

## CHAPTER 1. INTRODUCTION

This section will explain the background to conduct this research, hypotheses that are proposed, research objectives, and research scope as the boundary of this research conduct.

### 1.1 RESEARCH BACKGROUND

The Internet and two-ways mobile communication devices are two important inventions in Information Technology world. Both of these technologies were initially developed as new means of communication that is efficient and personal. The two technologies have changed the way people interact, provided better access to information and most importantly have been greatly reducing the limitation of time and space that its users previously faced.

Internet, on the one hand, has been noted as the most important innovation in the twentieth century. It creates a virtual world that allows massive information and data exchanges through computer systems. By time, Internet becomes easily accessible everywhere. While in the other hand, mobile communication devices, such as mobile phones, Personal Digital Assistants (PDAs) and smart phones, enable new possibilities in communication and information access equal to the Internet capabilities, but with greater mobility through wireless technologies.

It is almost three decades since the invention of the cellular phone [1]. Based on the fact, by November 2007, there were more than 3 billion mobile phone users all over the world,

or nearly half the world's population [2]. This fact shows that mobile phone penetration is a lot wider than Internet penetration which is only used by twenty percent of the world's population [3].

With the technological advances, mobile phones' capabilities are no longer limited to voice communication, but are now complemented with numerous services that offer its users more options to utilise their phones. Text messaging and picture messaging are just a few examples of such useful services. In addition, mobile phones have also expanded its capabilities to be a terminal for accessing the Internet, thus increasing users' interest to adopt the technology. Such interaction is now commonly called m-commerce.

The author is interested to examine how m-commerce penetrated the society. With all the advantages mentioned, m-commerce offers a solution that will be useful to overcome communication problems in Indonesia and its lack of fixed telephone line infrastructures.

In many literatures, m-commerce adoption always relates with user readiness to accept and utilise new technologies. These literatures try to measure many aspects on user relationships with technologies, which will represent users' preferences to a particular technology. Finally, by analysing the user preferences, decision makers can pick the best strategy to promote technology adoption in the population.

In m-commerce, culture is an important factor that determines m-commerce adoption in a country. This is due to the nature of m-commerce which functions as a mode of communication. Communication is a natural result of relationship between people. Culture, determines norms and values within this relationship. Therefore, communication is inseparable with culture. However, the discussion on culture and m-commerce

adoption rarely exists because of several reasons. The most understandable reason is that m-commerce market is immature [4]. Since the related technologies and infrastructures are newly emerged, therefore the assimilation between m-commerce and culture has not yet been well established.

Considering at the situation in Indonesia, the discussion of culture and m-commerce will be valuable. In Indonesia, relationships between people are rather close. Indonesians tend to form groups or organizations based on similarity in views, beliefs and ethnicities. Based on these facts, it is assumed that Indonesians commonly communicate with others and value good communication. M-commerce, as a mean of communication, is currently penetrating the Indonesian market. At the time when this research was conducted, there existed nine service provider companies competing to gain market proportion. Today, the number of m-commerce users in Indonesia is exceeding 48% of population [5], far beyond the user of fixed telephone line which only 3.5% of the population [6].

Based on these reviews about m-commerce and the conditions in Indonesia, the author would like to further examine the relationship between culture and the adoption of m-commerce in Indonesia. This research builds its grounds on several previous m-commerce researches conducted in developed countries such as the United States, Japan, South Korea, France, Hong Kong, and United Kingdom [4]. However, these researches failed to find a pattern of cultural impacts towards m-commerce penetration [7]. The author is interested with the work of Harris in [4] who have found a contrasting result of m-commerce adoption in Hong Kong and United Kingdom; He concluded that culture plays a role in determining the types of m-commerce services that will be popular in a

country. He also concluded that culture can be utilised to find specific marketing strategy that may better fit a particular market.

Indonesia, apparently exhibits more or less similar cultural dimensions with that of Hong Kong. The author gained this fact by reviewing the results of Hofstede in [8] about cultural dimensions in countries where IBM operated, including Hong Kong and Indonesia. Hong Kong and Indonesia both have insignificant difference in two cultural dimensions indexes, they are: "Power Distance" and "Individualism". To prove that culture plays important role in m-commerce adoption, it is assumed that similar research in Indonesia will demonstrate corresponding result to the previous work of Harris.

## 1.2 RESEARCH OBJECTIVES

Based on the explanation from the research background above, the author would like to seek two objectives in this research.

1. To find a pattern of cultural influence toward m-commerce adoption by extend the work of Harris et al.
2. To find the most influencing factors toward the adoption of m-commerce in Indonesia.

### 1.3 RESEARCH HYPOTHESIS

In order to compare the result from Harris et al. research and the one being conducted, the author proposed the same hypothesis that Harris et al. had stated. Below are the four hypotheses the author would like to justify.

- H1: Synchronous services will be more popular than asynchronous services in Indonesian collectivist culture.
- H2: Hedonic services will be more popular than utilitarian services in Indonesian high power distance culture.
- H3: Family recommendation will be the factor that mostly pushes user to use m-commerce service in Indonesian collectivist culture
- H4: Indonesian collectivist culture is a price sensitive culture.

### 1.4 SCOPE

In order to capture the desired information, the author limited this research only to follow the research made by Harris et al. It implies that this research does not discuss other technology adoption theory other than Cross-cultural research. The author also narrowed the discussion about culture only to those dimensions obtained from Hofstede's work. For data gathering purposes, the sample population of this research will be limited to the students of the University of Indonesia.

## 1.5 WRITING STRUCTURE

This research reporting has 5 sections with writing schemes written below.

### CHAPTER 1 INTRODUCTION

In this section contains background to conduct this research, hypotheses proposed, expected research objectives, and research scope as boundary of conducting this research.

### CHAPTER 2 LITERATURE REVIEW

Section two lists theories used as the support in this research resulted from examination of literature in m-commerce. These theories include the theories on m-commerce, theories on technology adoption, and statistic theories to justify the proposed hypothesis.

### CHAPTER 3 RESEARCH METHODOLOGIES

This section explains the methods that the author uses to do the research, such as the steps taken in the research to gather and process the information collected. In addition, this section defines the research variables the author uses.

### CHAPTER 4 RESEARCH FINDINGS

In this section, the author describes the research findings obtained from the research. This section will describe m-commerce situation in Indonesia, and quantitative results from the research. The quantitative result will be used to determine whether to reject or approve the hypothesis stated in the first section

### CHAPTER 5 CONCLUSIONS

This last section will summarise the result from the research and conclude the research significance in academic and practical dimensions.