CHAPTER I
INTRODUCTION

1.1 Research Background

The use of the internet, technology, social media, mobile apps, and other digital communication technologies has become an essential aspect of everyday life for individuals (Ardani, 2022). As shown in **Figure 1.1**, the number of internet users in Indonesia has reached 221.5 million in February 2024, representing a penetration rate of 79.5%. The number reflects a significant growth that has taken place in recent years, as the penetration rate was only at 74% in early 2020, prior to the COVID-19 pandemic (East Ventures, 2024). In addition, this increase in internet penetration is accompanied by a rise in the digital literacy index in Indonesia, from 3.49 in 2021 to 3.65 in 2023 (East Ventures, 2024). This positive trend indicates that the Indonesian population is increasingly prepared to adapt to the presence of internet technology.

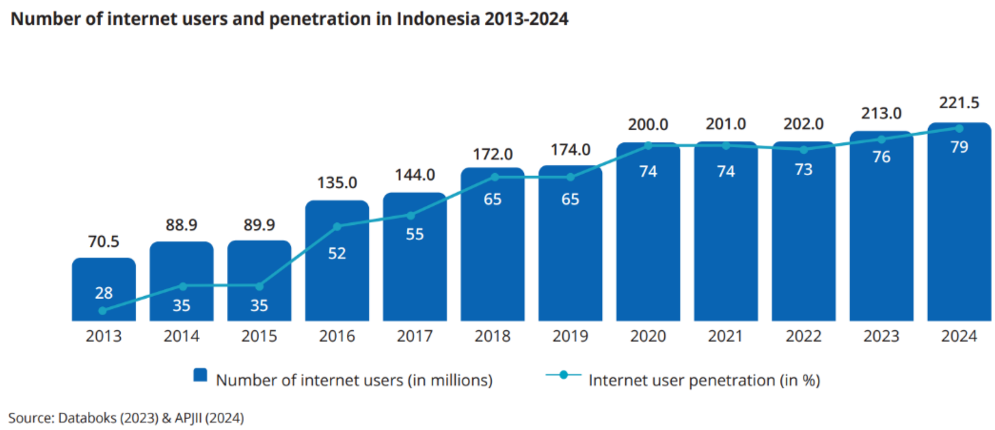


Figure 1.1 Statistics on the growth of internet user penetration rates in Indonesia

Source : Databoks & APJII in East Venture (2024)

The increased internet penetration in Indonesia has significantly impacted consumer shopping behaviors. This is shown by the findings from DataReportal

(2024), highlighting that 81% internet users aged 16-64 years old in Indonesia have used shopping sites and applications. Interestingly, 59.3% of these internet users make online purchases of products or services every week. Furthermore, as depicted in **Figure 1.2**, Indonesia holds the 10th place globally for the percentage of productive-age internet users who frequently shop online, with a figure of 59.3% as of January 2024 (Katadata Databoks, 2024). Thus, online shopping has become a fundamental part for most consumers in Indonesia.

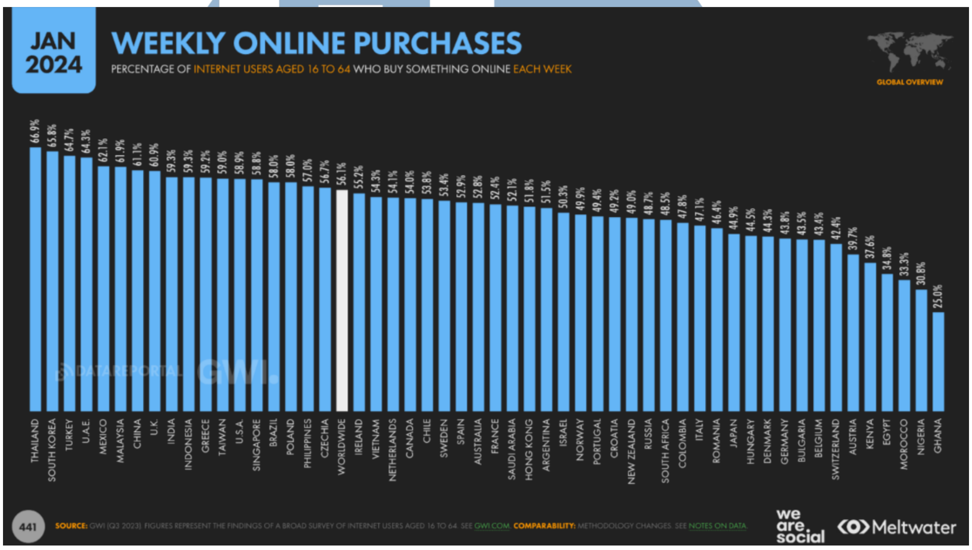


Figure 1.2 Top countries with the highest internet users who frequently shop online

