

## Adoption of Cash on delivery (COD) Payment System in Tokopedia Marketplace Transaction

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### ABSTRACT

Everyone is connected to the internet, everyone now trusts buying and selling activities on the internet, and currently the internet world has sufficient security. The growth of marketplace platforms such as Tokopedia makes it easier for people to make purchases just from home. The Cash on Delivery (COD) payment system is an option for people who want easy direct payments. The COD payment method has many benefits, especially in avoiding fraud. Apart from having advantages, the COD system also has disadvantages, one of which is that customers do not want to pay for the products sent and blame the courier. This conceptual paper uses the UTAUT development theory. The sampling technique in this study used nonprobability sampling. This technique is a sampling technique that is selected based on subjective judgment. The sampling method used is purposive sampling. The sample in this study were consumers who have used and purchased green cosmetic products in Indonesia. The research model used is Structural Equation Modeling (SEM) with the Partial Least Square (PLS) approach.

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## INTRODUCTION

The internet stands as the most impactful technology in our daily lives, shaping how we interact and access information. Indonesia, as one of the most populous countries globally, is witnessing substantial growth in digital technology adoption. According to a report by Datareportal.com titled "Digital 2024 Indonesia," the online behavior of internet users in Indonesia is on a continuous upward trajectory, reflecting a rising trend in digital engagement and connectivity within the country (Nurakhmawati et al., 2022).

The "Digital Indonesia 2024" report not only predicts a surge in internet usage but also anticipates a rise in the adoption of additional digital technologies like social media and e-commerce, which have shown significant growth in Indonesia. The report highlights insights like the expanding use of mobile devices and digital content consumption, offering valuable strategies for marketers and businesses in the country. Industry players can leverage this report as a valuable resource to grasp digital technology trends in Indonesia, enabling them to make informed strategic decisions and capitalize on emerging opportunities in the market.

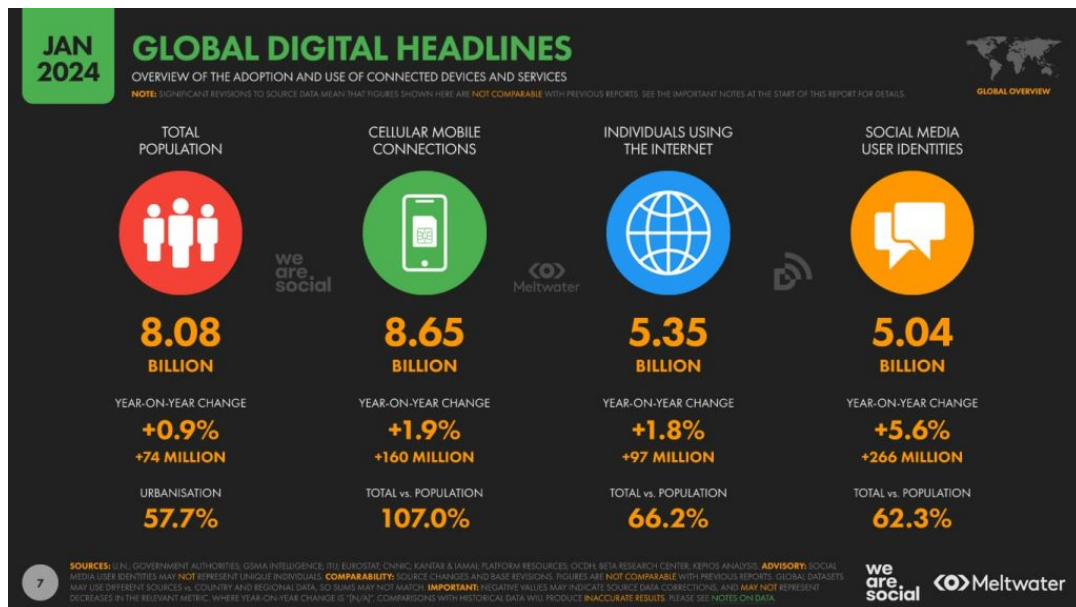


Figure 1 Global Digital Headlines

Source: Hootsuite (We are Social): Data Digital Indonesia

Figure 1.6 shows data and trends of internet and social media users in January 2024 worldwide. The total population reached 8.08 billion, an increase of 74 million or 0.9% from 2023. Connected mobile devices reached 8.65 billion, an increase of 160 million or 1.9% from 2023. Internet users reached 5.35 billion, which increased by 97 million or 1.8% from 2023. And active social media users reached 5.04 billion, which increased by 266 million or 5.6% from 2023.

