences to redistribute information from the @racunshopeecheck account to their closest people. Figure 1.8 shows audiences of the @racunshopeecheck account who commented on their positive or negative experiences with the products recommended by the @racunshopeecheck Instagram account. In addition, there are also followers of the @racunshopeecheck account who redistribute content by pinning the account of a friend or close person in the comment column of the @racunshopeecheck account. The process of exchanging information that occurs among the audience of Instagram account @racunshopeecheck regarding product recommendation content continuously encourages the formation of Electronic Word of Mouth (E-WOM).

Electronic Word of Mouth (E-WOM) is a dynamic and continuous process of exchanging information between consumers about a product, service, brand, or company, which is available to many individuals and groups via the internet (Ismagilova et al, 2019). E-WOM is considered as one of the important sources of information in influencing human behavior (Fileria, Raguseo, & Vitarid, 2018). In addition, E-WOM can also significantly influence consumers in making decisions to buy something (Ismagilova et al, 2019). Research results by NielsenIQ in 2020 showed that 89% of Indonesians have high trust in product/service recommendations from people they know (Partipost, 2021). This shows that utilizing E-WOM in promoting products to the audience will help the @racunshopeecheck account expand its reach in marketing recommended Shopee products. The E-WOM that occurred on the @racunshopeecheck Instagram account is an organic E-WOM. Organic E-WOM is E-WOM that arises naturally when someone wants to share a positive or negative experience of a product, brand, or company (Kulmala, Mesiranta, & Tuominen, 2013).

Considering that E-WOM is an online exchange of information that occurs between people who may not have had a previous relationship, it is important to consider how perceptions of information credibility influence consumer behavior (Ismagilova et al, 2019). Affiliate credibility as a source of information from ongoing E-WOM is one of the factors that influence consumer action on the product being

promoted. Source credibility is not related to message content but refers to consumers' overall perception of the credibility of E-WOM sources and is considered a basic factor to help individuals assess E-WOM communication (Akyüz, 2013).



**Picture 1. 9 Watermark on Instagram Account @racunshopeecheck Content**

Sources: Via Instagram @racunshopeecheck (2022)

On the Instagram account @racunshopeecheck, credibility as a source of information is shown by creating personally and original content, not just re-uploading other people's videos on their account and this makes the @racunshopeecheck Instagram account different with other affiliates account. Figure 1.9 shows the existence of a watermark on each content that reads "content belongs to @racunshopeecheck, do not repost" which is evidence that the contents are originally made by @racunshopeecheck Instagram account. In addition, the owner made content on the Instagram account @racunshopeecheck by purchasing the Shopee product first before makes a product recommendation video, so that the product in the content shows Shopee product real looks. According to Ismagilova (2019), There are 3 dimensions to measure source credibility, namely trustworthiness, expertise and homophily and all these dimensions have a significant influence on consumer behavior. The credibility of the E-WOM source will have an influence on the usefulness and credibility of information to consumer purchase intentions (Ismagilova, 2019).

The Instagram account @racunshopeecheck is a source of information from E-WOM that occurs among audience communities who have an interest in Shopee products. If the @racunshopeecheck Instagram account has credibility as a source of E-WOM information, the @racunshopeecheck Instagram account can trigger an influence on the behavior of the audience who are potential customers. With credibility, the @racunshopeecheck Instagram account has the possibility of influencing the audience to believe in the Shopee product information provided, considering recommended Shopee products, and is expected to lead to an audience's decision to purchase Shopee products.

The internet and social media that act as media for the @racunshopeecheck account to do marketing have high mobility and connectivity. The uses of internet and social media that have high mobility and connectivity, causes consumers to have limited time in considering and evaluating brands or products (Kartajaya, Kotler, & Setiawan, 2019). Therefore, the @racunshopeecheck account needs to understand how to spread the messages that can influence the audience to act. One way to learn this is to understand the customer path. The customer path is a stage of behavior that occurs when consumers decide to buy a product or use a service. There are several customer paths concepts that continue to change over the years. The latest customer path concept is the Customer Path 5A concept which was initiated by Hermawan Kartajaya in 2014 to replace the previous concept, namely the 4A customer path concept (Marketeers, 2015).

The behavioral stages contained in the Customer Path 5A concept are Aware, Appeal, Ask, Act and Advocate. The five stages of this concept are not always easy and do not always run sequentially. In the concept of Customer Path 5A, it is stated that the initial attraction of the audience to a brand/product is influenced by the "community" in determining the final attitude. The community in question is a group consisting of fellow customers of a brand/product. It was also stated that when it comes to understanding brands/products, consumers currently have an active relationship with each other and establish relationships to ask questions and give suggestions (Kartajaya, Kotler, & Setiawan, 2019). Judging from its characteristics, the concept of customer path 5A is a customer path that is expected to occur in the Affiliate Marketing system, including the Shopee Affiliate program.