Source : DataReportal (2024)

The robust online shopping activity has opened up substantial opportunities for Indonesia's digital economy. Based on the data, the contribution of the digital economy to Indonesia's Gross Domestic Product (GDP) has grown from 3.7% in 2019 to 5.8% in 2023, and it is projected to reach 7.1% by 2025, surpassing the average of 6.6% for ASEAN countries. Along with that, Indonesia has indeed contributed 40% of the total digital economy transactions in Southeast Asia in 2022 (East Ventures, 2024). This digital economy growth is highly driven by the e-commerce sector (Coordinating Ministry for Economic Affairs Republic of Indonesia, 2022), as shown in **Figure 1.3**, the sector contributed the largest share of digital economy transactions compared to online travel, food and transport, and online media. For reference, the Gross Merchandise Value (GMV) of the e-commerce sector has reached US$62 billion, accounting for 75% of the total GMV within Indonesia's digital economy (Google & Temasek, 2023).

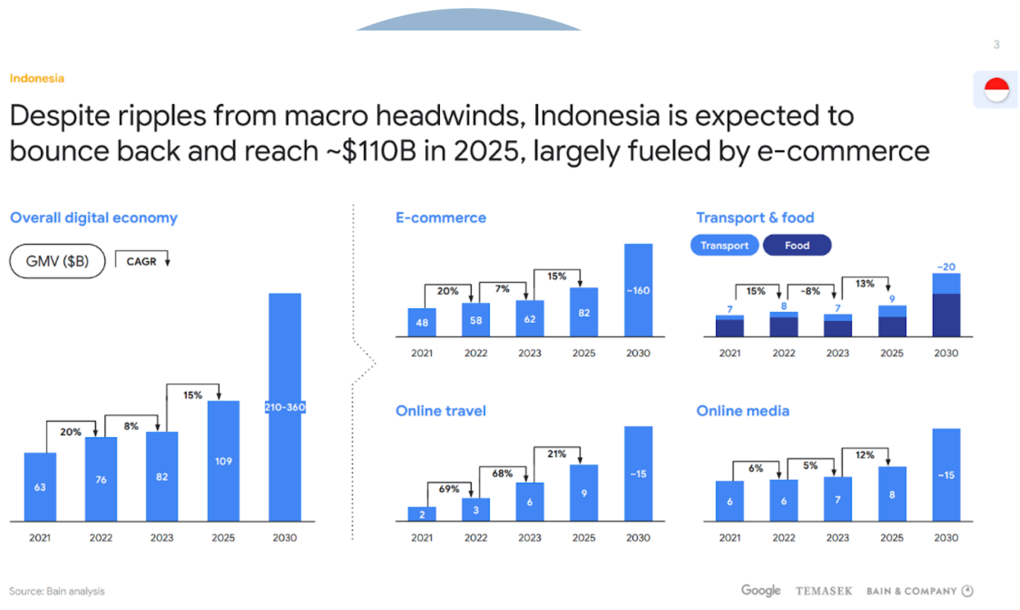


Figure 1.3 Statistics on the Gross Merchandise Value (GMV) in Indonesia's digital economy

Source : Google & Temasek (2023)

Alongside the rapid growth of the e-commerce sector, the e-grocery concept has emerged as a segment that is experiencing an increase in users and has promising development potential (Kim, 2021; Rahma et al., 2023). This can be identified by the finding that 34.4% of internet users aged 16-64 in Indonesia engage in purchasing grocery products through online sites or apps every week (DataReportal, 2024). The potential of this e-grocery segment is further emphasized by survey results indicating that 40% of consumers in Indonesia have experience buying vegetables, fruits, and meat online (Populix, 2021). Hence, the e-grocery segment presents an attractive prospect for continued growth in line with the rapid expansion of the e-commerce sector in Indonesia.

