



Decoding Click-Through Rate's Role in Shopee Marketplace Shopping Choices

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Abstract

Millions of MSMEs conduct transactions through Shopee. But in reality, even though MSME players have sold their products through digital platforms, not all MSMEs are successful in selling through these platforms. This study aims to ascertain the impact of Click-Through Rate (CTR) on online buying choices within the Shopee marketplace, identify the attributes that sway the click-through rate on Shopee advertisements, and uncover the factors that shape purchasing decisions in the Shopee marketplace. Quantitative research was conducted by surveying 102 respondents who use the Shopee application. The data obtained was then processed using descriptive statistical analysis and regression. The results showed that Click-Through Rate has a significant but small influence on purchasing decisions. This research also shows that product rating, store reputation, and number of products sold are the three things that most influence CTR. Meanwhile, online purchasing decisions at the Shopee marketplace are influenced by free shipping, product ratings, and customer reviews.

Keywords: *Click-Through Rate, Purchase Decision, Shopee*

1. INTRODUCTION

Shopee is one of the major online shopping platforms in Indonesia. Based on data from investor.id (Jaja Suteja, 2022), Shopee is ranked first in the market share of online shopping platforms in Indonesia with a transaction value of 40%, followed by Tokopedia at 30% and Lazada at 16%. Millions of MSMEs conduct transactions through this platform.

However, numerous MSME participants who market their products via Shopee digital platform can still not fully harness its potential. Establishing an online store or making online products readily discoverable by consumers poses a significant challenge. These businesses must vie for attention amidst an immense multitude of sellers and products, reaching into

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the millions to tens of millions within the Shopee application. Meanwhile, only a limited selection of products grace the consumer's mobile display.

Despite running a paid advertisement on Shopee for an online store or product, there is no assurance that consumers will click on the product or store. In simpler terms, the Click-Through Rate (CTR) remains modest. Understanding consumer shopping behavior is the most crucial thing for MSME to comprehend. It entails recognizing the types of ads that garner frequent clicks, highlighting preferred attributes, and assessing the impact of catalog photo pricing, purchase frequency, and other related factors. By comprehending online shopping behavior, MSME can maximize their sales strategies on Shopee and ultimately increase their sales turnover.

Chtourou et al. (2002) investigated the influence of price and promotional pricing on the Click-Through Rate (CTR) of website advertisements. This research employs secondary data sourced from online advertising agencies. Similarly, Li and Xu (2022) conducted a study delving into the determinants of CTR. They observed ads placed on the Alibaba platform for eight days. The factors observed in this study include price, gender, age, consumption level, status, and city level. Both of these studies use secondary data obtained from the platform from AliCloud Tianchi.

In 2018, Nizam and Jafaar explored the impact of ad attitude, recall ability, and click-through rate on online purchase decisions. While relying on firsthand data, this study primarily delved into general Internet shopping behavior. Moreover, the investigation did not investigate the components influencing click-through rate.

Until now, researchers still have not found research on what factors influence CTR from a consumer perspective using primary data. This gap has piqued researchers' curiosity, leading them to explore the determinants of CTR from a consumer's viewpoint. Primary data is anticipated to provide more profound insights into the nuances of online consumer shopping behavior, enriching the understanding of this subject matter. Hence, the aims of this research are as follows:

1. To ascertain the impact of click-through rates on online buying choices within the Shopee marketplace.
2. To identify the attributes that sway the click-through rate on Shopee advertisements.
3. To uncover the factors that shape purchasing decisions in the Shopee marketplace.





2. LITERATURE REVIEW

Companies and organizations extensively utilize online advertising to market their products and services. It is because online advertising allows them to seize the chance to connect with their customers through diverse online platforms, thereby generating product awareness that can potentially drive future sales (Baumeister, 2008). Numerous studies have examined the effectiveness of Online advertising in the past decade (Mazaheri et al., 2011; Nikashemi et al., 2013)

2.1 Click-Through Rate

In the advertising world, when someone clicks on an ad, it's like they're conversing with it. It is because the ad appears on their web browser, and then the person clicks on it, interacting with it (Bhat et al., 2002).

To determine how well those banner ads on websites work, experts often use the "click-through rate." It is a way of measuring how effective the ads are. It's like counting how many times people click on a pop-up ad and then see the website it wants to show them. It helps us understand how often the ads lead people to the websites they're meant to see (Dreze and Hussherr, 2003; Faber et al., 2004).

