CHAPTER I

INTRODUCTION

1.1 Research Background

Indonesia's digital landscape has undergone a remarkable transformation, with internet penetration reaching 69.8% in 2020 and projected to rise to 82.53% by 2026 (Statista, 2023). A 2022 survey by DataReportal highlighted that 62.6% of internet users aged 16 to 64 actively engage in e-commerce, signaling significant potential for growth in the sector. In 2022, Indonesia's e-commerce Gross Merchandise Value (GMV) reached US$51.9 billion, the highest in Southeast Asia (Momentum Works, 2022). The integration of Tokopedia into the GoTo conglomerate, following its merger with Gojek in 2021, has become a key development. A 2023 study by LPEM FEB UI found Tokopedia and GoTo contributed IDR 349-428 trillion to Indonesia's GDP, about 1.8% - 2.2% of the national GDP, and employed 1.7 million individuals, or 1.2% of the workforce. Tokopedia's social impact is also notable, uplifting 24,600 people from poverty and reducing income inequality, as seen in a 4.43% decrease in the Gini coefficient. As Indonesia's digital penetration grows, Tokopedia and GoTo's impact on the economy and society is set to expand.

However, like many startups globally, GoTo has faced significant challenges, particularly following its IPO in March 2022. Amid the "Startup Winter," which saw a 42% drop in global startup funding and a 65% decrease in venture capital for Southeast Asia in 2023 (Rasyid, Sumirat, & Rahadi, 2022), GoTo reported a 68.5% decline in value post-IPO. In 2022, GoTo posted a loss of IDR 40.4 trillion, and by Q3 2023, the company reported a loss of IDR 9.6 trillion, an improvement from the previous year's Q3 loss of IDR 20.9 trillion. These figures reflect GoTo's ongoing struggle to achieve profitability, despite its significant market presence. This backdrop sets the stage for a deeper analysis of Tokopedia's role within GoTo's broader financial and strategic context.

Advertising has emerged as a transformative force within the GoTo ecosystem, contributing approximately 30% of the company's annual revenue (GoTo Gojek Tokopedia Annual Report, 2022). Advertising revenue has grown consistently from IDR 17.6 billion in 2018 to IDR 623.4 billion in 2022, underscoring the significant potential of advertising platforms within Tokopedia and GoTo. Globally, paid search advertising, a cornerstone of e-commerce platforms, has seen rapid growth, surpassing 50% of e-retailers' ad spending (Dai & Luca, 2017). Search ads are particularly effective because they combine measurable results with customization, allowing advertisers to target user-specific needs and behavior (Yang & Ghose, 2010; Li et al., 2016). Tokopedia's search ads are a key area for optimization, providing valuable opportunities to enhance user experience and drive platform revenue.

Search ads generate revenue when buyers click on product ads displayed in search results, with revenue deducted from the seller's ad bidding top-up. The Click-Through Rate (CTR) is a key business metric, measuring the percentage of users who click on these ads after seeing them. Industry benchmarks indicate that CTR for search ads on major platforms like Google Ads, Facebook, and Amazon typically ranges from 2% to 6% (WordStream, 2023), highlighting that a significant portion of impressions do not lead to clicks. For Tokopedia, this presents a clear opportunity: optimizing search ads could increase CTR, driving higher revenue from ad clicks.

The author hypothesizes that both visual and human factors influence the competition for attention on Tokopedia's search results page, impacting CTR. Concepts like banner blindness, where users overlook ads even when they are relevant, could be a key factor in reducing engagement with search ads (Divita & Meera, 2017). While prior research focuses largely on quantitative aspects like algorithms and conversion rates (Goldman & Rao, 2016; Jeziorski & Segal, 2015), there is limited exploration of the qualitative aspects of visual presentation and attention competition in the context of CTR improvement. This study aims to address this gap by examining how visual and human attention dynamics affect

CTR in Tokopedia's search ads, providing insights that could enhance ad performance and revenue generation.

1.2 Problem Formulation

The author hypothesizes that understanding the interaction between visual and human factors—specifically the competition for attention—can significantly influence user decision-making on Tokopedia's Product Search Page. In this context, the decision to click on a product, especially an ad, is pivotal. By examining this interaction, strategies can be developed to optimize ad presentation and improve the Click-Through Rate (CTR), ultimately boosting Tokopedia's revenue from ads and supporting its business sustainability.

To begin, we will explore the presentation aspect, which has been studied under the concept of visual hierarchy in mobile app user interaction design. This includes factors such as placement, size, color, and other visual elements that effectively direct user attention toward specific goals. On the human side, we will investigate psychological phenomena like banner blindness and selective attention, which affect how users engage with ads. These phenomena will be analyzed within the framework of decision-making models, particularly in the context of Tokopedia's search results page.

The average CTR on platforms like Tokopedia remains low, typically ranging from 2-6%. While research on visual hierarchy and user attention has been conducted, it does not fully address how these factors specifically influence CTR on Tokopedia's Product Search Page. This study aims to fill this gap by exploring how visual design elements and psychological phenomena such as banner blindness and selective attention interact to shape ad engagement and CTR. This leads to the following key research questions:

1. How does the visual hierarchy of Tokopedia's search results page influence user attention and the Click-Through Rate (CTR) of product ads?
2. What impact do psychological phenomena, such as banner blindness and selective attention, have on user interaction with product ads on Tokopedia's search page?

3. What strategies can Tokopedia adopt in its ad presentation to enhance CTR and increase revenue generation?

1.3 Research Objectives

The primary objective of this research is to systematically investigate and enhance the effectiveness of paid search advertising within the dynamic digital marketplace of Tokopedia, especially in the aftermath of its integration into the GoTo conglomerate. The overarching goal is to gain comprehensive insights into the complex dynamics of user interactions, visual presentation, and strategies to mitigate banner blindness. Specifically, the research aims to understand how users interact with Tokopedia's Search Result Page, examining the influence of visual elements such as color, size, and alignment, guided by principles of visual hierarchy inspired by Gestalt psychology. Additionally, the research seeks to identify manifestations of banner blindness within the Tokopedia app, quantify its impact on user satisfaction, and propose effective strategies to mitigate its effects. Through a user-centric lens, the objective is to provide actionable recommendations for Tokopedia to optimize its search ads, aligning them with user expectations to enhance overall user satisfaction and advertising effectiveness.

1.4 Research Significance

Academic Contribution:
1. Address a critical gap in existing literature by delving into nuanced user experiences within visually intricate e-commerce environments, with a specific focus on Tokopedia.
2. Contribute to a deeper understanding of user-centric dynamics in digital marketplaces, shedding light on the impact of visual dynamics and banner blindness on user satisfaction.

Practical Implications:
1. Empower Tokopedia with insights to refine advertising strategies, offering a roadmap for optimizing search ads and improving user engagement.

2. Provide practical recommendations that align with user expectations, contributing to the stability, recovery, and sustained growth of Tokopedia and GoTo within Indonesia's evolving digital economy.

Industry and Global Insights:

1. Inform broader digital marketing strategies, not only for Tokopedia but also contributing valuable insights to the global discourse on user-centric advertising in e-commerce platforms.

2. Influence the wider digital marketing landscape by offering applicable insights into enhancing user satisfaction and advertising effectiveness, impacting e-commerce platforms globally.