Essentially, e-grocery can be understood as a form of e-commerce that allows individuals or businesses to purchase food and various household necessities or daily needs through an ordering process managed by e-commerce sites or apps (Kim, 2021). E-grocery is also part of the quick commerce concept, defined by Huang & Yen (2021) as a form of on-demand delivery service, where products ordered online can be delivered directly to consumers in less than an hour. This quick commerce concept differs from the general e-commerce model, which typically allows for product delivery within a matter of days (Harter et al., 2024).

According to a survey conducted by Populix (2024), the reason why consumers choose to buy groceries online is due to its cost-effectiveness and convenience. From the survey, it is found that 52% of consumers in Indonesia face long cashier lines when shopping at supermarkets and hypermarkets. The e-grocery concept aims to provide consumers with added value in terms of efficiency, security, prevention of impulsive buying behavior, and ease in comparing prices for products (Titipku, 2022). For retail businesses in the grocery sector, the e-grocery concept is believed to offer added value in attracting new customers, enhancing visibility and reputation, and optimizing customer expectation fulfillment (Kureshi & Thomas, 2019).

In Indonesia, the e-grocery concept has proven successful in recent years, as shown in **Figure 1.4**, the market sales value for e-grocery reached US$3.39 trillion in 2023 and is projected to continue increasing to US$4.8 trillion by 2029 (Statista, 2024). According to an analysis by Statista Market Insights (2024), the number of grocery delivery service users in Indonesia has reached 62.3 million in 2023. During this period, the average annual spending per user is estimated to be US$184.1, or approximately Rp2.8 million.

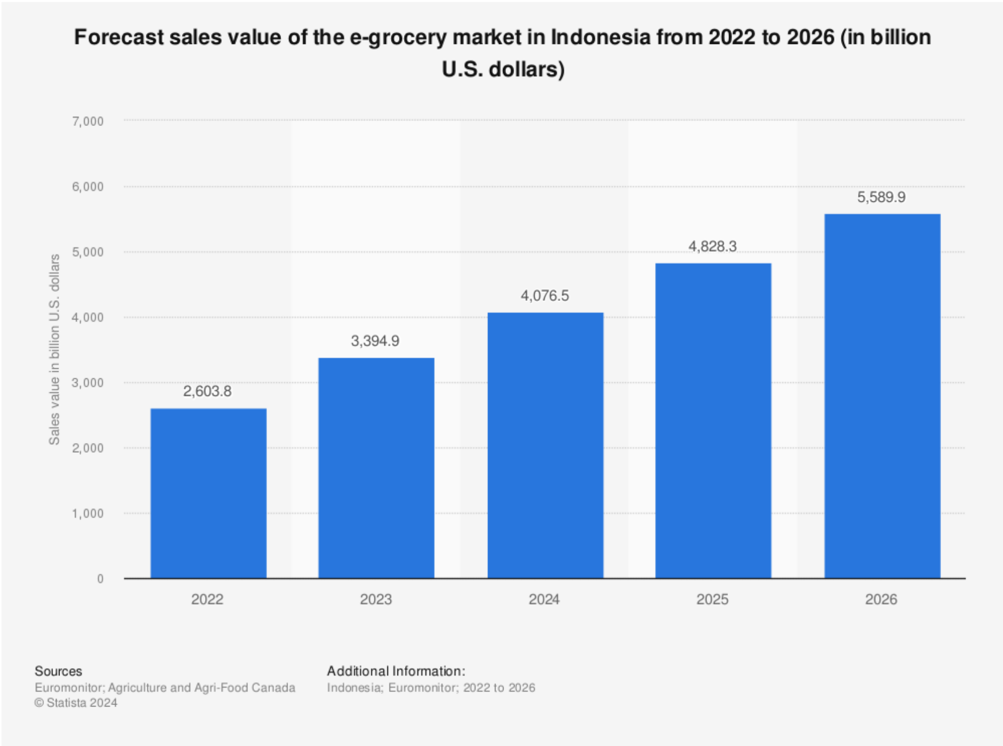
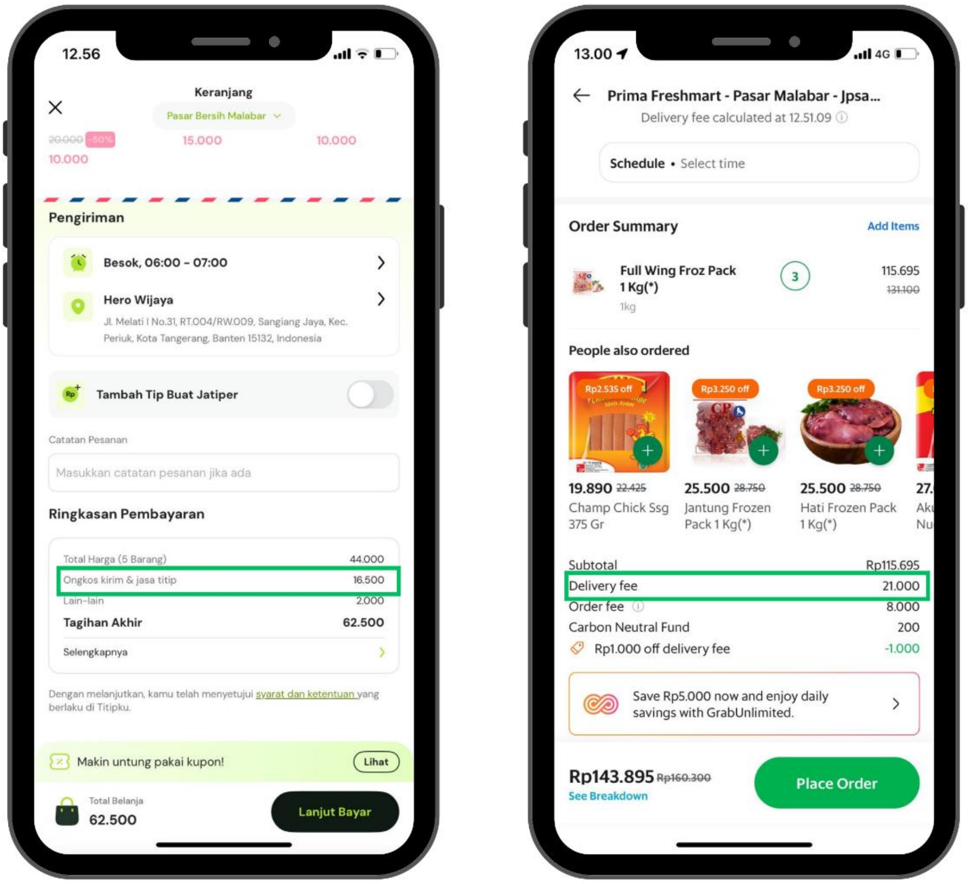