The Click-Through Rate (CTR) represents the proportion of individuals who click on a specific link to the overall number of users who encounter the page, email, or advertisement. This ratio is commonly used to measure the success of online advertising campaigns (Nastisin, 2016). The higher the CTR, the more effective the resulting marketing campaign. Nevertheless, despite contemporary digital advertisements incorporating techniques like personalized content, innovative formats, and more conspicuous placements, users frequently tend to evade ads (Carter, 2014).

According to Bourliataux (2000), clicking on an advertising banner on a website has been described as an indicator of Internet users' interest in the advertising claim. Pavlou and Stewart (2000) consider it a measure of the breadth and depth of information search that can predict product interest and potential purchase behavior. It is a deliberate action, which means that the Internet user accepts to leave the site he is browsing to enter the website of the advertisement. It applies to Shopee user consumers as well. Consumers who click on Shopee advertisements mean that they are considered interested in seeking information about the advertised product.

Research conducted by Chtourou et al. (2002) explored the influence of pricing elements and promotional activities on the Click-Through Rate (CTR) of website





advertisements. The findings revealed no direct correlation between the mention of prices and promotional offers with the CTR. Surprisingly, the data indicated that incorporating price details in banner ads actually led to a reduction in CTR.

Li and Xu (2022) investigated the determinants impacting Click-Through Rate (CTR). Their study involved the examination of advertisements featured on Alibaba platforms over a span of 8 days. The factors observed in this study include price, gender, age, consumption level, status, and city level. This study uses secondary data obtained from the platform from AliCloud Tianchi. The results obtained from this study are: first, women click more frequently; second, middle-aged users have the lowest click frequency; users over 60 years old have the highest click frequency; and finally, users with the lowest expenditure are more likely to click on ads.

2.2 Shopee Advertisement

Advertisements in Shopee cover a wide range of types that are designed to bring users together with products and offers that match their preferences. Some types of ads in Shopee that sellers can utilize are product search ads, similar product ads, store search ads, and strategic page ads (seller.shopee.co.id, 2023). Product Search Ads allow advertisers to showcase their products in search results with specific keywords, increasing visibility. Similar Product Ads present related product recommendations to users looking at similar items, expanding sales opportunities. Store Search Ads allow stores to appear in search results by category or theme, helping to build brand awareness. Strategic Page Ads allow for prominent banner placement on key pages or specific categories, drawing users' attention to special offers or shopping events. With these diverse ads, Shopee provides various ways for advertisers to interact with their target market.

From the consumer side, the features provided by the Shopee platform that affect the Shopee Ads Click Through Rate include product purchase rating, store reputation, number of products sold, product discounts, product prices, product photos, ad position, and store location. Meanwhile, the features provided by the Shopee platform that can influence purchasing decisions include product catalog photos, product descriptions, store reputation, product prices, product discounts, number of products sold, product purchase ratings, store locations, payment facilities (COD, online banking transactions, Shopee Pay), consumer reviews, photos of consumer reviews, shipping costs.





2.3 Online Purchase Decision

Personal choices and assessments guide consumer preferences and purchasing decisions. However, the transition from desire to purchase is also influenced by external factors such as peer opinions and unforeseen circumstances (Dong & Yang, 2007)

Within the realm of online commerce, the internet offers abundant product information. This abundance aids consumers in making informed choices, discouraging impulsive buying tendencies and expediting decision-making. Moreover, consumers must deliberate whether to engage in online transactions or visit brick-and-mortar stores. Some individuals opt to research products online, select their preferences, and subsequently execute their purchases in physical retail spaces. This behavior is motivated by various considerations (Gupta et al., 2004)

Primarily, price exerts a substantial impact. Online shopping is often favored when products are more economically accessible compared to their offline counterparts. Second, there exist risk considerations. Online purchases entail divulging personal information and providing upfront payments. The inherent security concerns stemming from potential unauthorized access or data breaches raise apprehensions among consumers. Third, the element of trust holds paramount significance. Consumers must have confidence in the veracity of online product information and the fidelity of corporate commitments. The fourth determinant pertains to delivery logistics and associated costs. Online shopping entails transporting purchased items via postal services or delivery couriers. Consequently, buyers are subject to shipping charges and face the prospect of waiting several days for their acquisitions to arrive.

