

INDONESIAN PATRONAGE INTENTION TOWARD E-COMMERCE

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ABSTRACT

Patronage intention toward retail store has been interesting topic for practitioners and researchers, and many previous research has been conducted about the patronage intention toward retail store and the previous research commonly focus to single store. It is still rare to focus on online store and e-commerce as overall. The purpose of this research is to determine the Indonesian patronage intention toward e-commerce. This conceptual study is focusing on the grand theory of The theory of reasoned action (TRA) and Expectation-Confirmation Theory (ECT) framework. The rigorous literature analysis suggests some propositions posited that website design, security, privacy, information quality, payment method, e-service quality, product quality, product variety and delivery service contributed to e-commerce satisfaction respectively; and has a significant mediating role e-commerce patronage intention. Future empirical research should be done quantitatively to support the hypotheses.

Key words: E-commerce patronage intention, e-commerce satisfaction, website design, security, privacy, information quality, payment method, e-service quality, product quality, product variety, delivery service.

I. INTRODUCTION

Now a days Indonesia is a dynamic nation signed by great opportunity (McKinsey, 2013). It is seen from the growth rate, which is one of the most consistent growth over the past ten years among global economies, with average 6% of annual GDP that contribute 33% of total GDP of ASEAN. It is the 16th largest economy in the world. The country is the 4th biggest population in the world with the population around 251 million people (PRB, 2014). By 2030, the country is expected to be the 40 percent of the ASEAN growth since the 60% of the population is under 30 years old and a population that is increasing around 2.9 million a year (McKinsey, 2013).

Indonesia has drawn international attention as the business destination, especially in e-commerce sector. The e-commerce sector has shown a significant growth in the last decade. As in 2017 Indonesia's e-commerce market was valued at USD \$8 billion (Indonesia-Investments.com, 2018). According to McKinsey (2018) The value of the e-commerce market in Indonesia is estimated to have grown to the range of USD \$55 - \$65 billion by 2022, the growth of Indonesia's e-commerce market is to rise nearly eight-fold between 2017 and 2022. Septriana (2019), who is the directorate general of information applications Ministry of Communication and Information, stated that e-commerce value growth in Indonesia reached 78 percent (Republika.co.id, 2019). This growth rate is the highest in the world. It is helping the growth of Indonesia economic but at the same time the competition among e-commerce are very tight.

Day by day, the constellation of electronic commerce business in Indonesia is getting sexier. The map of competition between players in the country looks increasingly fierce, especially since Alibaba Group injected its capital into several marketplace companies since last year (Herlinda, 2018). As of March 2018, the Chinese electronics trading giant actually acquired Lazada Group with an additional capital of US \$ 2 billion or around Rp27 trillion. Lucy Peng - one of the 18 founders of Alibaba - was lined up as the new CEO. In addition to Lazada, Alibaba made an approach to Tokopedia, one of the Indonesian players with the most massive movements. On August 17, 2017, Tokopedia CEO William Tanuwijaya announced an injection of Alibaba capital into his company worth US \$ 1.1 billion.

2. PROBLEM STATEMENT

The significant amount of the e-commerce in Indonesia automatically has made the competition among them to be tough and keen, additionally the two unicorn from Indonesia is in this industry. It makes the e-commerce to think the strategy to win the footfalls. In recent years, there have been several examples of local players who went bankrupt because they were not competitive. One of the best strategy is to develop customer patronage intention (Robert-Phelps, 2001). As Kotelnikov (n.d) stated that in today's world of competitive business and challenging economy, to retain the customer base is critical key success. Many previous research has been conducted about the patronage intention toward online retail store (Jeong, 2007; Cemberci, Civelek and Sozer, 2013; Kim, Viore and Lee, 2007). Nevertheless, research about patronage intention toward ecommerce in Indonesia is still rare. In order to improve business performance and increase the level of customer patronage intention, online retailers should have a clear and deep understanding of the ecommerce patronage intention in the online environment. In this perspective, this research aims to determine the Indonesian patronage intention toward ecommerce. This study first provides a theoretical and conceptual background that illustrates the patronage intention toward e-commerce. Then we construct theoretical framework under the Theory of Reasoned Action (TRA) and Expectation-confirmation Theory (ECT) and by identifying some factors that drive consumer to patronage to e-commerce. Finally, we draw managerial implications of how e-commerce sellers can use this knowledge to improve their online stores to be more attractive and get more online shoppers.

