

Analysis Of Cash On Delivery (Cod) Payment Methods In Online Shopping Transactions In Indonesia

Maisyura^{1,*} Cut Sukmawati², Risna Dewi³, Arinanda⁴

^{1,2,3,4} Political & Social Science Faculty of Malikussaleh University

*Corresponding author. Email: maisyura@unimal.ac.id

ABSTRACT

This research using a descriptive qualitative approach. The object of research is the cash on delivery payment method for online shopping transactions, research locations in Indonesia with limited data sampling in Lhokseumawe City and North Aceh. Data collection is carried out by observation, interviews (interviews), surveys, documentation and literacy studies. . This study aims to find out how the online shopping behavior of the Indonesian people with the Cash On Delivery (COD) payment method offered by E-commerce businesses. The results show that more than 60% of online purchases use the Cash On Delivery (COD) method to make payments. This means that Cash On Delivery (COD) is more desirable than other payment methods, such as bank transfers, credit cards, E-Wallet, paying via agents and others. The Cash On Delivery (COD) method is also able to increase the number of purchases at online stores that offer payments with this method such as Shopee, Lazada, and others by more than 30% every month, although on the other hand this research also finds that there are still online buyers who do not understand the procedures in the Cash On Delivery (COD) method so that in its implementation in the field sometimes creates conflicts between couriers and buyers. This study concludes that the Cash On Delivery (COD) payment method is still quite feasible to be applied in online shopping transactions in Indonesia.

Keywords: "Payment Method 1, Cash On Delivery 2, Online Shopping 3".

1. INTRODUCTION

E-commerce is a new approach in the business world electronically and using networks and the internet. In this way the process of buying and selling or exchanging products, services and information through computers communicates and networks including the internet [1]. E-commerce includes all processes of developing, marketing, selling, shipping, servicing, and paying customers, with the support of a wider network of business partners. The system used in the use of E-commerce relies heavily on the internet with a very potential number of users with an increase from year to year [2].

According to [3] online shopping was invented by British entrepreneur Micheal Aldrich in 1979, and in Indonesia, e-commerce has actually existed since the 2000s, however, in 2014 the use of e-commerce has only become popular with the public. It is proven by the number of start-up companies in Indonesia, such as Tokopedia, Bukalapak, Blibli, Shopee, Lazada, Zalora and many others. The rapid development of E-commerce is influenced by several factors that cause

individuals to shop online on E-commerce sites including, low cost, quality of goods, trustworthiness, various transaction facilities, and many other factors based on diverse individual needs.

Based on a report released by management consulting firm McKinsey entitled The Digital Archipelago: How Online Commerce is Driving Indonesia's Economic Development, it is estimated that the value of the E-commerce market in Indonesia will grow in the range of USD \$ 55 - \$ 65 billion in 2022. According to this report there are several factors that support the rapid growth of the E-commerce sector in Indonesia. First, smartphone and internet penetration continues to increase. Second, Indonesia's large population and increasing purchasing power amidst strong macroeconomic growth. Third, Indonesia has a young and technology-savvy population, meaning they quickly adapt to new technologies. The condition of the world and Indonesia which is currently being hit by the Covid-19 pandemic where the adoption of new normal habits within the framework of Large-Scale Social Restrictions (PSBB), people are reluctant to make direct buying and selling transactions because of fears of being

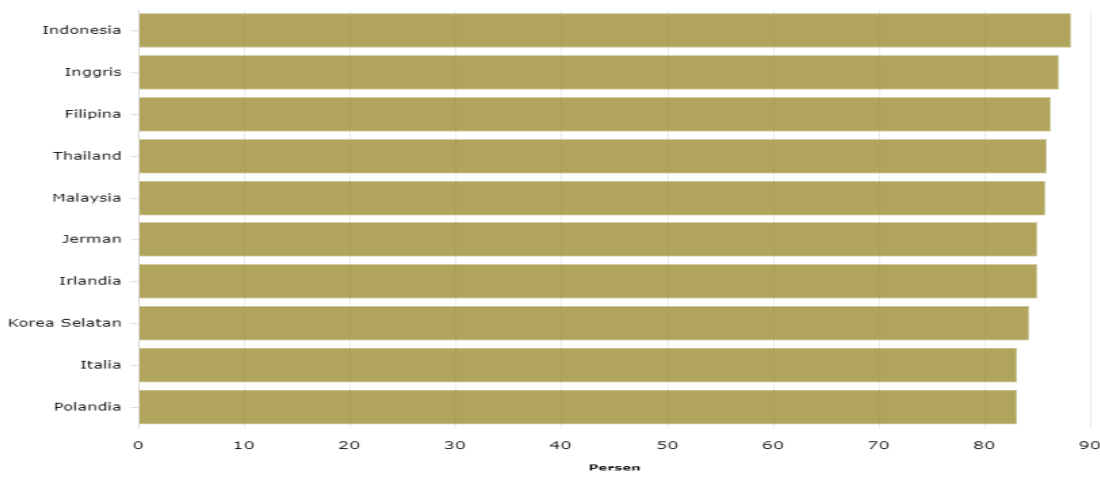
infected, this also has an impact on how they meet their needs, both in the form of primary and secondary needs. This condition gave rise to a positive response from the public who switched to buying and selling transactions through e-commerce. The e-commerce trend then facilitates the payment process by providing payment options with various methods, such as payment systems similar to credit cards or E-wallet, such as OVO Paylater, Shopee Paylater (now SPayLater), and Go-Pay Later. known to have succeeded in increasing the percentage of sales by up to 30%.

