

CHAPTER I

INTRODUCTION

1.1. Research Background

As the COVID-19 pandemic exploded worldwide in early 2020 and hindered marketing performance globally, it meant that most business activities had to be carried out online. It emerged, creative ideas and innovations from retailers to trade their goods/services. As an attractive and lucrative retail marketing evolution, social shopping combines e-commerce with social media best practices. Facebook's 2020 launch of the Instagram Store specifically targets Amazon by blending e-commerce with the world's largest social media site. Global social exchange demand is expected to increase at an increasing pace of 31.4 percent amid the COVID-19 crisis. By 2021, social spending will increase as customers stick to digital and e-commerce habits and conventional retailers quickly adapt to the post-COVID-19 climate. However, this growth has mainly occurred in industrialized countries such as the United States, China, etc., but not in developing countries such as Madagascar, where less than 15% of the population is on the Internet (unctad, 2018).

As a developing country, the Madagascar community began to recognize social commerce in the 2010s, through Facebook. Recently, with the covid health protocol, more and more retailers have launched their products and services into social commerce. As a form of government awareness of this, the Malagasy Ministry of Industry, Trade and Crafts released on Thursday 6 February 2020 a technical sheet on e-commerce surveillance in Madagascar (Tsialonina P., 2020). This technical sheet covers several policies and laws regarding online commerce, including social commerce. However, beyond the legal framework, many reforms remain necessary to promote the development of electronic commerce and a national strategy must be developed as part of a larger plan for the development of the digital economy in Madagascar. Most of the digital commerce in Madagascar is carried on Facebook platform. The amount of retailers on facebook is greater than

online commerce in general. Lee, (2020) discovered where Internet users shop online: at online stores and/or on Facebook:

Table 1. 1
Online Store vs Facebook

Location of online shopping	Percentage
e-commerce	42.37
Social commerce (facebook)	77.97

Source: (Lee,2020)

Through Facebook, social commerce has taken root in the Malagasy economy but is still in its early stages. Its market performance is not as good as in developed countries. Most people have not made social commerce their main choice to fulfill their shopping needs. Based on the survey conducted by Lee, (2020) in an article entitled "L' e-commerce à Madagascar", 40% of internet users in the Urban region (where most of the e-commerce activities take place) have already made at least one purchase on e-commerce and only 10% of them were truly satisfied from the transaction. While 60% continue to shun online commerce for unknown reasons. One of Lee's assumptions for why this is happening is the lack of trust in e-commerce. Lee also stated that the first reason that slows down purchases in Madagascar is the lack of internet access.

As of the current condition, especially since the pandemic covid-19, the ability to access the internet is becoming crucial to the seamless operation of a business. Internet access is the ability of an individual or organization to connect to the Internet through different types of devices such as smartphones, tablets etc. to access services such as email and the World Wide Web (McKnight, 2001). In this study, the internet access reflects the real general conditions of internet accessibility in Madagascar which includes monetary expenses (e.g. service cost, product cost and so on.) and non-monetary expenses (e.g. geographic conditions, quality of the internet network, etc.) to access the social commerce. Urumsah, (2015) stated that facilitating conditions such as appropriate hardware, software and internet accessibility positively impact the e-services. This argument is corroborated by

Soto-Acosta et al., (2014), saying that there is a positive relationship between customer purchase intentions on e-commerce and internet experience. By considering the data showed above, means that only a small part of the population on the urban region is interested on e-commerce or precisely on social commerce. But why exactly?

Social commerce has begun to take hold in the Malagasy economy, but before it becomes an engine of economic opportunity on the fourth-largest island in the world, more work needs to be completed. The nation must plan to ensure that its enterprises will succeed in the rapidly changing global economy. To achieve this, many things must be done, one of which is by knowing the marketing mix of social commerce and the attitude of customers in general. The marketing mix is a concept that must be mastered for business success. Within the context of marketing, Solomon (2009) describes customer attitude as a composite of a consumer's beliefs, sentiments, and behavioral intentions toward a product. Kartawinata et al., (2020) affirm that marketing mix and also consumer's attitude had positive impact on product's purchase intention. Moreover, Bhatti, (2018) stated that attitude plays a significant role in predicting online shopping and actions. Consumer attitudes may be positive or negative when buying a product, and attitude is a collection of emotions that influence and alter consumer behavior. In addition, customer attitudes have a positive effect on purchasing intent and behavior. Here, the purchase intention is referred as the degree to which a customer is willing to purchase goods via social commerce (Solomon, 2009). Furthermore, it is believed that the relationship between intention and behavior is based on available knowledge, and that the consumer's attitude will strengthen the relationship between purchase intention and attitude on social commerce.

