



Proposed Marketing Strategy to Increase Brand Loyalty: Study Case of Lazada Indonesia

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ABSTRACT The Indonesian e-commerce market is poised for significant growth, with projections indicating an expansion from USD 52.93 billion in 2023 to USD 86.81 billion by 2028. This rapid growth is driven by increasing internet and smartphone penetration, coupled with a rising demand for online shopping. Lazada Indonesia, one of the major players in this market, faces intense competition from platforms like Tokopedia and Shopee. This study aims to explore the strategic positioning of Lazada Indonesia, focusing on brand loyalty and market share dynamics within the Indonesian e-commerce landscape.

Utilizing a mixed-method approach, the research integrates both qualitative and quantitative data to provide a comprehensive analysis. The study employs various strategic frameworks, including PESTLE, Porter's Five Forces, VRIO, STP, and the 7Ps of marketing, to assess Lazada's internal and external environments. Key findings indicate that Lazada's strengths lie in its robust technological infrastructure, extensive product offerings, and strong brand recognition supported by Alibaba. However, the company faces significant challenges, including inconsistent user experiences, internal coordination issues, and the need for more localized marketing strategies to effectively engage with the diverse Indonesian market.

The research provides actionable insights and strategic recommendations for Lazada Indonesia to enhance its market positioning and increase brand loyalty. Strategies include improving customer service, leveraging big data for personalized marketing, and forming strategic partnerships to enhance logistical capabilities. By addressing these areas, Lazada can better meet customer needs, strengthen its competitive edge, and achieve sustainable growth in the rapidly evolving Indonesian e-commerce sector.

KEYWORDS: Brand Loyalty, E-commerce, Marketing Strategies, Personalized Marketing, Strategic Positioning.

INTRODUCTION

E-commerce in Indonesia has experienced significant growth and is poised for continued expansion in the future. The market size is expected to grow from USD 52.93 billion in 2023 to USD 86.81 billion by 2028, at a CAGR of 10.40% during the forecast period (MordorIntelligence, 2023). This growth is driven by factors such as the increasing penetration of the internet and smartphone usage, as well as the growing demand from the fashion industry (MordorIntelligence, 2023). Indonesia's thriving e-commerce sector exhibited a 23% increase in online transactions and approximately 63 million new users, with the number of e-commerce users projected to reach over 189 million, making up approximately 65% of the total population by 2024 (US Department of Commerce, 2023). The rapid digital transformation and extensive internet access in Indonesia have contributed to the country's rapid e-commerce growth, with the market expected to reach US\$66.6 billion by 2027 (Uzunoglu, 2023).

However, despite the significant growth of e-commerce in Indonesia, sustaining customer loyalty remains a challenge for e-commerce providers. One key aspect that influences customer loyalty in e-commerce is the quality of service provided by the platforms, including the design of e-commerce mobile applications, customer service, and promotional offers (Kristanto, et al., 2022). Therefore, understanding how brand loyalty and brand trust works in e-commerce platform is essential for the sustained growth and success of these platforms in the Indonesian market.

The e-commerce market in Indonesia is characterized by the presence of key players such as Tokopedia, Shopee, Bukalapak, and Lazada Indonesia (MordorIntelligence, 2023). The sector is regulated by laws and government regulations to ensure fair trade practices and consumer protection. Despite the opportunities, some challenges exist, such as low internet penetration and the need to maintain customer loyalty in the face of intense competition (US Department of Commerce, 2023). The COVID-19 pandemic has also had an impact on the e-commerce sector, with overall e-commerce adoption spiking during the pandemic, and a significant percentage of consumers intending to continue shopping online. The presence of a large number of micro, small, and medium-sized enterprises (MSMEs) in Indonesia's e-commerce marketplace also contributes to the sector's growth and dynamism (Wintles, 2023).

Founded in 2012 by Rocket Internet, Lazada Group is Southeast Asia’s leading eCommerce platform. With a presence in six countries—Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam—the company connects this vast and diverse region through its technology, logistics, and payment capabilities. Lazada Group boasts the world's widest selection of brands and sellers, and aims to serve 300 million customers by 2030. Acquired as part of Alibaba Group in 2018, Lazada serves as its regional flagship, supported by their cutting-edge tech infrastructure.

Lazada Indonesia has quickly established itself as an integral player in Indonesian e-commerce since its launch in 2012. Since 2012, Lazada Indonesia has quickly become one of the nation's top e-commerce platforms and specialized in meeting diverse Indonesian customers' needs with a vast array of goods and services - becoming an industry powerhouse as of 2022 with a market share around 10% and garnering its place among top e-commerce platforms across Southeast Asia.