Figure 1.4 E-grocery sales projection in Indonesia 2022-2026

Source: Euromonitor & Agriculture and Agri-Food Canada in Statista (2024)

However, despite the promising growth and market potential of e-grocery in Indonesia, several challenges still hinder broader adoption. Factors such as concerns over product freshness and the potential for higher shipping costs often deter many users from transitioning to e-grocery (Galushko & Riabchyk, 2024). For example, as shown in **Figure 1.5**, the shipping fee through the Titipku app for delivering products weighing 3 kilograms over a distance of 3.5 kilometers, is Rp16,500. Meanwhile, GrabMart charges Rp21,000 as the shipping fee for an equivalent delivery service. This creates an interesting space in the competitive landscape of the e-grocery market in Indonesia that businesses can take advantage of.



Titipku **GrabMart**

Figure 1.5 Estimated shipping fee on the Titipku app and GrabMart app

Source : Author (2024)

The potential of the e-grocery market in Indonesia has indeed been leveraged by several technology-based startups. As shown in **Figure 1.6**, some of the most popular quick commerce platforms among Indonesian consumers are owned by well-known startups, such as GoMart, a business unit of Gojek; Tokopedia Now, a business unit of Tokopedia; and GrabMart, a business unit of Grab. However, some companies on the top 10 most favored quick commerce platforms list in Indonesia have actually ceased their operations. For instance, Bananas has been found to have shut down its services since 2022 (CNN

Indonesia, 2022). Also, TaniHub, which previously received a capital injection of US$65.5 million, has also shut down its services since 2022 (CNBC Indonesia, 2021; CNBC Indonesia, 2022). Even Tokopedia Now, which ranked as the second most popular platform in 2022, ceased its operations in July 2024 (CNN Indonesia, 2024). Moreover, other companies like Sayurbox, which successfully secured a US$120 million investment in 2022 (Forbes, 2022), have had to reduce their operational warehouses and are reported to be facing a cash crunch. Segari has also been reported to have severed ties with nearly a quarter of its staff (Ecommurz, 2024). These findings indicate that although the e-grocery market in Indonesia has significant potential, the challenges of operational aspects and competitive dynamics are interesting aspects that require further exploration.