The main point in implementing affiliate marketing such as the Shopee affiliate program is that marketers (affiliates) must be involved with customers, either directly or indirectly (Allen, 2022). According to Ismagilova (2019), when searching for information about products and services via online, consumers are exposed to high levels of E-WOM communication. One of the factors that consumers can use to filter information obtained through E-WOM is source credibility. Consumers who receive E-WOM communications tend to consider the source credibility of the E-WOM information disseminator in their behavioral processes such as receiving information and making decisions. The latest customer path, namely Customer Path 5A, is the right customer path to be understood by the marketing field, especially related to affiliate marketing because this customer path shows the actions taken by customers from knowing the product, considering, buying, to after buying the product. However, because the concept of Customer Path 5A is a new thing created in the marketing field, there is still limited previous research that discusses customer path 5A, especially regarding its relationship with affiliate marketing.

Previous research that became references in this study were mostly research that examined the effect of E-WOM or source credibility on purchasing decisions. Some previous research that become reference are entitled “*Pengaruh Online Review dan Rating (E-WOM) terhadap Keputusan Pembelian pada E-Commerce oleh Generasi Millenial Kota Jakarta (Studi Kasus Shopee)*” (Istitania, 2020), “The Effectiveness of Endorser’s Credibility on Purchase Decisions (A Study of Instagram Account @kulinerbandung) (Faatin, 2022). Previous research that became the reference in this study concluded that eWOM or source credibility had a significant influence on consumer purchasing decisions.

Previous research entitled “*Pengaruh E-WOM dan Celebrity Endorser di Instagram Terhadap Keputusan Pembelian Sepatu Ortuseight*” (Kinanti and Afriani, 2021) become a reference to know about the effect of E-WOM and Source Credibility simultaneously on Customer Path 5A. This research result found that E-WOM and endorser credibility simultaneously have a significant influence on consumer purchase decisions. The research reference has different variable X2 with this research, namely

celebrity endorser. Besides that, in general it can be said that variable celebrity endorser still has an accordance with variable source credibility in this research because both are related to credibility.

Based on the description of the background above, there is a relationship between E-WOM and Source Credibility on Customer Path 5A. However, due to the limited research on these matters, research on E-WOM and Source Credibility on Customer Path 5A becomes an urgency for conducting a study to know more about the changes that need to be adapted at this time. Therefore, researchers are interested in conducting further research with the title **“The Effect of E-WOM and Source Credibility of Instagram Account @racunshopeecheck towards Customer Path 5A (Aware, Appeal, Ask, Act, Advocate)”**

## **1.2 Problem Identification**

Based on the background that has been described, the identification of the problems contained in this research include the following:

- a. How much influence does the Electronic Word of Mouth (E-WOM) of the @racunshopeecheck Instagram account have on the Customer Path 5A?
- b. How much influence does the Source Credibility of the @racunshopeecheck Instagram account have on the Customer Path 5A?
- c. How much influence does E-WOM and the Source Credibility of the Instagram account @racunshopeecheck have on Customer Path 5A?

## **1.3 Research Purposes**

Based on the identification of the problems that have been mentioned, the objectives of this research are as follows:

- a. To measure the influence of Electronic Word of Mouth (E-WOM) Instagram account @racunshopeecheck on Customer Path 5A.
- b. To measure the influence of Source Credibility Instagram account @racunshopeecheck on Customer Path 5A.

- c. To measure the magnitude of the influence of Electronic Word of Mouth (E-WOM) and Source Credibility Instagram account @racunshopeecheck on Customer Path 5A.

**1.4 Research Use**

The researcher hopes that this research will provide benefits that can be used as well as possible by parties who need it, theoretically and practically with the following explanation:

**1.4.1 Theoretical Use**

The results of this research are expected to provide insight and contribution to be used in studies in the field of Communication Science or similar research that has links to E-WOM, Source Credibility, Customer Path, and Affiliate marketing. It is also hoped that this research can be a new research and complement previous research.

**1.4.2 Practical Use**

The results of this study are expected to be used as a reference and input for Shopee for the Shopee Affiliate program and the affiliates of the program to find out how the influence of E-WOM and Source Credibility in the marketing strategy carried out on Customer Path 5A of the Shopee Affiliate program.

**1.5 Research Time and Period**

Researchers conduct research preparation in the following time and period:

**Table 1. 2 Research Schedule Plan**

No	Progress	Year 2022										Year 2023	
		mar	apr	mei	jun	jul	agus	sep	okt	nov	des	jan	
1	Preliminary Research												
2	Proposal												

	Preparation											
3	Desk Evaluation											
4	Data Collection											
5	Data Processing and Analysis											
6	Thesis Examination											

### 1.6 Research Writing Systematic

Systematics in research writing are as follows:

#### CHAPTER I INTRODUCTION

This chapter contains the background, problem identification, research objectives, benefits of research, time, and period of writing, as well as writing systematics.

#### CHAPTER II LITERATURE REVIEW

This chapter contains a Literature Review on E-Commerce, Affiliate Marketing, eWOM, Source Credibility, and Customer Path 5A. By using the literature, a hypothesis formulation will be formed which will produce a theoretical research framework to be used as the basis for this research.

#### CHAPTER III RESEARCH METHOD

This chapter contains the research approach, research place and time, population and sample, operational definitions and research variables, variable measurement scale, data collection techniques, data collection methods and data analysis.

#### CHAPTER IV RESEARCH RESULT AND DISCUSSION

This chapter contains data analysis and discussion of research results.

#### CHAPTER V CONCLUSION AND SUGGESTION

This chapter contains conclusions regarding the effect of the independent variables on the dependent variable and provides suggestions aimed at parties involved in this study.