BUSINESS ISSUE

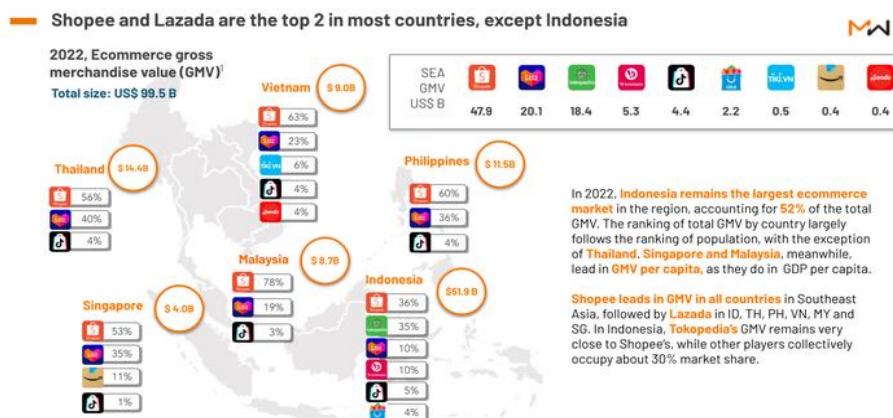


Figure 1. E-Commerce Market Share by GMV In Southeast Asia (Source: Momentum Works)

As shown in Figure 1, Lazada is currently the third-largest e-commerce platform in Indonesia, behind Shopee and Tokopedia. Lazada faces the challenge of understanding and maintaining brand loyalty among its consumers. Although Lazada is a leading e-commerce platform in Southeast Asia, it needs to adjust its strategies and maintain a strong brand presence in Indonesia. In doing this, Lazada must first analyse the brand loyalty conditions in the Indonesian e-commerce market.

Lazada has an ambitious target of becoming number two in Indonesia, surpassing Tokopedia. With a current market share of 10%, Lazada has a long way to go to become the second-largest in the country. The platform needs to seize at least 13% of Tokopedia’s market share. Gross Merchandise Value (GMV) is directly correlated to active users or traffic that comes to the platform. In other words, for Lazada to increase its market share, it also needs to increase its active users. As demonstrated in Figure 2, Lazada’s traffic is constantly declining from Q1 to Q3 of 2023. Although Tokopedia’s traffic is also declining, Lazada’s traffic accounts for only 53% of Tokopedia’s.

No.	Nama Data	Q1	Q2	Q3
1	Shopee	157.966.667	166.966.667	216.766.667
2	Tokopedia	117.033.333	107.200.000	97.066.667
3	Lazada	83.233.333	74.533.333	52.233.333
4	Blibli	25.433.333	27.100.000	28.400.000
5	Bukalapak	18.066.667	15.566.667	12.366.667

Figure 2. Traffic of Top 5 E-commerce Platform in Indonesia in Q1-Q3 2023 (Source: katadata.co.id)



Yan (2012) emphasized that brand equity significantly impacts the effectiveness of marketing activities on customer loyalty. This finding indicates that investments in brand equity can amplify returns from marketing efforts, leading to greater customer loyalty and revenue gains. Brand equity can also lead to higher customer willingness to pay premium prices for products or services - further increasing revenue streams. Research by McKenzie and Baraya also demonstrated that strong brand equity creates a competitive advantage for a business, leading to greater sales revenue due to customer retention increases as well as its ability to acquire new customers more effectively (McKenzie et al., 2020).

Lazada can gain more insight into Indonesian customers' brand loyalty by exploring factors contributing to it, so as to better comprehend their preferences and behaviour - thus adapting their strategies appropriately. Utilizing big data and analytics for tailored marketing strategies, personalized user experiences, and engaging customers via online communities or loyalty programs could all play a part. Lazada can learn from other platforms' successes such as Shopee in Indonesia where its market share has outshone Lazada's. Lazada can gain insights into brand loyalty conditions within Indonesian e-commerce markets to refine their strategies and meet consumer demands more effectively, which ultimately results in customer retention growth and increase their platform's market share.

LITERATURE REVIEW

Literature reviews provide an essential basis for academic research, with their primary goal being to synthesize existing knowledge on any particular topic. It critically evaluates previously published works, helping to establish a theoretical framework, identify gaps in current research, and justify further investigation (Hart, 1998). The process involves collecting information from a range of relevant and credible sources, which are then analyzed and organized thematically, methodologically, or chronologically to illustrate trends, patterns, and relationships (Boote & Beile, 2005). Through a literature review, researchers are able to contextualize the study within the broader scholarly discourse, thereby contributing to the development of knowledge in the field.