Intense business competition drives many companies to embrace online marketing via e-commerce platforms. By leveraging e-commerce, businesses can expand their reach to a broader market and boost sales through an online presence. In Indonesia, numerous companies offer e-commerce platforms, with iPrice insights revealing 36 e-commerce rankings in the country for the 2nd

quarter of 2022. Notably, Tokopedia secures the top position as the most visited website by Indonesians, underscoring its popularity and market influence in the e-commerce landscape.

The technological revolution, notably driven by the Internet of Things (IoT), has profoundly influenced multiple facets of human existence worldwide, Indonesia included. This transformation has reshaped the landscape of buying and selling goods. Collaboration between business professionals and IT specialists has given rise to online trading platforms or marketplaces. These platforms empower potential buyers to explore diverse product offerings, compare prices across various sellers, and directly engage with vendors through chat functionalities to inquire about product availability, shipping information, delivery schedules, and more, thereby enhancing the overall consumer experience (Teofilus et al., 2020). Indonesia's remarkable advancement in e-commerce offers a substantial boost to its economy. A Euromonitor study in 2014 revealed e-commerce revenues reaching up to US\$1.1 billion. The economic data census of the country underscores a significant surge in the e-commerce industry, with an estimated 26 million businesses engaged in this sector. The rise of online marketplaces stands out as a key trend within Indonesia's e-commerce sphere, showcasing the sector's vibrant growth and promising prospects for further development (Kaukab & Aryanto, 2020). Globally renowned marketplaces like Amazon, eBay, Walmart, Etsy, Alibaba.com, and Google Express are pivotal figures in the e-commerce domain. In Indonesia, five major marketplaces—Tokopedia, Shopee, Lazada, Bukalapak, and Blibli—compete intensively to capture and retain consumers within the local market, showcasing a dynamic and competitive e-commerce landscape in the country (Natasha Adellia & Adhi Prasetyo, 2016).

The evolving digital environment has seen a surge in consumer preference for online marketplaces. Tokopedia, a leading e-commerce platform in Indonesia, has emerged as one of the largest and most successful players in the country's e-commerce sector, reflecting its popularity and significant impact on the market. The convenience and accessibility of online shopping have driven a growing number of consumers to platforms like Tokopedia to meet their purchasing needs. However, despite the rise of online shopping, certain barriers still deter some customers from using online payment methods. A primary obstacle is the lack of trust and confidence in these payment methods. This is corroborated by research from Indotelkom, which reveals that a significant portion of online transactions in Indonesia are conducted through bank transfers rather than online payment methods. This suggests a substantial number of consumers prefer cash on delivery (COD) for online purchases. In response to this demand for COD in the online marketplace, Tokopedia has adapted by offering COD as a payment option for its customers. This move aligns with the trends and preferences observed in the Indonesian market, where the adoption of digital wallets for online payments is still relatively low compared to other methods like COD (Handayani & Novitasari, 2020).

Online shopping has gained significant popularity due to the numerous conveniences it offers. Customers can access a wide array of popular marketplaces with attractive products and competitive prices. These

marketplaces provide various excellent services, including the Cash on Delivery (COD) payment system, which has become a notable feature in Indonesia. The COD system caters to individuals who prefer traditional payment methods and are hesitant about online transactions. With COD, customers can mitigate concerns about potential fraud, such as undelivered goods or empty packages, providing them with a sense of security and trust in their purchases (Tien Thanh Le et al., 2019). The Cash on Delivery (COD) service, while popular among many, does come with challenges. Violations of the COD system, such as opening packages without completing payment, can lead to disputes if the received goods do not meet the buyer's expectations. This can result in conflicts between couriers and buyers, occasionally escalating to criminal incidents related to improper returns. Such incidents are concerning for courier services, highlighting the complexities associated with the COD system. Despite these challenges, 73% of online transactions in Indonesia in 2020 utilized the COD system, as reported by Indonesian Statistical Data from BPS RI (Badan Pusat Statistik RI, 2020). A case study regarding factors in accepting COD services in the Tokopedia marketplace was carried out to comprehensively examine the factors that drive the intention to use COD as a transaction means of choice in the Tokopedia marketplace. The selection of case objects in the Tokopedia marketplace is based on Similar Web for App Performance. Even though Tokopedia is in third place, Tokopedia has a number of daily active users or monthly web visitors that exceeds Shopee.