Table 1. 2
The Goods most Bought in Social Commerce in Madagascar

Product category	Percentage
Fashion: clothes, accessories etc.	54.24
High Tech products	38.98
Food	25.82
Furniture and decoration	13.56
Others	33.90

Source: (Lee,2020)

Most of the traders in social commerce in Madagascar nowadays, focus on the fashion sector, namely clothes, accessories, etc (See Table 1.2). One of the most popular and successful social commerce shop in Madagascar is Coulisses. Established in 2018, currently he has around 234035 followers. This social commerce shop, focuses its business on selling clothes and accessories for both men and women with a variety of quite classy brands. This shop will serve as the object of research in this research. Basically, the sales concept implemented by Coulisses is exactly the same as the concept used by the social commerce shop in Indonesia. Namely, the customer looks for the desired item, then orders it via private chat by filling in the required data such as name, cellphone number, address etc. Then, payment is made by transferring money directly to the store admin. After that, the shop will arrange for the shipment while the buyer just waits for the ordered items to arrive.

Although some people are familiar with and use this service, but most people are still unfamiliar with the use of this technology. Considering the people's habit so far is to buy at traditional shops/markets, namely by seeing or trying the products directly, then buying them with cash. So that online marketing to meet consumer needs is a challenge that marketers must consider. This is because consumers have more risk considerations when deciding to purchase products online compared to considering conventional or offline product purchases (Hansen et al., 2004). Besides, introducing online purchasing patterns to consumers for fashion products requires a different marketing strategy from offline product marketing or any other online business.

Peters et al., (2013) showed that social media is fundamentally different from all traditional online media and other online media because of its social network structure and egalitarian character. However, the challenge is to successfully drive consumers' willingness to buy products on social media sites. According to Wang & Zhang, (2012), social shopping platforms benefit customers by combining analysis and shopping into a single process. Sellers cannot merely employ the traditional enterprise-based 4P-mix: product, promotion, place, and pricing, or the individual-based 4C-mix: communication, cost, convenience, and customer needs as marketing techniques in this current period, especially in the context of Social Commerce. At present moment, social networking may be utilized to increase two-way connection, shared awareness, and encourage individuals to use social commerce by communicating more effectively with consumers at various levels of links, such as friends, family, coworkers, and other prospective customers. Often, sellers use a combination of campaign plans and marketing mixes. Each customer is surrounded by an unseen social network, and social sellers must utilize marketing activities such as interactive communications, often known as social media marketing or SMM, to influence this network (Hoffman, 2010). Unlike the traditional marketing mix, however, the strategic SMM mix in Social Commerce (SC) has gotten little attention thus far.

Social commerce is an e-commerce subcategory that uses social media to sell and purchase goods and services over the internet. Unlike the 4C's specialty marketing, SMM is immersive marketing that stimulates customer alliance in buying beyond its aims of brand awareness, brand engagement, and word-of-mouth. It encompasses actions such as exchanging information about events, commodities, services, and brands via social Web 2.0 sites such as blogs, microblogs, social networks, and video sharing sites, among others. In the SC sense, the traditional one-way linear marketing communication model has evolved into a two-way interactive SMM model (Hoffman, 2010). Because of the widespread use of social networking, sellers are now confronted with a wide variety of social networks, each of which contains buyers and their different connections, rendering SMM extremely important to the performance of sellers' SC programs. The bedrock

of the social commerce marketing mix (SCMM) is undeniably the strategy mix of social media marketing in Social Commerce. This SCMM concept is a concept adapted from the 4C's marketing mix. It was put forward by Wu & Li, (2018a), where this concept is used to analyze customer value and customer loyalty. According to Wu and Li's analysis, the SCMM for targeting customers in social commerce is operationalized using 6Ss derived from 4Cs (see Figure 1.1), namely social capital, social identity, social influence, social commerce need, social commerce risk, and social commerce convenience.

The main difference between the SCMM and 4C's marketing mix lies on the communication component. In the SCMM there are two types of communication which is pull mode and push mode. The pull mode which is social capital and social identity. The social capital is referred to the interpersonal relationships, organizations, and other social properties of a community or entity that can be used to achieve an advantage. This relationship is based on norms, trust and social network. The social identity is described as the feeling of who an individual is based on their involvement in a community. In contrast, the push mode which is the social influence referred as the overt or implied belief that an individual's behavior is conditioned by how significant others perceive him or her as a result of that behavior. The other component of SCMM is quite similar to the 4C's marketing mix. The social commerce need which is related to customer's need is defined as the specific products/services that customers want to buy through social commerce. The social commerce risk which is related to cost is perceived as the feeling of worry about the mismatched expectation toward the transaction in social commerce (monetary and non-monetary risk). The social commerce convenience which is related to convenience is perceived as the time and money saved by consumers when buying goods.