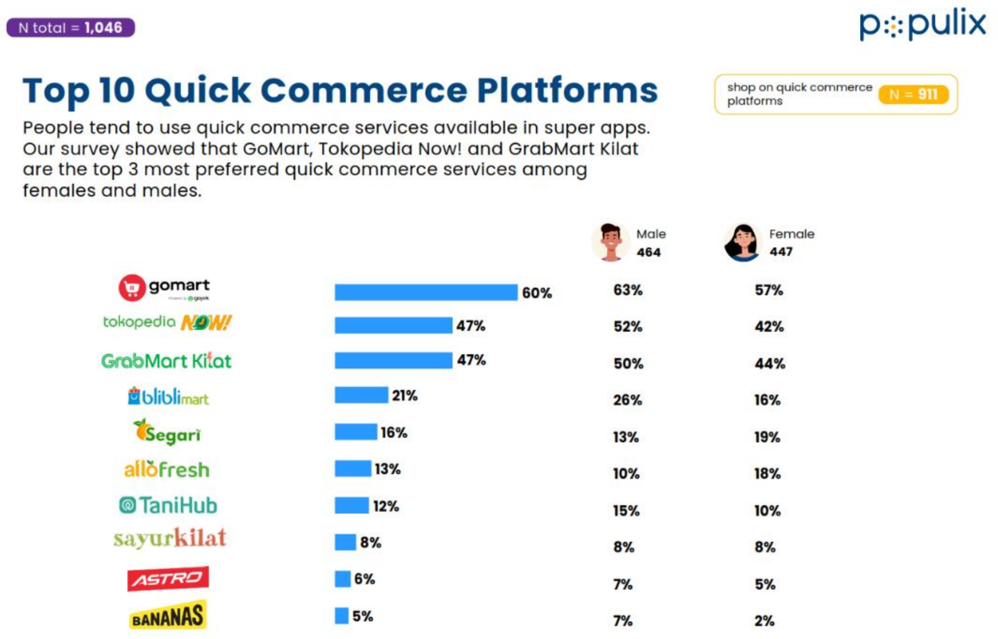


Figure 1.6 Most favorite Quick Commerce platforms in Indonesia (2022)

Source : Populix (2022)

According to Eddi Danusaputro, Chairman of the Indonesian Venture Capital Association for Startups (AMVESINDO), the phenomenon of e-grocery startups shutting down is attributed to challenges such as shifts in consumer behavior and difficulties in maintaining product quality and availability (Katadata, 2023). This is reinforced by the statement of Henri Suhardja, CEO of Titipku, who highlights that many users of e-grocery platforms have begun to return to shopping directly at local wet markets since the end of the COVID-19 pandemic (Katadata, 2023). This situation is supported by survey findings from Populix (2024), as illustrated in **Figure 1.7**, which show that e-grocery is becoming a last choice for consumers in Indonesia when shopping for daily necessities, with the majority expressing a preference to see products in person before making a purchase. Ryadi et al. (2021) state that the resurgence of consumers returning to offline shopping for daily needs poses a significant challenge for e-grocery companies to grow their businesses in Indonesia. Furthermore, Ryadi et al. (2021) also argue in their research that consumers are likely to reduce or stop using e-grocery services once the COVID-19 pandemic ends. Consequently, these insights raise questions about the future prospects of the e-grocery market in Indonesia.

Figure 1.7 Consumers’ preferences in shopping groceries

Source : Populix (2024)

Despite the closure of several e-grocery service providers, there are companies that continue to thrive and be utilized by consumers in Indonesia, one of which is Titipku, which has been competing in the e-grocery market since 2021. Titipku offers a platform that enables wet market merchants to market their products online. This allows housewives, as a significant consumer segment, to easily and conveniently shop for daily groceries, such as meat, vegetables, and fruits, from nearby markets online (Titipku, 2024). Through its business model, which involves wet market merchants, Titipku has the advantage of avoiding operational costs associated with warehouses and product inventories, unlike competitors such as Sayurbox and Segari (AC Ventures, 2021; Sayurbox, 2024). Furthermore, Titipku partners with personal shoppers, referred to as Jatipers in its operational services. These Jatipers play a crucial role by receiving customer orders, shopping for those items in the wet market, and delivering them to customers. This process allows Titipku users to order multiple grocery items from different merchants within the same market in a single transaction. To date, Titipku has engaged with 10,000 wet market merchants across more than 100 markets in the greater Jakarta area (Titipku, 2024).