3. LITERATURE REVIEW

The theory of reasoned action (TRA) determined the relationship between attitudes, intention and behaviors (Fishbein and Ajzen, 1975). The TRA model postulate that human beings make rational decision based on the availability of information for them, and the best direct determinant of a person's behavior is intent which is the readiness cognitive presentation to perform a given behavior (Ajzen and Fisbein, 1980). Accordingly, quality of information provided by the B2C e-commerce website contents can significantly influence the intention to purchase (Eid, 2011). Also, if the provided information in the website is accurate and reliable, therefore will increase customer satisfaction and trust of e-commerce which will guide customer to make the initial purchase. Thus e-commerce satisfaction and trust can positively affect customer retention or patronage intention.

Expectation-Confirmation Theory (ECT) was proposed to study consumer satisfaction and repurchase behavior (Oliver 1980). The ECT theory explains that firstly customer make an initial expectation prior to purchase, after that build perceptions about the consumed product/services performance after an initial consumption period. In line with the European Public Administration Network (EUPAN) stated consumer satisfaction with a model using theory of disconfirmation, in which proposes that customer satisfaction with a service is related to the size of the experience of disconfirmation. Then, customer will take decision on their satisfaction level on the degree to which their expectation is confirmed by comparing the actual product/service performance against their initial performance expectation (Eid, 2011). As a result, customer who satisfied will make repurchasing intention or to be patronage.

Customer have to be satisfied with their shopping experience in e-commerce before buying more goods and services online. Many of studies has been conducted to determine the antecedents of customer satisfaction towards online shopping (Jun, Yang and Kim, 2004; Alam and Yasin, 2010; Cappeli, Gugliemetti, Mattia, Merli and Renzi, 2011). Eid (2011) determined the antecedents of consumer satisfaction are user interface quality, information quality, perceived security and perceived privacy. While Guo, Ling and Liu (2012) identified the antecedents of online customer satisfaction including website design, security, information quality, payment method, e-service quality, product quality, product variety, and delivery service.

Through this study, the researchers had identified the determinants of patronage intention towards e-commerce in Indonesia, including satisfaction, website design, security, privacy, information quality, payment method, e-service quality, product quality, product variety, and delivery service.

Indonesian Ecommerce Landscape

Indonesia has been drawn attention as the business destination, especially in e-commerce sector. The e-commerce sector has shown a significant growth in the last decade. As in 2017 Indonesia's e-commerce market was valued at USD \$8 billion (Indonesia-Investments.com, 2018). According to McKinsey (2018) The value of the e-commerce market in Indonesia is estimated to have grown to the range of USD \$55 - \$65 billion by 2022, the growth of Indonesia's e-commerce market is to rise nearly eight-fold between 2017 and 2022.

There are 49 E-commerce players in Indonesia (iprice.co.id, 2019). Tokopedia and BukaLapak which are duo unicorn from Indonesia, are the two biggest e-commerce palyers in Indonesia. Bellow is top ten e-commerce players in Indonesia Per Q1-2019:

- | | |
|--------------|-------------|
| 1. Tokopedia | 6. JD ID |
| 2. BukaLapak | 7. Orami |
| 3. Shopee | 8. Sociolla |
| 4. Lazada | 9. Zalora |
| 5. Blibli | 10. Bhineka |

Aulia E. Marinto who is Chairman of the Indonesian E-Commerce Association (idEA) stated that "The 2016 Economic Census Data from the Central Statistics Agency (BPS) states, Indonesia's e-commerce industry has grown by around seventeen percent in the last ten years with a total number of e-commerce businesses reaching 26.2 million units" (liputan6.com, 2017). This growth rate is the highest in the world. It is helping the growth of Indonesia economic but at the same time the competition among e-commerce are very tight.