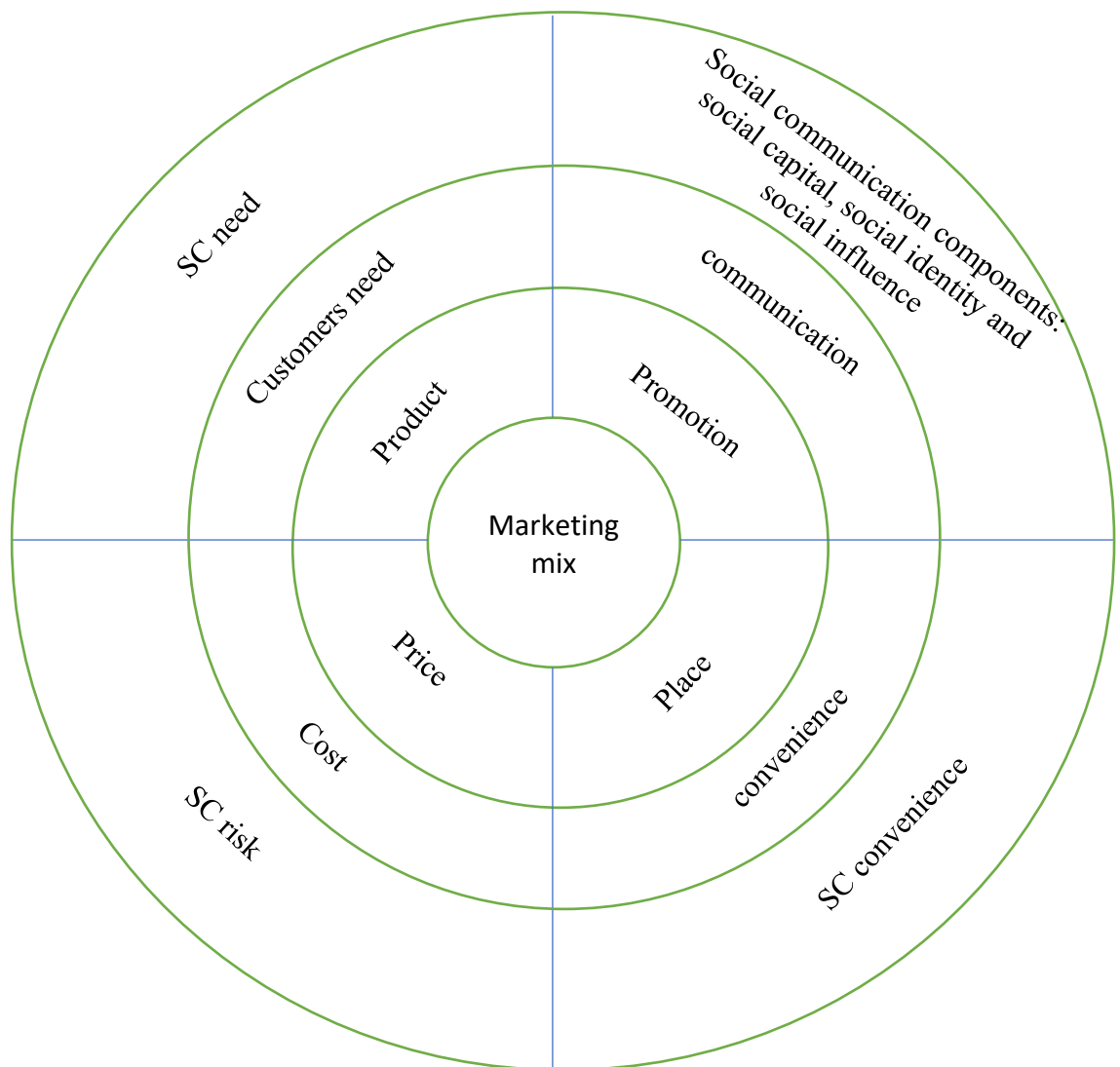


Figure 1. 1 The New 6Ss for Social Commerce Marketing

Various previous study has been conducted on social commerce marketing mix, consumer's attitude and its effects on purchasing intention on social commerce. Peña-García et al., (2020a) conducted a study to investigate the main factors influencing e-commerce adoption in online stores using social psychological elements such as attitude, subjective norms, perceived behavioral regulation, ease of use, and perceived usefulness, as well as non-traditional elements such as purchasing instinct, compatibility, and self-efficacy in a cross-cultural environment. Self-efficacy in online retailers, according to the findings, is a critical component in accepting e-commerce over national culture. The article

presents many factors that influence online purchasing intent among consumers in developing countries and finds significant differences among consumers in developed countries. It is then recommended to explore other emerging countries' attitude toward e-commerce with some more specific variable that affects purchase intention.