3. RESEARCH METHOD

This research is a quantitative study. The samples in this study were 102 Shopee users who had shopped using this platform. Convenience sampling was used for the survey. Respondents in this study filled out an online questionnaire regarding what factors influenced them to click on Shopee ads and what factors influenced their online purchasing decisions. Shopee ad CTR factors and purchasing decisions on the Shopee application used in this study are features that have been provided by the Shopee application, which include ad position, product photos, store reputation, product prices, product discounts, product quantities, product purchase ratings, store locations, and shipping costs. Furthermore, the study analyzes various Shopee advertisements, including product search ads, similar product ads, store search ads, and strategic page ads. The data that has been collected is then



processed using descriptive statistics and regression analysis, where the independent variable in this study is the Click-Through Rate, while the dependent variable in this study is the purchase decision (both variables are measured using a rating scale).

4. RESULT

The tabulated data provides various insights into consumer behavior towards Shopee advertisements.

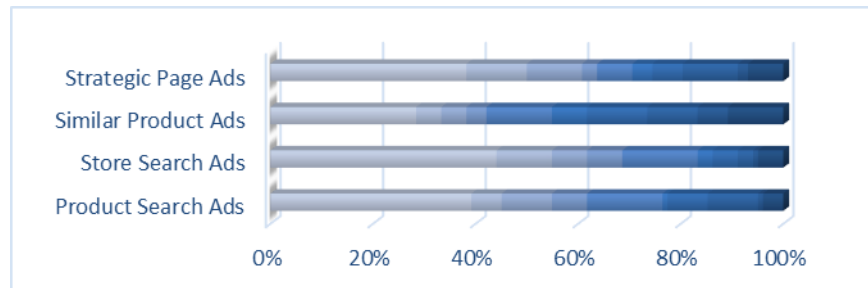


Figure 1. Graph of Most Clicked Ad - August 2023

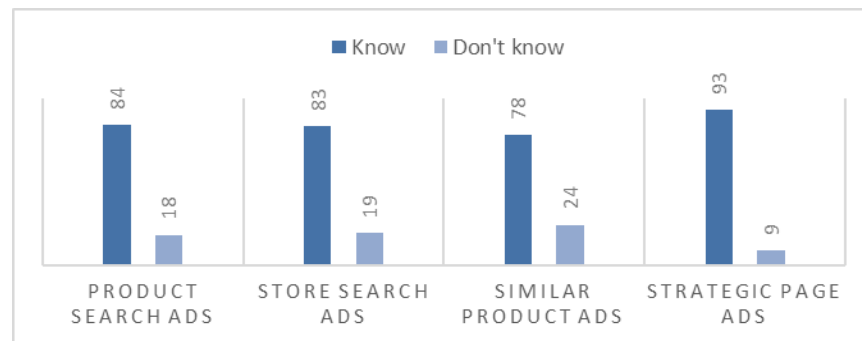


Figure 2. Graph of 'Do Consumers Know if This is an Ad Page?' - August 2023

Table 2 indicates that strategic page ads are the most commonly identified by participants. At the same time, some respondents remain unaware that the feature of similar product ads functions as an advertisement, as demonstrated in the same table. It aligns with the findings from Table 1, which highlight that similar product ads are the category of advertisements that receive a higher click-through rate than other ad types.

4.1 Regression Analysis

Regression analysis is performed on data that has passed the validity and reliability tests. The results of the regression analysis can be seen in the table below.

Table 1. Model Summary

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.629 ^a	.396	.390	19.37661

a. Predictors: (Constant), CTRtotal

b. Dependent Variable: KPtotal

The summary table of the model reveals an R-value of 0.629, signifying that the correlation between Shopee advertising click-through rate (CTR) and purchasing decisions is 0.629. It implies a substantial relationship between the two variables. Concurrently, the R-square value of 0.396 suggests that 39.6% of the variation in the purchasing decisions can be attributed to changes in the CTR variable. In comparison, the remaining 60.4% is impacted by other factors.