E-commerce Patronage Intention

Some researchers try to figure out what the patronage intention is. Bitner (1992) states that patronage intention is same with the total of a consumer's assessments of individual service/product dimension. Dick and Basu (1994) have precisely suggesstions that to define patronage intention, favorable attitude and repeat purchase were required. Zeithaml (1996) conclude that patronage intention is the signal indicator from the customers whether they are able to remain with or defect from a firm. More advanced, Consumer patronage intention has been determined as the customer's willingness to consider, recommend, or purchase from a retailer in the future (Baker et al, 2002; Mathwick et al, 2001). In line with, website patronage intention is willingness to purchase, willingness to recommend, and willingness to revisit will be included in the measure of website patronage intention (Jeong, 2007). Accordingly, in this research, in the present study, use the same dimension of patronage intention

Customer Satisfaction

The definition of customer satisfaction is debated widely. Churchill and Surprenant (1982) concluded that satisfaction is the conceptual response to the purchase and use of a product by the consumer which appear from the rewards and costs of buying relative to expectations. And Kotler and Keller (2006) stated that satisfaction is the "person's feeling of pleasure or

disappointment which resulted from comparing a product's perceived performance or outcome against his/ her expectations". The definitions is focus toward the performance or use of the product.

Website Design

Websites have become the most important communication of public portal for most, especially, businesses and organizations. Because interactions of business-to-consumer mainly occur online, website design is crucial in engaging users (Flavián, Guinalú, & Gurrea, 2006; Lee & Kozar, 2012; Petre, Minocha, & Roberts, 2006). Effective website design consists of navigation capability or website visual appeal (Cyr, 2008).

Security

Security is the ability of website in protecting collected personal information of customer from its electronic transactions from unauthorized use disclosure (Christy and Mathew 2005). Gefen (2000) state that customer concern about the online website security, liability and privacy.

Privacy

Goodwin (1991) as cited in Eid (2011) defined privacy as ability of customer to control other people presence in the environment during a market transaction or consumption behavior and the information dissemination related to or provided as long as such transactions or behaviors to those who were not present.

Information Quality

Product/service information quality is determined as the perception of customer of the information quality about the product/service that is available in a website (Park and Kim 2003). Accuracy of information is deal with the reliability of content of website (Guo, Ling and Liu, 2012).

Payment Method

e-commerce usually offers several payment ways, such as online payment covering credit card usage; payment with cash; and telegraphic remittance. Guo, Ling and Liu (2012) explained that most customers choose a method of payment not only base on convenience, but also what's more important is security. Online shoppers expect ecommerce protecting personal data, providing for secure payment, and maintaining the online communication privacy (Franzak et al., 2001).

E-service quality

Parasuraman et al. (2005) point e-service to "the extent to which a website facilitates efficient and effective shopping, purchasing, and delivery of products and services." Santos (2003) determined quality of e-service as "overall customer assessment and judgments in relation to the excellence and the quality of e-service delivery in the virtual marketplace." E-service quality is becoming a valuable criterion to measure websites of e-retailer and a critical element to achievement of business (Guo, Ling and Liu, 2012). Cox and Dale (2001) explained that without an approach of quality management that make sure quality from its systems, staff and suppliers, a business will not be able to provide the appropriate level of service quality satisfying its customers.

Product Quality

Kotler, et al. (2011) stated that product quality is a product or services characteristics that bear on its ability to satisfy stated or implied need of customer. Ahn, Ryu, and Han, (2004) determined product quality as the product actual functionality, constancy between the specification of quality of product from online shop and the real physical product quality. Although online shoppers cannot touch or feel directly the product quality, but comments on the website are able to indicate the product quality to some extent (Guo, Ling and Liu, 2012).

