CHAPTER I
INTRODUCTION

1.1. Research Background

In today's e-commerce landscape, online shopping has become one of the most popular ways to shop, as it offers both effectiveness and efficiency in an increasingly instant world. Competition between global and local e-commerce platforms is intensifying, with each platform striving to satisfy customers through quality products, user-friendly features that simplify shopping, and reliable product delivery. Due to this competitive environment, companies must not only replicate the successful strategies of market leaders but also innovate continuously to stay a step ahead (Maio & Re, 2020).

As technology continues to reshape industries, e-commerce has transformed consumer shopping behaviors, providing a new level of convenience and an expansive variety of options. Since internet access has become widely available, consumers have become more discerning, increasingly choosing online shopping not only for the broad product selection that was previously unavailable but also for the convenience it offers (Appel et al., 2020). Online shopping is no longer just about convenience; it's about access to a selection that was once unavailable, including niche and specialty products, unique brands, and international goods, all delivered with just a few clicks.

With this shift, e-commerce platforms have rapidly evolved, focusing on leveraging advanced technology to provide accessibility, convenience, and enhanced consumer experiences for both buyers and sellers. As a result, numerous e-commerce platforms have emerged, each designed to facilitate online shopping and transactions, ranging from global leaders like Amazon (US), Taobao (China) and Alibaba (China) to local giants like Shopee (South east asia), Lazada (South east asia), Tokopedia (Indonesia) and many more.

Source : Channelengine.com

Figure 1.1 Top marketplace logos

The rapid growth of well-established e-commerce sites such as Amazon, Alibaba, and Shopee has shown stable progress in the market, but this growth has also intensified competition. As platforms grow in size and become recognized by more consumers, limitations within their core models can arise, necessitating continuous improvement and innovation (Liu et al., 2021). these established e-commerce players must balance scale with adaptability, ensuring that they not only meet the diverse demands of a global customer base but also remain agile enough to respond to the rapidly shifting digital landscape.

Among the major e-commerce platforms, Amazon has become a role model for others due to its commitment to continuous innovation and its drive to be the best in satisfying consumers. Amazon, has applied this model of ongoing innovation, enabling it to secure a leading position as the world's top e-commerce company, creating a stable, successful market presence. Offering billions of products across diverse categories, Amazon attracts millions of daily users worldwide, establishing itself as the largest e-commerce platform globally, with net sales that exceed those of any other e-commerce company and continue to grow each year.

Projected Net Sales For Major E-Commerce Platforms In 2024
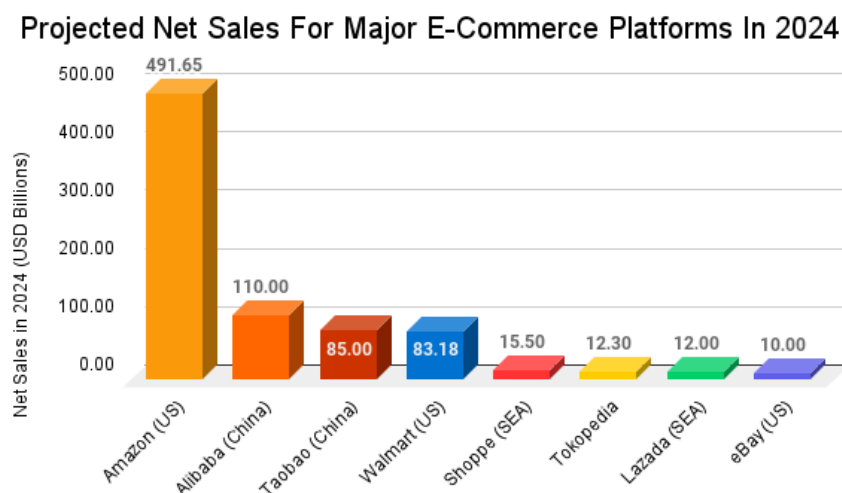
Source : Data processed in 2024

Figure 1.2 projected net sales for gobal e-commerce 2024

based on data above, we can take a conclution amazon have the most highest net sales in 2024 compared to the other e-commerce. Amazon so far in 2024 which is on the third quarter sales of the year have net sales of 491.65 Billion US Dollar. This makes it significantly higher than other e-commerce platforms. Alibaba as we known as also a big e-commerce from china that have shipping around the world just make 110.00 Billion US Dollar of net sales in third quater of 2024. This make it the second largest e-commerce based on net sales. Followed by taobao with 85.00 Billion USD of net sales as the third biggest e-commerce, walmart with the net sales of 83.18 Billion USD, shoppe which is the biggest e-commerce in south east asia have 15.50 Billion USD, etc.