According to Kartawinata et al., (2020) on their research result, customer attitude is able to mediate the green marketing mix of product purchase intentions. Zaremohzzabieh et al. (2020a) conducted research with the goal of meta-analytically combining the model of green buying behavior (GPB) with the theory of attitude (TPB). According to the findings, consumer attitudes mediated the development of green purchasing intent. Future study might assess the predictive potential of various models in defining consumer preferences and purchase intentions, as well as take into consideration unique moderators, based on the research constraints.

Another study conducted by Wu & Li, (2018b) intends to construct an integrated model based on the stimulus-organism-response model to investigate the impacts of six marketing-mix components on consumer loyalty via consumer value in social commerce. According to the findings, all elements of the SCMM namely; structural capital, social commerce convenience, social influence, social commerce risk and cognitive capital have a major impact on Social Commerce customer value. Furthermore, Social Commerce consumer value affects Social Commerce customer loyalty in a favorable way. It is indicated on the research implication that to improve the study's generalizability and data representativeness, replication studies are needed. In order to demonstrate the causality of the structures in the proposed research model, longitudinal studies are required. Based on these research gaps, this study is carried out to explore furthermore about all the components of the social commerce marketing mix, the consumers' attitude, and the purchase intention with a specific moderating variable. It is expected that this study can offer some new solutions to the problems that occur in Madagascar's social commerce.

The fact that social commerce in Madagascar is not developing as it is supposed to, and the unknown reasons people continue to shun social commerce,

that's why in this research, we examine the feasibility of the marketing mix of social commerce that varies from the conventional mix of online marketing. We analyze the customers' attitude in Social Commerce and define the antecedents of purchasing intention. A simple model is built in Figure 2 based on the cognitive, affective, and conative models (Addison & Chou, 2003). SCMM is conceived as the cognitive in this model when the consumers' attitude is the affective and the conative is purchasing intention. The cognition–affect–conation paradigm provides a strong framework for understanding the three fundamental phases of the consumer purchase process: thinking, feeling, and acting or doing. At the cognitive stage, customers become aware of the product and begin to gather knowledge about it. After being informed about the product and establishing either favorable or negative sentiments about it, consumers progress to the emotional stage. Then, at the conative stage, the clients' feelings are transformed into actions (Han & Choi, 2019). The central claim (Figure 1.2) is that the creation of purchase intention begins with the cognitive input of SCMM, then moves on to the emotive process of consumers' attitudes, and lastly to the conative output of purchasing choice. Prior studies, Yarimoglu & Gunay, (2020) point out that attitude is one of the frameworks that best describes the buying intention of consumers. Thus, customers' attitude may be a proxy for the affective phase of Social Commerce. SCMM components may also be used to analyze the cognitive nature of SCMM, however they are rarely explored in the literature. As Social Commerce becomes more integrated into our daily lives, the lack of a corresponding SCMM study drives us to investigate SCMM and how this combination effects the purchase intent of customers in Social Commerce.

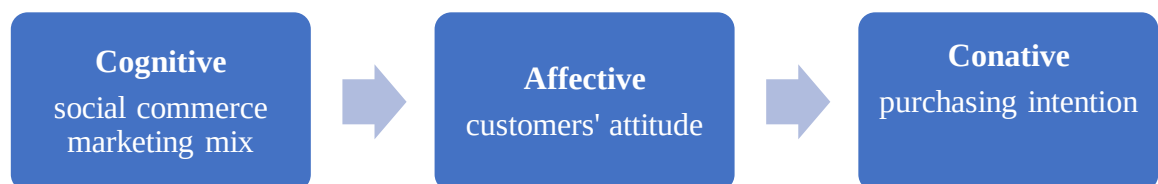


Figure 1. 2 Simple Model based on Cognitive, Affective, Conative Theory

1.2 Problem Formulation

1. Does social commerce marketing mix affect the consumer's attitude?
2. Does customers attitude toward social commerce affects purchase intention?
3. Does internet access moderate the relationship between attitude and purchase intention?

1.3 Research Purposes

1. To analyze and provide empirical evidence regarding the influence social commerce marketing mix on the consumer's attitude
2. To analyze and provide empirical evidence regarding the influence of Consumer's attitude (attitude) on purchase intention
3. To know whether internet access have an important role in social commerce in Madagascar.

1.4 Benefits of Research

1. Knowing the influence of social commerce marketing mix and attitude on purchase intention
2. Knowing the effect of internet access on social commerce in Madagascar
3. To get a solution to the problems that occur in social commerce in Madagascar