The Cash On Delivery (COD) payment method is a payment method that is currently a trend where buyers can make cash payments when the goods arrive at their hands, this method reduces the risk of worries about the product they ordered. But in its implementation the Cash On Delivery (COD) payment system causes many problems in the field, there are buyers who are not willing to pay for their ordered goods when they arrive at their address, there are various reasons used by buyers, such as the goods that arrive not as expected, the goods disabled, do not have cash and so on, so that it is not uncommon for couriers to become targets for consumers who do not want to pay COD, couriers are often the target of insults, swearing, and even buyers who beat the courier.

Couriers are sometimes thought of by buyers as representatives of stores or sellers. Even though the courier is only in charge of delivering goods. Because they consider the courier as a seller, an unpleasant incident has occurred. A buyer cursed the courier, so recorded on Youtube. The curse was done because the buyer claimed the goods did not meet his expectations. Recently there was a buyer who pointed a gun at a COD courier and refused payment because the goods did not match the order.

2. RESULT AND DISCUSSION

2.1. Online Business Development In Indonesia



Source: We Are Social, 21 April 2021

Karayanni (2003) in [4] says that if a customer believes that he will get a greater profit when buying online than buying through a conventional store, then he will certainly prefer this shopping option in fulfilment. The e-commerce industry in Indonesia has actually been growing for a long time. However, its growth has started to look significant since 2014. In 2014, Euromonitor recorded that the number of e-commerce sales in Indonesia reached US\$ 1.1 billion. This record is also supported by data compiled by the Central Statistics Agency (BPS). According to these data, it is known that the e-commerce industry in Indonesia has increased by 17% over the last 10 years.

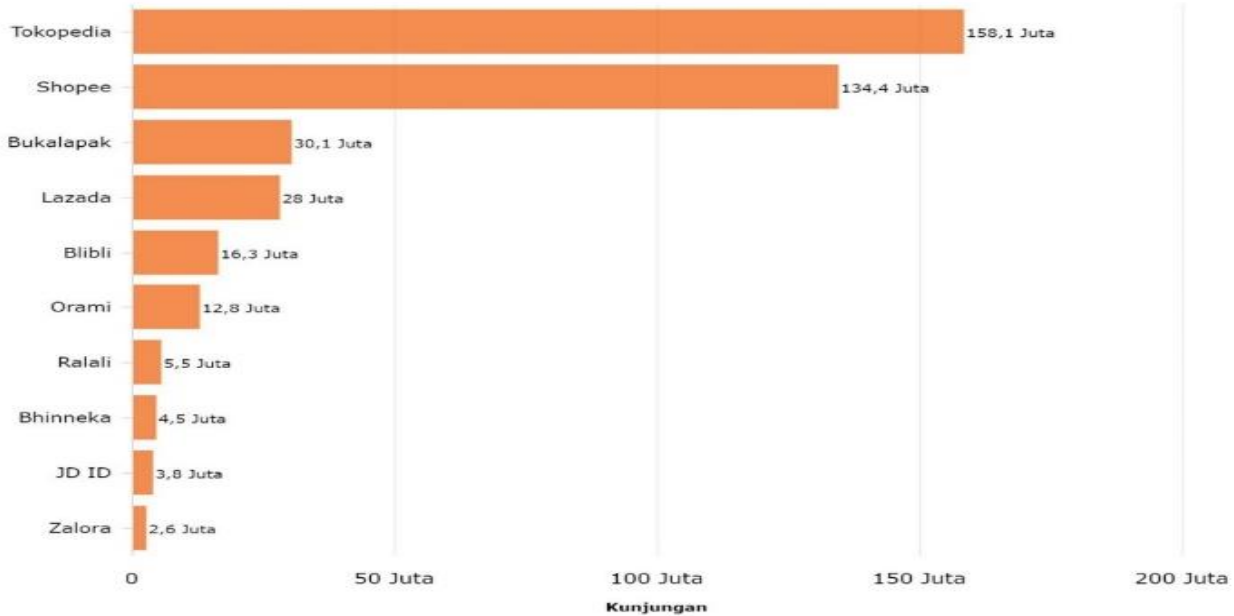
2018 was the year in which the e-commerce business experienced the fastest growth. However, the rapid development of e-commerce in Indonesia actually comes from informal trade or social trade that is driven by small businesses. These small business people usually use social media such as Facebook, Instagram and WhatsApp to sell. Of the total e-commerce sales in Indonesia, 40% of them come from informal trade or social trade. The number of online sellers continues to increase. It is noted that every year the number of online sellers in Indonesia has doubled. As many as 99% of these online businesses are classified as micro-enterprises. Interestingly, half of the total MSME business players only run their business online without having a physical store.