The success of Amazon can also be attributed to its effective organizational structure, developed under the leadership of Jeff Bezos. According to a thesis by (Daniel J. Rivet, 2017) Bezos implemented a company structure that fosters innovation. Amazon strategically uses advanced technologies to optimize customer order processes, making shopping faster and easier (Akbarov, 2023). Technology is a key factor in Amazon's success, allowing the platform to offer a seamless online shopping experience (Mbayo Kabango & Romeo Asa, 2015). As part of its commitment to enhancing customer experience, Amazon has introduced various innovative features, among which flash sales and AI-powered product reviews stand out as notable advancements. These features play a crucial role in influencing consumer behavior in indonesia by shaping purchase intentions and enhancing the shopping experience through personalized recommendations and time-sensitive deals. ompared to other features on Amazon,

flash sales and AI-driven review analyses are particularly effective to increase costumers purchase intention

Flash sales, a widely-used marketing strategy in e-commerce, offer time-sensitive discounts on select products, creating urgency that encourages impulse purchases (Martaleni et al., 2022). In flash sale scenarios, high discounts are offered for limited periods, with available items frequently changing across sale periods. This not only attracts users but also fosters period-specific preferences driven by the anticipation of exclusive discounts (Li et al., 2022). Flash sales leverage consumer psychology, often triggering impulsive buying behavior as customers experience the fear of missing out on exclusive deals. For Amazon, flash sales have proven to be a powerful tool to boost sales volume, particularly during peak seasons, as they attract a large volume of buyers in a short period. Research by Shihab & Siregar (2023) emphasizes that flash sales can serve as a catalyst for consumer intention, with the visibility of these promotions sparking purchasing intent and attracting new customers to the platform.
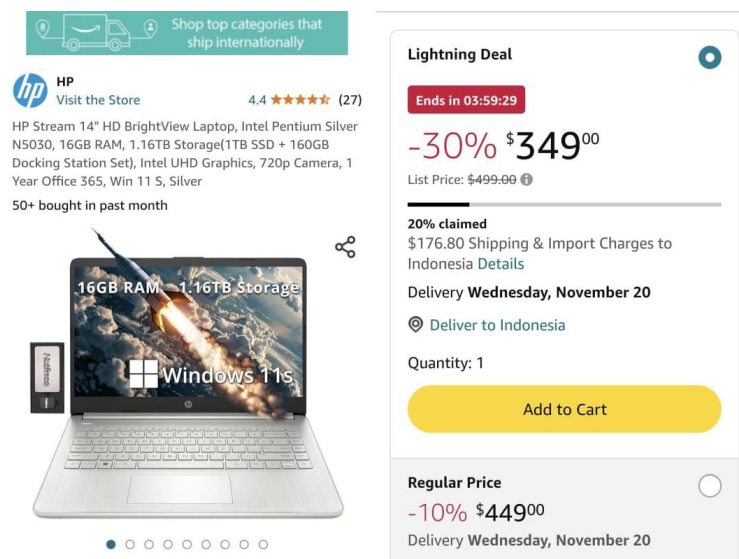
Source : amazon.com

Figure 1.3 Flash Sale On Amazon Product

The figure above shows an Amazon product, an HP laptop currently on flash sale with 4 hours remaining. The original price is 499 USD, but due to the flash sale, it has been discounted by 30% to 349 USD. With limited time and an appealing discount, people may experience a fear of missing out, The feeling of FOMO, or 'fear of missing out,' can act as a powerful motivator, sparking consumers' desire to make a purchase before the opportunity passes. This sense of urgency often heightens their engagement, encouraging them to act quickly to secure the product at the best possible deal. As a result, FOMO not only drives immediate shopping interest but also significantly boosts purchase intention.

In addition to flash sales, AI-powered product reviews represent another innovative approach that profoundly impacts consumer decision-making. Artificial Intelligence (AI) has become an integral part of daily life and work, influencing various sectors, including e-commerce (Hornberger et al., 2023). Within the e-commerce industry, AI has transformed business operations, enhancing the customer experience and helping to build brand trust (Samar Fatima, 2023). Product reviews on e-commerce platforms are a critical component of online shopping, as consumers frequently rely on these reviews to make informed purchasing decisions (Kollmer et al., 2022). Reviews on Amazon, in particular, play a vital role in shaping purchase intentions, as they allow customers to assess product features and compare them with competitors (Sinnasamy & Sjaif, 2022).