Product Variety

Product variety is the number and range of offered brands or products of a supplier (Pass et al., 2002). In deciding product variety, a firm have to consider how to position its brands as well as to serve its segment of target market without excessive brands duplication in any segment. Online retailers who have offered a wide products variety and selections tend to be more successful (Christian & France, 2005)

Delivery Service

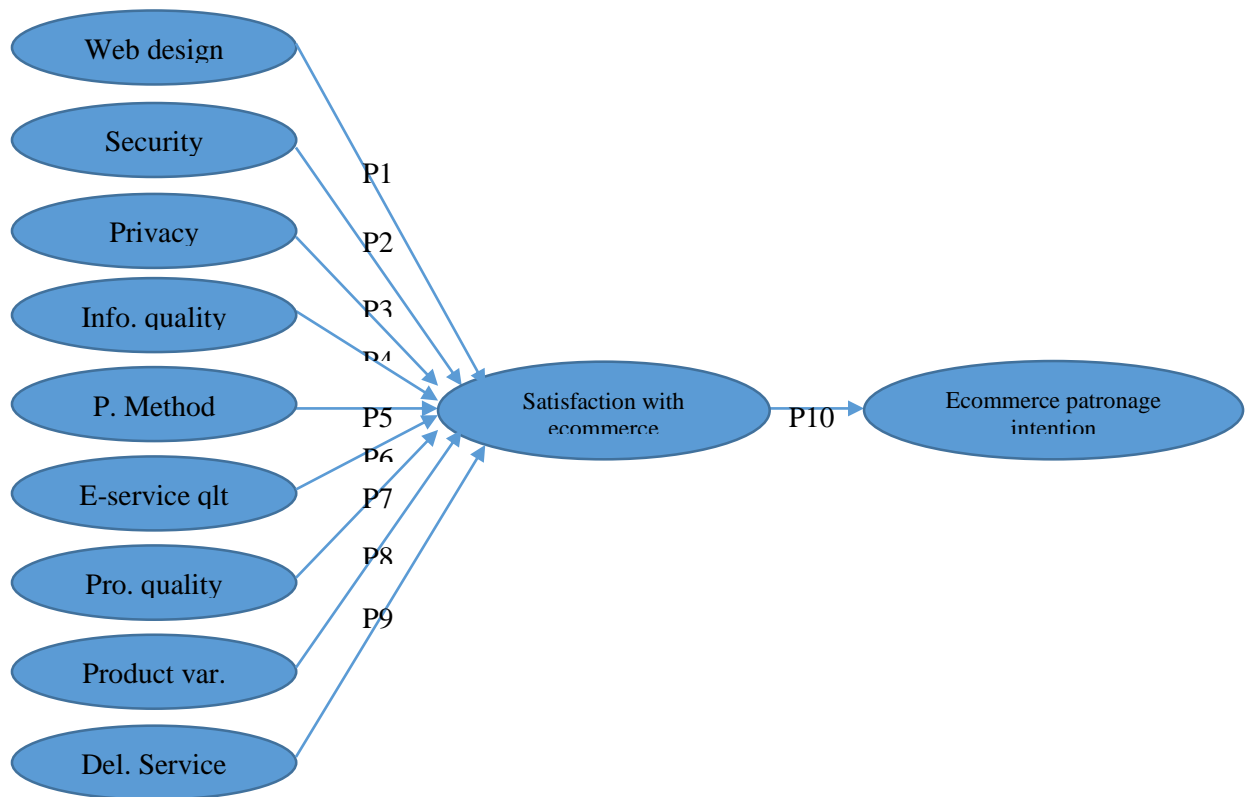
Delivery service is the link of supply chain that deals with customers directly and it is operator of customer satisfaction (Hedin, Jonsson, and Ljunggren 2006). Ziaullah, Yi and Akhter (2014) stated that fundamental and integral online buyer's objective in the scenario of online shopping environment are reliable, safe and timely deliver. Customers tend to buy products at home and they are in need of safe, reliable and quick delivery of desired product at their destinations (Handoko, 2016).