In another research conducted by Google, the digital economy in Indonesia has reached US\$ 27 billion. This figure makes Indonesia dominate the first rank in Southeast Asia, especially in terms of the number of digital economic transactions. It is estimated that this number will continue to increase. At least there are several things that affect the increase. Apart from the fact that Indonesia's population is so large, the demographic boom that makes Indonesia dominated by the productive age is also getting closer. (hsbc.ci.id).

In the graphic below, it can be seen that Indonesia is the highest country out of 10 countries that use e-commerce services to buy products, amounting to 88.1%. This percentage is the highest in the world in the results of the We Are Social survey in April 2021. The second position is occupied by the UK with 86.9% of internet users who use e-commerce. Then, internet users who use e-commerce in the Philippines are 86.2%. About 85% of internet users in Thailand and Malaysia also use this

service. Then, internet users in Germany, Ireland, and South Korea who use e-commerce are around 84%. Meanwhile, internet users who use e-commerce in Italy and Poland are 82.9% each. Meanwhile, the average global e-commerce adoption is 78.6%. A number of countries still have percentages below this average, one of which is Egypt. Respondents who use e-commerce in the country are only 54.3%, being the lowest in the world.

In the graph below, you can see the 10 E-Commerce with the highest number of visits:



Source : IPrice, 2021

Tokopedia is still the most visited e-commerce in the third quarter of 2021, this can be seen from the number of monthly web visitors which reached 147,790,000 visits, up 7% from the previous quarter of 147.8 million visits.

Then, in second place was occupied by Shopee with 134.4 million visits. Visits to the Shopee site rose 5.8% from the second quarter of 2021, which was 127 million visits. Then the third position is occupied by Bukalapak with 30.1 million visits in the third quarter of 2021, up 2.3% from the previous quarter. Lazada followed with 27.95 million visits. This figure is up 1% from the previous quarter of 27.7 million visits.

The implementation of Community Activity Restrictions (PPKM) to reduce the rate of transmission of the corona virus limits community activities. This situation has an impact on changes in the fulfillment of daily needs through online. E-commerce can take advantage of this opportunity to increase sales transactions.

2.2 Implementation Of The Cash On Delivery Payment Method In Indonesia

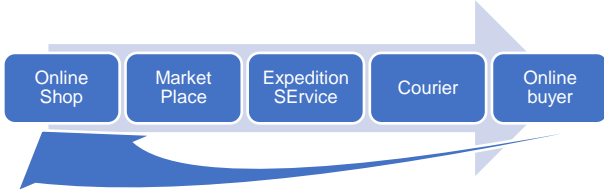
Cash On Delivery (COD) is a payment method where buyers can pay for orders in cash when the order

is received. Payment is made to the courier who delivered the goods. Payment to the courier can only be made in

cash. If the buyer does not want to pay in cash, the buyer can choose another payment method provided by e-Commerce.

In the context of buying and selling using the COD method through the marketplace, there are at least 5 parties involved, namely marketplace organizers, sellers, expedition service providers, couriers, and buyers, as follows: The seller trades his goods in the marketplace - The buyer buys goods from the seller through the marketplace after agreeing goods, quantities, prices, shipping costs, expedition services, and payment methods listed (in this case COD) - The seller packs the goods ordered by the buyer and sends them through the courier service that has been chosen by the buyer - The goods are then delivered by an expedition courier to the address buyer - After the goods arrive, the buyer submits an amount of money according to the order price agreed with the seller to the courier.