AI-powered product reviews, introduced on Amazon in 2024, utilize sophisticated algorithms to offer personalized, relevant, and trustworthy feedback. These AI systems analyze vast amounts of customer data, extracting meaningful insights to help potential buyers make well-informed decisions. By providing accurate product assessments and recommendations, these AI-driven reviews reduce uncertainty, build consumer trust, and increase the likelihood of purchase (Pillarisetty & Mishra, 2022). Additionally, AI reviews help to streamline the customer experience, providing relevant information and product suggestions based on past purchasing behavior, thereby enhancing the personalization of the platform.

Source : amazon.com

Figure 1.4 AI-Generated Costumer Reviews

The figure above is an example of an AI-generated product review based on customer reviews of an HP laptop. Customer reviews are processed and analyzed collectively, and AI

generates a summary to make it easier and faster for potential customers to understand, thereby increasing purchase interest.

As Indonesia continues to grow as a digital-savvy nation, there has been an increased awareness of both local and global e-commerce among its residents. The widespread availability of the internet allows Indonesians to meet their shopping needs across various categories. For many, shopping on Amazon has become increasingly appealing due to the availability of high-quality products not found on local platforms. In particular, Amazon's recent innovations, such as AI-powered product reviews and frequent flash sales, are likely to impact purchase intention among Indonesian consumers.

Given this context, this study seeks to explore and analyze the influence of Amazon's flash sales and AI-powered product reviews on consumer purchase intention in indonesia toward amazon product. These factors are expected to provide insight into how modern e-commerce strategies can affect local consumer behavior. Based on this overview, the author aims to further investigate these phenomena under the title: "The Influence of Flash Sales and AI-Powered Product Reviews on Purchase Intention of Amazon Products in Indonesia".

1.2. Research Limitations

To ensure the research remains focused and does not deviate from its objectives, several limitations are established. This study is limited to three main variables: flash sale (X) as the independent variable, AI-powered product review (Y) as the intervening variable, and purchase intention (Z) as the dependent variable. The scope of the study is restricted to Amazon products, specifically targeting consumers in Indonesia, and therefore, the findings may not be directly generalizable to other e-commerce platforms or regions. A quantitative approach is employed, with data collected through an online questionnaire distributed to 100 respondents who have previously accessed or purchased Amazon products. The grand theory used in this research is consumer behavior, which serves as the basis for analyzing how the interaction between promotional strategies and AI-based reviews influences consumer purchase intention.

1.3. Problem Formulation

Based on the research background that already been explained, we can take a conclution such as :

1. Does flash sale have a positive influence on the purchase intention of Amazon products in Indonesia?

2. Does AI- Powered product review have a positive influence on the purchase intention of Amazon products in Indonesia?

3. Does flash sale have a positive influence on purchase intention of Amazon products in Indonesia with AI-powered product reviews as an intervening variable?

1.4. Research Objectives

The objectives of this research is :

1. To determine wheter flash sale have a positive impact on the purchase intention of Amazon products in Indonesia

2. To determine wheter AI- powered product review a positive impact on the purchase intention of amazon product in indonesia

3. To determine wheter flash sale have a positive impact on the purchase intention of Amazon products in Indonesia with AI-powered product reviews as an intervening variable

1.5. Benefit Of Research

1. Theoretical Benefits

   a. For The Author

   This study is expected to provide theoretical insights into consumer behavior related to digital marketing strategies and contribute to the development of ecommerce marketing theory. It is expected that this study will continually enhance the author's knowledge and experience, enabling ongoing scholarly work and the production of further research.

   b. For the unversity

   This research is anticipated to contribute and serve as a reference for both the university and the faculty student, especially for the Faculty of Economics and Business, Bachelor of Management program.

2. Practical benefit

   This research aims to benefit Amazon by providing valuable insights into digital marketing strategies to achieve purchase intention of costumer in indonesia. The findings can be used for evaluating and improving Amazon's digital marketing strategies to meet costumer intention purchase effectively.

1.6. Research Scope

The author has defined the scope of this study to be more focused and systematic. The scope of the research is as follows:

1. This research is limited to the field of marketing management

2. The aspect studied include flash sale, AI powered product review and purchase intention

3. The research object are indonesian who use or have used global E-Commerce platform, particulary Amazon