Thus from the conceptual, we propose:

- P1. Website design has direct positive influence on consumer satisfaction towards ecommerce
- P2. Security has direct positive influence on consumer satisfaction towards ecommerce
- P3. Privacy has direct positive influence on consumer satisfaction towards ecommerce
- P4. Information quality has direct positive influence on consumer satisfaction towards ecommerce
- P5. Payment method has direct positive influence on consumer satisfaction towards ecommerce
- P6. E-service quality has direct positive influence on consumer satisfaction towards ecommerce
- P7. Product quality has direct positive influence on consumer satisfaction towards ecommerce
- P8. Product Variety has direct positive influence on consumer satisfaction towards ecommerce

- P9. Delivery service has direct positive influence on consumer satisfaction towards ecommerce
 P10. Customer satisfaction towards ecommerce has direct positive influence on e-commerce patronage intention

Figure 1. Proposed conceptual framework



4. RESEARCH METHODOLOGY

This conceptual paper is focusing on satisfaction, website design, security, privacy, information quality, payment method, e-service quality, product quality, product variety, and delivery service and how it is influencing patronage intention.

Based on previous research, the authors conducted literature reviews to develop a set of prepositions.

5. FINDINGS AND DISCUSSION

This conceptual framework will analyze a desk research approach and record the available empirical research findings. In spite of the diversity in methodologies, the majority of these studies found some type of statistically significant relationship between antecedents of customer satisfaction, e-commerce customer satisfaction and ecommerce patronage intention.

Web design and e-commerce customer satisfaction

Customer satisfaction in e-commerce is connected to the website design quality (Cho and Park, 2001). Lee and Lin (2005) had empirically found that design of website influences overall customer satisfaction and perceived service quality positively. According to Wang et al. (2010), the website design is associated with consumer perception of the organization and order at the site. Manes (1997) and Szymanski & Hise (2000) in Dharmesti and Nugroho (2012) states that the good website has a good organization, so customers will be easy finding the desired product information.

Security and e-commerce customer satisfaction

Based on the prior research (Elliot & Fowell, 2000; Szymanski & Hise, 2000), as security risk perception decreases, satisfaction with the online store information service is expected to increase. It means, strong security attribute boosting the customer satisfaction level. In the study conducted by Christian and France (2005) in Guo, Ling and Liu (2012), they identified three factor categories as ways to affect e-satisfaction in which including factors of technology, shopping, and individual product. Security was categorized under factors of technology. The research from Christian and France (2005) reconfirmed the positive relationship between security and e-satisfaction.

Privacy and e-commerce customer satisfaction

Flavian and Guinaly' u [2006] explained that trust in the Internet is influenced by the privacy perceived by consumers regarding their private data handling particularly. Privacy is an important factor in getting potential online customers and retaining existing

customers [Park and Kim 2003]. Thus, privacy is able also to be an important factor in customer satisfaction of e-commerce services.

Information quality and e-commerce customer satisfaction

Park and Kim [2003] stated that the quality of information influences customer satisfaction directly. Christy & Matthew (2005) explained that information quality has significant influences on consumer satisfaction in internet shopping, and accuracy, content, format and timeliness are the four information quality. Besides, Liu et al. (2008) found that higher information quality level will increase customer satisfaction in online shopping and they evaluated information quality based on other four dimensions: accuracy of information, comprehensibility of information, completeness of information, and relevance of information. Research findings from the Liu et al. (2008) determined that information quality has significant influences on customer satisfaction.

Payment method and e-commerce customer satisfaction

Lim and Dubinsky (2004) stated that the payment method is one of the critical considerations in online shopping. Customer will be happier if they are able to choose the mode of payment. Convenience payment methods have a positive influences on customer satisfaction (Szymanski and Hise 2000 and Liu et al. 2008). So that, providing the easy payment procedure is importance for ecommerce to maintain customers and enlarge level of consumer satisfaction (Grace & Chia-Chi, 2009)

E-service quality and e-commerce customer satisfaction

Guo, Ling and Liu (2012) state that E-service quality is becoming a critical factor to measure e-retail websites and an crucial variable to business achievement. Jung-Hwan and Chungdo (2010) conducted a research, comparing the quality of e-service perceptions of US and South Korean consumers in connection to overall e-service quality, e-satisfaction, and e-loyalty to understand differences in geographic and cultural with the context of e-business international expansions. Findings of the research explained that there is a significant positive influence of overall e-service quality on consumers' e-satisfaction towards online shopping and the positive influence of overall e-service quality and e-satisfaction on e-loyalty (Jung-Hwan & Chungho, 2010).