Flow in Transactions with the COD Method



Source : Data Processing 2021

In buying and selling E-commerce with the COD system, the seller will load the product or item to be sold through a photo of the product by including the item specifications, price and seller number. The advantage for buyers in E-commerce transactions with the COD system, buyers can check the goods first before making payments to the seller.

2.3 Several Cases in Cash On Delivery Payments in Indonesia

Cash On Delivery (COD) is one of the features on e-commerce platforms that allows consumers to pay for their orders after the goods they order arrive at their destination. This means that a new payment will be made after the goods are received. The COD method is actually present to make it easier for consumers to pay, without the need for bank transfers or electronic money, on the spot when the goods have been sent by the courier. But in fact, the courier often becomes an outlet, if consumers feel their orders are not in accordance with their requests. Quoted from KOMPAS.com, recently, there have been many viral cases related to COD, most of which have been detrimental to the couriers themselves.

1. Angry at the COD package courier and refuses to pay

In February 2021, a resident of Ampelu Tuo Village, Batanghari Regency, Jambi Province, refused to pay for the Cash on Delivery (COD) package he ordered because it was deemed not in accordance with his request. The video of the consumer scolding the courier also went viral on social media. In the video, consumers are seen arguing with a courier named Noppal. The reason consumers scold the courier is not without reason. The consumer said that he did not receive an explanation from the courier regarding the process of returning or returning goods. As a result, consumers do not want to accept the goods and refuse to pay for them.

2. Threaten the COD courier and draw a sword

The man with the initials MDS who is a resident of Ciputat, South Tangerang threatened the COD courier with a sword. At first, MDS forced the courier to return the money because the goods delivered did not match the order. Based on a 40-second video uploaded to an Instagram account, it can be seen that MDS was arguing with the courier because the item he ordered contained only blank paper. Because it was deemed inappropriate,

MDS then threatened the courier while pointing a sword so that the money was returned.

3. Cursing the COD courier and don't want to pay

In mid-May 2021, social media was enlivened by a video showing a mother hurling insults at an expedition courier who delivered goods to her home. In the video, it can be seen that the courier who recorded the incident

was trying to explain the online shopping procedure using the COD system. However, the mother did not seem to care about the messenger's words and continued to express her frustration with harsh words. The mother admitted that she felt cheated by the package whose contents did not match what she expected.

4. The mysterious package that the recipient didn't order

Unlike the three cases above, this time it was the consumers who were harmed by the COD system. The first case was experienced by a blogger named Agus Mulyadi. In December 2020, a courier delivered a package to his home address. Seeing the correct address and name, Agus's wife accepted the package and paid Rp 100,000. After paying for it, the wife realized that she had never bought any items using the on-site payment method or COD. Out of curiosity, he immediately opened the package and it turned out to be a wireless speaker device.

5. Mode of package delivery via COD

Not only Agus, Resa has experienced the same thing. In July 2020, a mysterious package also came to his house. The package was addressed to his mother who lives in Yogyakarta. From the receipt received, it is known that the item was purchased from e-commerce Shopee which was sent via the J&T expedition service. In the sender column, only the name of the store is listed along with the contact number. The product list also says "brown bag". The mother had contacted the sender's number listed on the receipt. Instead of getting an explanation, his mother's number was blocked by the sender. Not just once. A similar incident has even happened to Resa twice, where the other package was addressed to her father with the same home address as the previous package.

6. No man's pack in 2018

The "unmanned package" mode actually happened in 2018. One of the victims was a woman named Angel. At that time, there was a mysterious package addressed to him at his office address in Palmerah, Central Jakarta. This address is often used to make online transactions. However, because he felt that he did not order the item, Angel refused to accept the package and was reluctant to pay the COD money of IDR 277,450 that was billed to him at that time.

Of the several cases that have occurred recently, the cash on delivery (COD) payment system has been heavily debated. The thing is, many couriers are the target of angry buyers who are disappointed because the goods received do not match what was ordered [5]. If traced, this COD system is not a new system. This method has been around for several years. However, why has the COD method been causing a lot of problems lately?