Table 2. Coefficients

Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	50.243	5.719		8.784	.000		
	CTRtotal	.791	.098	.629	8.099	.000	1.000	1.000

a. Dependent Variable: Kptotal

From the Coefficient table above, we can make a mathematical equation for this study as follows:



Purchase Decision = 50,243 + 0,791 Click-Through Rate

Based on the regression analysis results, we can conclude that Click-Through Rate has a significant influence on Purchasing Decisions, albeit of modest magnitude.

4.2 Factors affecting Click-Through Rate

Based on the respondents' answers in this study, the three variables consumers consider in clicking on advertised products are product rating, store reputation, and number of products sold.

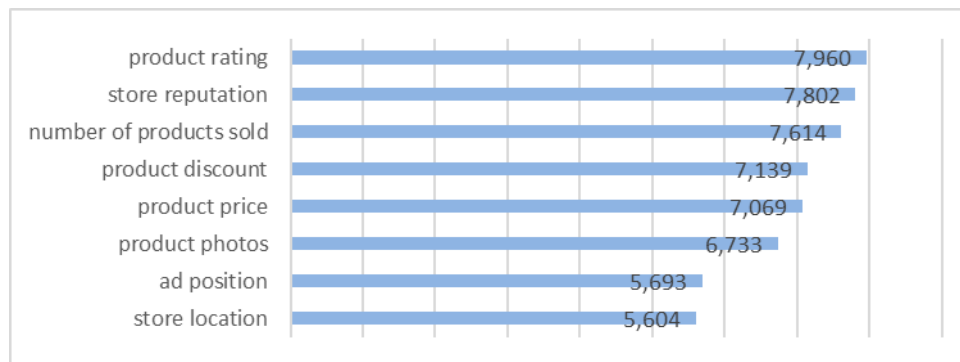


Figure 3. Graph of Mean of Factors Affecting Click-Through Rate – August 2023

4.3 Factors Affecting Purchase Decision

Based on the respondents' answers in this study, the three variables consumers consider in online purchasing decisions through the marketplace are free shipping, product ratings, and consumer reviews.

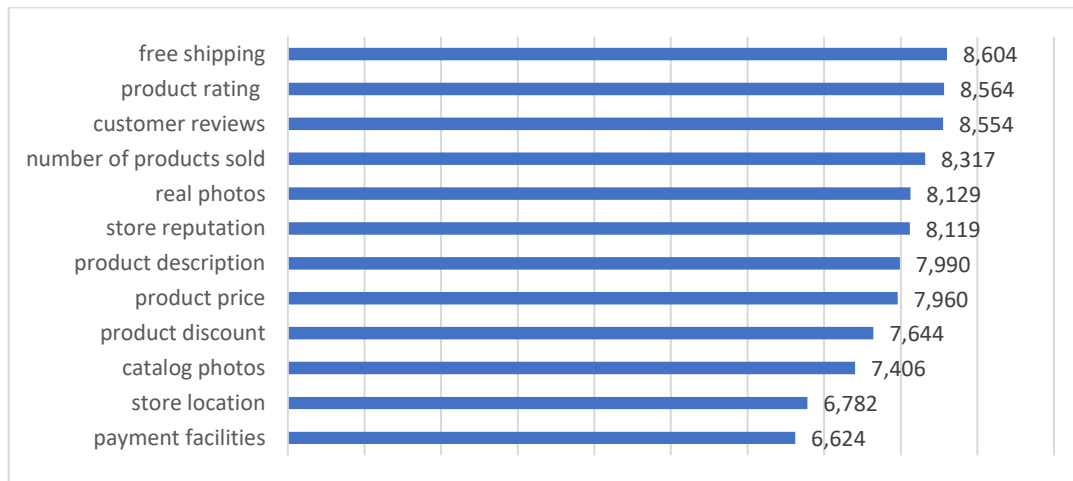


Figure 4. Graph of Mean of Factors Affecting Purchase Decision – August 2023

5. DISCUSSION

The findings from the regression analysis conducted on the click-through rate (CTR) of advertisements in the Shopee application and its impact on product purchasing choices reveal that the CTR of Shopee advertisements holds a 39.6% sway over purchasing decisions. The remaining 60.4% of these decisions are shaped by other contributing factors. It highlights that despite an online store or product featuring an advertisement and even when the promoted product boasts positive ratings, appealing visuals, well-defined descriptions, and other attributes, it's evident that just 39.6% of the influence extends to the decisions made by online consumers in their purchases. It is in line with research conducted by Nanduru (2012), where, based on the results of a Nielsen survey in 2008, online advertising only produced a 0.10% click through rate.