The combination of UTAUT theory and individual security aspects is the theoretical basis for this research. The novelty of this research lies in the COD system in the Tokopedia marketplace, whose safety aspects are rarely studied. It is hoped that this research can add to the literature review of service technology system innovations such as COD in terms of customer perceptions and become the basis for designing strategic steps for a better COD service system, especially during the new normal post COVID-19 period.

## LITERATURE REVIEW

### *Marketplace Transaction*

Marketplace, as an internet-based platform, facilitates business activities and transactions between buyers and sellers. It operates as an E-Business model connecting sellers and buyers. In Indonesia, marketplaces play a crucial role in driving the national economy towards globalization. A well-functioning marketplace can enhance the investment climate within a company and streamline the flow of goods, benefiting both sellers and buyers in the process (Moriuchi & Takahashi, 2022). Marketplaces in general are platforms that provide intermediaries between sellers and buyers in online transactions. In other words, the marketplace website acts as a third party that facilitates transactions between sellers and buyers on the internet (Iryani & Fauzan, 2023). Marketplace makes it easy for sellers and buyers to carry out transactions, enabling transactions to be carried out more effectively and efficiently. With a marketplace platform, business people can run their business more smoothly and efficiently, while buyers can easily find various products and carry out transactions practically.

### ***Cash on Delivery (COD) System***

COD stands for Cash on Delivery, a payment method where the seller receives payment after the order is delivered to the consumer. It is an agreed-upon form of payment where the transaction occurs at the time of delivery, not before the product is shipped. The term "cash" in COD is broad and can include physical cash, checks, debit or credit cards, or even electronic money. However, the specific payment types accepted for COD are typically determined by the seller. This implies that the buyer must be ready to make the full payment once the product arrives at its destination (Hamed & El-Deeb, 2020). Cash on Delivery (COD) provides a secure and convenient payment method that enables customers to inspect product quality during delivery, ensuring satisfaction before making payment. Unlike various online payment systems, COD offers advantages such as product quality assurance, guarantee during shipment, and a reliable payment process. As a result, COD serves as a beneficial option for consumers seeking a trustworthy method to purchase products online (Utomo et al., 2023).

### ***UTAUT Theory***

UTAUT, or The Unified Theory of Acceptance and Use of Technology, is a comprehensive framework designed to elucidate user behavior in relation to information technology by integrating eight previously established technology acceptance models. These models encompass TRA (Theory of Reasoned Action), TAM (Technology Acceptance Model), TPB (Theory of Planned Behavior), SCT (Social Cognitive Theory), a combination of TAM and TPB, DTBU (Decomposed Theory of Planned Behavior), and MPCU (Model of PC Utilization). Numerous empirical studies have employed the UTAUT model, yielding a range of findings and insights into user acceptance and usage patterns concerning technology (Venkatesh, 2022). In the UTAUT model introduced by Venkatesh et al. (2003), four key constructs—performance expectancy (PE), effort expectancy (EE), social influence (SI), and facilitating conditions (FC)—are identified as critical factors in determining user acceptance and usage behavior. These constructs have been refined based on earlier models. Performance expectancy captures beliefs about the extent to which using the system will enhance job performance. Effort expectancy relates to the perceived ease of using the system. Social influence denotes the impact of others who advocate for system use. Facilitating conditions pertain to the belief in the availability of organizational and technical support structures for system utilization (Xue et al., 2024).