Despite Titipku's significant competitive advantages, the number of its users remains relatively lower compared to other e-grocery service providers. **Table 1.1** indicates that in 2024, Titipku has only approximately 500,000 users who have downloaded the app via the Play Store, while competing apps have exceeded over 1 million users. This gap highlights one of the challenges Titipku encounters in expanding its user base and establishing a competitive edge in the increasingly dynamic and fast-evolving e-grocery industry.

Table 1.1 Comparison of user numbers and ratings for E-Grocery Apps in Indonesia

No	App	Number of Users (Play Store)	Rating (Play Store)	Number of Users (App Store)	Rating (App Store)
1.	Segari	1 million+	4.8/5.0 from 69.5 thousand reviews	Undisclosed	4.8/5.0 from 18 thousand reviews
2.	Sayurbox	1 million+	4.8/5.0 from 36.9 thousand reviews	Undisclosed	4.8/5.0 from 14 thousand reviews
3.	Astro	1 million+	4.9/5.0 from 25.9 thousand reviews	Undisclosed	4.9/5.0 from 17 thousand reviews
4.	AlloFresh	1 million+	4.5/5.0 from 3.25 thousand reviews	Undisclosed	4.2/5.0 from 165 reviews
5.	Titipku	500 thousand+	4.8/5.0 from 11.1 thousand reviews	Undisclosed	4.2/5.0 from 195 reviews

Source : Play Store (2024); App Store (2024)

Concurrently, **Figure 1.8** highlights that Titipku also lacks high brand awareness performance compared to other e-grocery service providers. Titipku does not even rank in the top 10 platforms that consumers are most familiar with or regularly use for e-grocery services. Since brand awareness is a critical factor influencing repeat purchase behavior (Jindal, 2022), this lack of recognition may point to a gap in Titipku's marketing strategies, which could hinder its ability to attract and retain customers in a competitive market. Moreover, Ryadi et al. (2021) emphasize that consumers are likely to reduce or stop using e-grocery services once the COVID-19 pandemic ends, with many individuals likely to revert to offline grocery shopping habit. This highlights the urgency for e-grocery platforms like Titipku to develop effective strategies for retaining users and fostering continued use of their services. Without addressing these challenges, Titipku faces the potential risk of losing its existing users and falling further behind its competitors.

Figure 1.8 Brand Awareness of E-grocery apps in Indonesia

Source: Populix (2024)

To address the challenges of low brand awareness, a smaller user base, and shifting consumer behavior post-pandemic, it is essential to understand the factors that influence users' continuous purchase intentions in e-grocery shopping. To explore this, the researcher carried out a pilot survey related to this study by interviewing 10 Titipku users who had previously purchased grocery products through the app but had not made any transactions in the 30 days leading up to September 10, 2024. The researcher asked about the challenges these users faced while buying grocery items via the Titipku app. From this key question, the researcher gathered several responses, including issues such as limited product variety, delayed deliveries, lack of product freshness, receiving incorrect product weights as informed in the app, high prices and delivery fees, and inconvenience in accessing the in-app features related to promotion.

The survey findings reveal several challenges faced by Titipku users, which hinder the consistency and satisfaction of users' shopping experience. As a result, focusing on fostering continuous purchase intention is crucial for Titipku. Enhancing repeat purchase behavior among existing customers is particularly important, given that acquiring a new customer is five times more expensive than retaining an existing one (Pfeifer, 2004). By understanding the factors that drive users' decisions to continue using the app, this study aims to provide Titipku with actionable strategies to strengthen its market position, improve customer loyalty, reduce churn, and ultimately enhance long-term profitability growth in the face of the uncertain future of the e-grocery market in Indonesia.