Product quality and e-commerce customer satisfaction

The study conducted by Christian and France (2005) through a conjoint consumer preferences analysis based on collected data from 188 young consumers determine that the three most important attributes to consumers for online satisfaction are privacy (technology factor), merchandising (product factor), and convenience (shopping factor). Under product factor as indicated in the finding of Christian and France (2005), quality is an intrinsic property of a product and the expected standard of product or service excellence. Sharpening product quality will have a positive influence in increasing consumer satisfaction (Christian & France, 2005).

Product variety and e-commerce customer satisfaction

Online retailers who have offered a wide products variety and selections tend to be more successful (Christian & France, 2005). Studies such as Ahn et al. (2004); Szymanski and Hise (2000) and Athanassopoulos et al (2001) have determined product variety to be critical variable influencing e-satisfaction.

Delivery service and e-commerce customer satisfaction

Syed and Norjaya (2010) in Guo, Ling, and Liu (2012) had conducted a research investigating the key factors that affecting customer satisfaction through online shopping. In this study, four key variables of customer satisfaction in the environment of online shopping are identified. It is revealed that website design, reliability, product variety and delivery performances are the four critical factors that influence online shopping customers' satisfaction (Syed & Norjaya, 2010). Results from this research determined that delivery performance has critical influence on customer satisfaction and it can determine much of the variation in satisfaction of online buying.

E-commerce customer satisfaction and e-commerce patronage intention

Satisfaction is an critical predictor of repeat purchase and word-of-mouth (Khlifa, 2004). Where the repeat purchase and word-of-mouth are parts of patronage intention (Grewal et al., 2003). It is supported by Kim & Damhorst (2010) who clarify that satisfaction has important role in forecasting behavioral intention. Batra (2010) states the satisfaction role in indicating patronage intention is established well. As addition, consumer satisfaction with the retail environment experience is related to, for example, patronage intention purchase intention and repurchase intention (e.g. Baker et al. (2002); Areni & Kim; Michon et al. as cited in Ullakonjoja 2011). Indeed, Cronin et al. (2000) find that consumers who satisfy have more tendency to show favorable intentions of behavior like making repeat visits, positive word-of-mouth, and recommending the products/services, including repeat visits to and recommending about malls to friends or. And in context of ecommerce it will be willingness to purchase, willingness to recommend, and willingness to revisit will be included in the measure of website patronage intention (Jeong, 2007).

6. CONCLUSION

The primary goal in this research has been to address the patronage intention toward ecommerce in Indonesia. Researchers adopted the grand theory of The theory of reasoned action (TRA) and Expectation-Confirmation Theory (ECT), on the basis of which researchers developed a framework for understanding patronage intention. The rigorous literature shows some prepositions: website design, security, privacy, information quality, payment method, e-service quality, product quality, product variety and delivery service contributed to e-commerce satisfaction respectively; and had a significant mediating role e-commerce patronage intention. Researcher believe that this work, makes an important contribution to the limited literature

review concerning ecommerce patronage intention in Indonesia; however, it is clear that much more works remain to be done in this area.

6.1 THEORETICAL / MANAGERIAL IMPLICATION

This study's findings have important theoretical and practical implications for firms using e-commerce applications in Indonesia. It should assist Indonesian firms' managers to better understand what key factors/areas of e-commerce applications they ought to focus on in order to improve satisfaction, and patronage intention for online customers thereby improving their e-commerce services and business success. For example, website design issues are important for developing e-commerce websites that can impact on customer satisfaction, and patronage intention of B2C e-commerce applications in Indonesia.

6.2 FUTURE RESEARCH ISSUE

For future research is expected to do quantitative research to support hypothesis testing. It is recommended to add more variable such as time transaction ability (Kim et al. 2009)

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