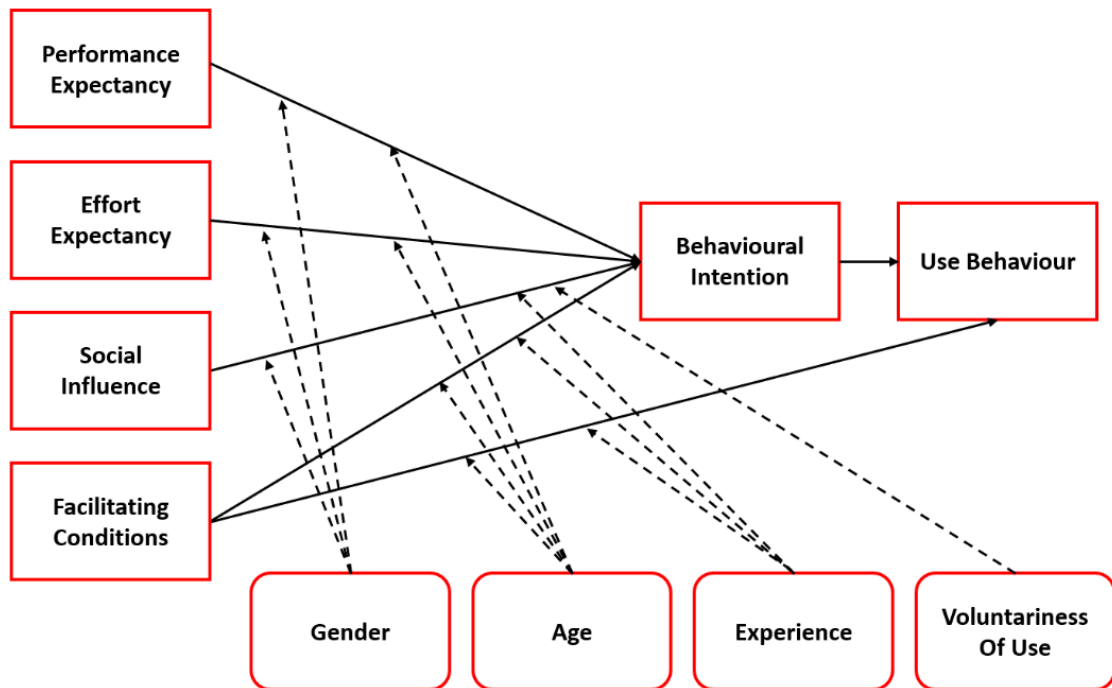


Figure 2 Theoretical Framework

## METHODOLOGY

The research methodology employed in this study is quantitative, utilizing a survey research design to test hypotheses empirically. The target population consists of Tokopedia Marketplace users who have utilized the COD system at least once. Data collection was conducted through an online survey using Google Forms, disseminated via social media and research communication channels, with a predefined questionnaire structure. The Likert scale is the chosen measurement scale, with scores ranging from 1 to 5 (5 = strongly agree, 4 = agree, 3 = neutral, 2 = disagree, 1 = strongly disagree). The analytical technique applied is Partial Least Squares (PLS) within Structural Equation Modeling (SEM). SEM-PLS is a statistical method used to validate structural equation models that incorporate latent variables.

## RESEARCH RESULT

Research utilizing the UTAUT framework to analyze the impact of various factors on behavioral intention in the context of marketplaces has been extensive and generally indicates positive significance (Faroqi et al., 2020). However, the majority of existing literature focuses on the influence of UTAUT on the general acceptance of marketplaces, leaving a gap in studies that specifically explore the acceptance of the COD system technology within the UTAUT theoretical framework (Purwandari et al., 2022). The research on the COD payment system in the Shopee Marketplace suggests that factors such as social influence, hedonic motivation, price value, habits, information quality, and privacy security positively influence behavioral intentions, encouraging continued use of the COD system (Alfarizi & Sari, 2023). The research (Utomo

et al., 2023) findings indicate that cash on delivery (COD) is positively perceived and holds partial significance in the study.

## CONCLUSIONS AND RECOMMENDATIONS

The conceptual paper focuses on examining the factors influencing the intention to use the COD system through the UTAUT theory. It also highlights the significance of advertising in promoting the benefits of COD. Moreover, it emphasizes the importance of enhancing public perception and continuously improving the COD system to ensure user and business safety in the marketplace and courier services. However, due to the limitations of being a conceptual paper, future research should explore additional factors and broaden the scope of investigation.

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