According to the Chairperson of the Indonesian E-commerce Association (idEA), Bima Laga, the shift in shopping behavior from offline to online, is one of the causes of many related cases (kompas.com). During the pandemic, many Indonesians choose to shop online. According to reports from idEA and We Are Social, during the 2020 pandemic, the online shopping rate of Indonesians rose by 25-30 percent.

"It's possible that they missed several stages of safe online shopping. So things happened that should have been avoided," Bima Gala (Kompas.com)

Usually, people who have shopped online are more aware of the rules of the game, such as choosing digital payment transactions or bank transfers, viewing store ratings and product descriptions in detail, and viewing reviews [6]. In addition to many people who are not familiar with the mechanism of online shopping, the lack of online shopping literacy is also a problem.

According to e-commerce observer Ignatius Untung, the COD system is indeed targeting people whose digital literacy level is still lacking. Thus, they prefer the COD system over the escrow system. In simple terms, the escrow system allows the payment of goods not to go directly to the seller's account but to be deposited with a third party (escrow account). Payment is only submitted when the buyer has confirmed that the goods received are in accordance with the order. Not only buyers, sellers are also protected with this system. Because, the escrow agent is in charge of confirming whether the payment process has actually been carried out by the buyer or not.

"They chose COD, which is proof of how much they don't understand, that transacting on a marketplace site with an escrow system is relatively safe," Ignatius (Kompas.com)

3. How to Minimize Conflicts Due to the COD Method

The emergence of conflicts in the implementation of the Cash On Delivery (COD) payment method According to Ignatius in Kompas.com, the COD system is actually more risky for the platform, because the potential problems are bigger than other transaction systems. When there is a problem that the goods are not as expected, the buyer can cancel the order, even though the logistics costs have already been paid. However,

according to Bima, COD is no different from other systems if the shopping stages are carried out according to the rules. Bima does not deny that there is still a need for socialization and education to the community regarding the COD system. This is because this system is more popular with new consumers who do not understand how to shop online.

According to Ignatius, education can be done in various ways, although it cannot be fully guaranteed. Because there will still be consumers who have not been reached by digital literacy regarding online shopping. First, according to Ignatius, it can be done through the product itself by providing a clear pop-up notification when the buyer chooses the COD system. The pop-up contains the COD game rules where the transaction cannot be continued if the consumer does not agree to this, then the courier who brings the goods must also be educated and "armed" with the agreement that has been agreed upon by the buyer.

Education can also be done from other channels that are indeed possible. However, for other consumers who still don't understand the rules, in the end they have to be "educated" when there are problems. The buyer must understand that in a COD transaction, if the goods or packages received by the buyer are not as ordered or different from what was expected, the buyer can submit a complaint to the seller so that it can be followed up. However, the buyer must first make payment for the goods to the courier. In this case, everything related to the contents of the package, is an agreement between the buyer and seller [7], and is not the responsibility of the courier. If the buyer makes a transaction through the e-commerce platform, then the return of the goods has been arranged in accordance with the policies imposed by the e-commerce.

4. CONCLUSIONS

From the results of research and discussion that have been described in the previous chapter, the author can conclude several points as follows:

1. Rapid developments in information and communication technology bring many conveniences including the process of buying and selling transactions that can be done via the internet or better known as online shopping transactions (e-commerce), a research result shows that consumers tend to prefer online shopping systems compared to offline. So this will have a negative impact on offline stores that provide products in the form of goods or services that are traded directly.

2. The average delivery transaction carried out by shipping companies is dominated by more than 50% by payment using the cash on delivery method. The ease of payment methods, especially cash on delivery payments, is able to increase the level of sales from online stores (e-commerce) by more than 30% every month.

3. Although the cash on delivery method causes some problems or conflicts between the customer and the courier, in some cases this method is likely to be continued considering the benefits generated are greater than the losses. So that the profit achievement of e-commerce players continues to increase every month.

5. AUTHORS' CONTRIBUTIONS

This article was written by 4 authors, where each author has an equally important role and contribution in planning and compiling this paper from the initial design until this paper is completed and ready for publication. Maisyura as the first author, is in charge of coordinating the overall writing, planning topics and themes of writing, planning the flow of writing, establishing communication with the required resource persons as well as forming a team and evaluating the results of the writing. Cut Sukmawati as the second author coordinated the activities of observation, interviews and primary data collection, helping to analyze the information found in the field and formulate the results. Risna Dewi and Arinanda as the third and fourth authors conducted observations, interviews, collected secondary data, and helped analyze the information found in the field. After all the written data has been collected and analyzed, and then the authors prepares a draft of the paper and formulates conclusions.

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