This research also demonstrates that among the various types of Shopee advertisements, 'similar product ads' are the most frequently selected by consumers for clicking. In contrast, 'store search ads' rank as the least favored Shopee ad type in terms of consumer clicks (Figure 2). Therefore, Shopee sellers (MSME) seeking to utilize Shopee ads will find that opting for 'similar product ads' proves more effective and budget-friendly than the other available ad types.

According to Figure 3, the store rating is the primary factor that captures the initial attention of online consumers when engaging with an advertisement. It implies that even if a product advertisement is prominently featured on the front page, online consumers'



chances of receiving clicks are minimal if the product has a low rating (typically below 4) and a limited sales history.

Similarly, suppose the company has advertised on the front page. In that case, the price is low, and the number of items sold is also significant, but the rating is inadequate; consumers may click on the ad to confirm or cross-check consumer reviews to find out the cause of the low product rating.

Therefore, online sellers must understand that even though they have advertised heavily, they must also pay attention to the services provided by consumers. Increased demand due to advertising, if not backed up by careful preparation of the packaging section, can be fatal to customer satisfaction, which leads to low ratings. Problems that may arise include sending the wrong product, sending the wrong size, sending other color options without confirmation, and the number of products shipped incomplete.

In addition, online sellers must also understand that product rating is not the main thing that stands alone, but other factors influence consumers in clicking an ad—for example, store reputation and the number of products sold. If the product rating is good, the store is labeled as a mall/star seller, and the number of products sold is huge, it can be seen that the price or discount variable does not become too important.

If an online seller has met the three criteria above (product rating, store reputation, and a large number of products sold), of course, it forms a high level of trust in the quality of the products in the store concerned. It can even increase trust in the online store if there are many reviews from customers who have bought many times.

However, this does not mean that the price factor is not essential because, as can be seen, there is often a phenomenon of price 'wars' in the marketplace. It happens because advertising is often not enough to create an initial purchase, so sellers often reduce prices below competitors' prices or provide discounts so that consumers are interested in buying.

Figure 4 illustrates the typical pattern of decision-making by online consumers. When users click on an advertisement, their initial considerations revolve around the product rating, store reputation, and quantity of products sold. However, the actual buying decision is significantly influenced by the shipping cost variable. It is particularly pronounced when purchases are intended across different islands. The expense associated with shipping holds significant sway over buyer deliberations. Essentially, purchasers factor in the shipping cost alongside the product price, subsequently comparing this combined value with offerings from alternative online vendors or even physical stores.





When arriving at a purchase decision, the primary aspects occupying the minds of consumers are the presence of free shipping or the incurred shipping charges, along with the product's ratings and the feedback provided by fellow consumers. After prioritizing the shipping cost aspect, attention turns to product ratings. A store with a low rating has the potential to deter consumers from proceeding with their purchase plans from that particular store, as ordinary online shoppers have learned to associate low ratings with subpar service levels. This perception is often validated through perusal of customer reviews. Consequently, these reviews serve as a crucial mechanism for potential buyers to validate the desirability of the product they intend to acquire.

6. CONCLUSION

Many small and medium-sized enterprise (MSME) participants who use the Shopee digital platform to promote their products have yet to tap into its complete potential, so the results of this study are beneficial for MSMEs to maximize their sales strategies on the Shopee marketplace.

Based on the findings of this study, it has been established that the Click-Through Rate (CTR) significantly impacts purchasing choices within the Shopee application. However, the impact remains modest, suggesting multiple other variables shape the Shopee marketplace's purchase decisions.

While CTR constitutes the sole route to online transactions on the Shopee platform, its sway over online purchase decisions remains limited. Consequently, these two aspects hold significance for Shopee merchants. To amplify CTR, sellers should enhance product ratings, bolster store reputation, and augment the volume of products sold. Conversely, to boost sales, vendors must capitalize on the complimentary shipping initiative, increase product ratings, and garner affirmative consumer reviews.

Regrettably, this study's scope is confined by the predominant age group of respondents, which predominantly comprises teenagers. Further investigations necessitate the inclusion of adult participants, alongside an exploration of other factors that influence online purchasing verdicts within the marketplace setting.

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