1.2 Problem Formulation and Research Question

Based on the research background, the increase in internet users accompanied by a rise in the digital literacy index indicates that the Indonesian people are becoming more prepared to adapt to using internet technology. One positive impact of this condition is reflected in the online shopping habits of consumers, which open significant opportunities for the digital economy in Indonesia, particularly through the e-commerce sector. E-grocery, as one segment of e-commerce, has shown significant growth, with various technology-based startups competing to capitalize on the vast potential of this segment. However, the changing consumer behavior of returning to offline shopping post-pandemic presents a major challenge for e-grocery service providers. In fact, several companies that were previously among the top 10 most favored e-grocery service providers in Indonesia have been found to close their operations, while others are facing efficiency issues. As an e-grocery service provider, Titipku also faces the uncertainty of the e-grocery market in Indonesia. Furthermore, Titipku currently lacks the brand awareness and number of users compared to its competitors. This situation raises the question of how Titipku can retain its existing users and encourage them to continue using the services provided amidst the uncertainty of the future of the e-grocery market in Indonesia.

According to research conducted by Galushko & Riabchyk (2024), e-grocery service users tend to stop using the service because they cannot see the products directly, which raises concerns about product quality. This is also relevant with

Eddi Danusaputro's statement if the e-grocery companies are facing the difficulties in maintaining the product quality and product availability (Katadata, 2023). Additionally, delivery times that do not meet expectations or are considered too long are other factors contributing to users discontinuing e-grocery services. Furthermore, 50% of consumers using e-grocery services feel that delivery fees and additional costs make grocery shopping more expensive, potentially hindering future use of the service (Asgari et al., 2023). However, a high level of convenience has been found to be a significant factor in why consumers continue to prefer online grocery shopping (Asgari et al., 2023). Based on these insights, the researcher aims to investigate whether factors such as Product Quality, Product Assortment, Customer Service, Price Value, Convenience, and Instant Delivery will influence Attitude towards the Titipku App and Attitude towards Grocery Delivery Shopping, then influence Continuous Purchase Intention Using the Titipku App.

E-grocery is a form of business-to-consumer e-commerce with the primary goal of selling daily grocery products online, focused on providing added value for consumers, shopping convenience, and fast delivery directly to customers (Ryadi et al., 2021). Product quality refers to the fundamental quality and appearance of a particular product, encompassing both subjective and objective elements related to the product itself (Zhang & Kim, 2021). Product assortment denotes the completeness of products, including their breadth, depth, quality, and availability whenever consumers need them (Amanah & Harahap, 2018). Customer service involves the assistance provided to consumers in resolving issues during their purchasing process, as well as the prompt responses offered to consumer complaints (Zhao et al., 2023). Price value is defined as the trade-offs between the final price paid by a consumer and the goods or benefits received (Zhao et al., 2023). Convenience relates to how consumers can utilize grocery delivery platforms to search for, select nearby stores and desired products, as well as make payments quickly and easily (Zhao et al., 2023). Instant delivery is a concept that enables products purchased online to be delivered safely and on time, fulfilling consumers' immediate needs for those products (Ding & Sun, 2020). Attitude can be understood as an overall evaluation of an individual toward others, objects, or specific issues (Huajian, 2024). Attitude toward a behavior refers to "the degree to which a person has a favorable or unfavorable evaluation or appraisal of the behavior in question" (Ajzen, 1991). Continuous purchase intention is defined by Lin et al. (2021) as the concept that reflects how frequently consumers intend to continue purchasing products from the same seller, representing their knowledge, satisfaction, and loyalty toward a specific product or platform. Previous research conducted by Zhao et al. (2023) has already investigated whether Product Quality, Product Assortment, Customer Service, Price Value, and Instant Delivery have an influence on Online Attitude towards Brick-and-Mortar Retailers and Attitude towards Grocery Delivery Platforms, and whether Online Attitude towards Brick-and-Mortar Retailers and Attitude towards Grocery Delivery Platforms impact Continuous Purchase Intention.

Based on the phenomena and insights found in the e-grocery market, the researcher aims to determine whether the factors of Product Quality, Product Assortment, Customer Service, Price Value, Convenience, and Instant Delivery will influence Attitude towards Grocery Delivery Shopping and Attitude towards the Titipku App, and whether Attitude towards Grocery Delivery Shopping and Attitude towards the Titipku App affect Continuous Purchase Intention Using the Titipku App. Therefore, the researcher formulates several research questions as follows:

1. What factors influence users' attitudes towards the Titipku app?
2. What factors influence users' attitude towards grocery delivery shopping?
3. How does attitude towards grocery delivery shopping influence attitude towards the Titipku app?

4. How do attitude towards the Titipku app and attitude towards grocery delivery shopping influence users’ continuous purchase intention using the Titipku app?

1.3 Research Objectives

Based on the problem formulation that has been outlined, the objectives of this research include:

1. To identify the factors that influence users’ attitude towards the Titipku app.
2. To identify the factors that influence users’ attitude towards grocery delivery shopping.
3. To explore how attitude towards grocery delivery shopping influence attitude towards the Titipku app.
4. To analyze how attitude towards the Titipku app and attitude towards the grocery delivery shopping influence users’ continuous purchase intention using the Titipku app.

1.4 Research Benefits

The researcher hopes that the results of the study will be beneficial, in terms of practical benefits, academic benefits, and researcher benefits.

1.4.1 Practical Benefits

The researcher hopes that the results of this study can provide insights that Titipku can utilize to optimize its marketing strategies and improve the e-grocery services offered. The findings of this research are expected to demonstrate how online grocery shopping experience attributes can influence users' intentions to continue shopping for groceries through the Titipku app.

1.4.2 Academic Benefits

The researcher hopes that the results of this study can serve as a recent reference that can be used as a guide to understanding the development of the e-grocery market in Indonesia, particularly in providing insights into the factors that influence consumers' intentions to continue shopping through e-grocery services post-COVID-19. This research is also expected to contribute to the literature on sustainable shopping intentions, influenced by online grocery shopping experience attributes such as Product Quality, Product Assortment, Customer Service, Price Value, Convenience, Instant Delivery, and Attitude.

1.4.3 Researcher Benefits

Through this research, the researcher hopes to gain a deeper understanding of the dynamics of the e-grocery market in Indonesia, specifically regarding consumer shopping behavior. This study serves as an opportunity for the researcher to sharpen critical analytical skills in accordance with appropriate research methodology standards. Additionally, this research will assist the researcher in developing effective and innovative marketing strategies to be applied in the company where the researcher works, which is at PT Terang Bagi Bangsa (Titipku).

1.5 Scope Limitation

The criteria for respondents in this study are individuals who have made purchases through the Titipku app and have successfully received their ordered products. Specifically, respondents must be decision-makers for household grocery shopping, reside in the greater Jakarta area, including Tangerang, Tangerang Regency, South Tangerang, North Jakarta, West Jakarta, East Jakarta, South Jakarta, Central Jakarta, Depok, or Bekasi, and have an average online grocery transaction frequency through the Titipku app of at least 1.00 per month over the past six months (from April 10, 2024, to October 10, 2024). This research focuses on nine variables, which include Product Quality, Product Assortment, Customer Service, Price Value, Convenience, Instant Delivery, Attitude towards Grocery Delivery Shopping, Attitude towards the Titipku App, and Continuous Purchase Intention Using the Titipku App.

1.6 Writing System

The structure of the writing for the research titled "**Factors Influencing Consumers' Continuous Purchase Intentions Towards E-Grocery Shopping: A Case Study of Titipku**" consists of five interconnected chapters. The systematic outline of this research is as follows:

Chapter I : Introduction

In the Introduction, the researcher outlines the background that serves as the foundation for why this study is conducted. This chapter includes the problem formulation and research questions, objectives of the study, research benefits, research scope and limitations, and the writing system of the study.

Chapter II : Theoritical Framework

In the Theoretical Framework, the researcher elaborates on the fundamental concepts, theories, and definitions of several variables used in the study. The researcher then discusses the research model, research hypotheses, and findings from previous studies that can support this research.

Chapter III : Research Methodology

In the Research Methodology, the researcher outlines the research object, research design, and the approach used to define the scope of the study and data collection methods. The researcher then discusses the operationalization of variables and the techniques employed to process and analyze the data in order to address the research questions.

Chapter IV : Analysis and Discussion

In the Analysis and Discussion, the researcher discusses the results of the analysis of the collected data. The researcher then provides a detailed interpretation of the findings in relation to the hypotheses developed in the theoretical framework chapter. Additionally, the researcher compares the findings with previous studies to evaluate the relevance of the results obtained.

Chapter V : Conclusions and Recommendations

In the Conclusion and Recommendations, the researcher presents the conclusions drawn from the research findings. Based on these conclusions, the researcher provides several recommendations for relevant stakeholders related to this study.