A. Brand Loyalty

Brand loyalty is a consumer's preference to buy a particular brand in a product category. It occurs when consumers perceive that the brand offers the right product features, images, or level of quality at the right price. This perception may translate into repeat purchases, resulting in loyalty. Brand loyalty is therefore related to a customer's preference and attachment to a brand. It may occur due to a long history of using a product and the trust that has developed as a consequence of the long usage.

One of the most comprehensive and most cited conceptual definitions of brand loyalty was forwarded by Jacoby and Chestnut (1978). Jacoby et al, define brand loyalty as "the biased behavioural response, expressed over time, by some decision-making unit with respect to one or more alternative brands out of a set of such brands and is a function of psychological decision-making and evaluative processes."

David A. Aaker defines brand loyalty as the measure of attachment that a consumer has towards a brand. Brand loyalty, according to him, reflects how likely a consumer will be to switch brands when that brand makes a product change, either in price or product features. Aaker states that the core of a brand's equity is based on customer loyalty. Therefore, if customers buy with respect to features, price, and convenience with little concern for the brand name, there is perhaps little equity (Aaker, 1991).

Aaker conceptualizes brand loyalty as a pyramid with five tiers. The bottom represents the non-loyal consumers who are indifferent to the brand and who perceive any brand as being adequate, whereby the brand name has little influence over buying decisions. The second level are those who are satisfied with the product or are at least not dissatisfied. The next level is satisfied buyers with switching costs—those who do not want to risk changing products and may be termed habitual buyers. The next level are loyal buyers who consider the brand as a friend. The fifth level is the committed buyer or those who are extremely loyal to the brand. They comprise those who are proud users and will recommend the product to others (Aaker, 1991).



Figure 3. The Loyalty Pyramid (Aaker, 1991)

B. Influence of Brand Image and Trust with Brand Loyalty

A study by Wilson (2021) investigated the effects of brand image, website quality, and trust on customer loyalty in Indonesia's Consumer-to-Consumer (C2C) E-Commerce business. The findings revealed that all three factors—brand image, website quality, and trust—positively affect customer loyalty, with website quality having the strongest impact due to its significant role in enhancing the online shopping experience.

Research on the influence of perceived ease of use (a component of user experience) on consumer loyalty through customer satisfaction in Shopee, a leading Indonesian e-commerce platform, demonstrated that both perceived ease of use and customer satisfaction significantly affect consumer loyalty. This emphasizes the critical role of user experience and satisfaction in fostering loyalty among e-commerce platform users. (Wibowo, Djuardi, & Djausal, 2021).

Trust plays a pivotal role in forming brand loyalty, particularly in high-involvement situations where its impact is stronger than overall satisfaction. Trust, stemming from reliable and satisfactory brand experiences, fosters consumer commitment and loyalty (Delgado-Ballester et al., 2001). Giving service that matches the branding is really crucial to making sure that a brand is gaining loyalty. Any gaps between what the branding says and the actual service given will endanger the loyalty of the customer to that particular brand.

According to Ramaseshan et al. (2014), brand experience significantly influences both purchase and attitudinal brand loyalty. This relationship is mediated by brand personality and commitment, suggesting that enriching brand experiences and nurturing a distinct brand personality can lead to stronger loyalty. Brand experience affects the degree of emotional attachment and commitment a consumer has towards a brand, thereby influencing loyalty.

Therefore, it is significant for Lazada to build trust, develop a great user experience in the mobile application and website, brand experience, and distinct brand personality to gain loyalty from its customer base.

RESEARCH METHOD

The study used a convergent parallel research design and a mixed research approach. A mixed research design, according to Creswell (2014), is a methodology in which the researcher gathers both qualitative and quantitative data concurrently or simultaneously. The reason behind selecting this design was to strengthen the primary sources of data with supplementary information from secondary sources, thereby enhancing the efficacy of qualitative as well as quantitative methods. On the other hand, a convergent parallel design, according to Creswell and Pablo-Clark (2011), is a mixed research design that enables the researcher to gather both quantitative and qualitative data simultaneously during the same stage of the study process, equalize the methods equally, analyze the two components separately, and interpret the findings collectively.

Once the business issue has been identified and validated, a qualitative method is being used to undertake both internal and external analysis. The second stage involves using a quantitative approach to analyze respondent's data by creating questionnaires. With the completion of the external analysis, SWOT was determined. Following the strategy formulation using TOWS matrix. The next step, a marketing strategy and implementation plan were suggested as the business solution.

Following the collection of questionnaire responses for this study, quantitative data are processed through the use of SPSS in order to analyze validity, and reliability, followed by K-means clustering process. As for the qualitative data, transcripts of interviews are gathered and given additional analysis especially for the internal analysis. The internal analysis is using frameworks such as VRIO,

STP, and 7P's framework. Whereas the external analysis is using PESTLE, Porter's 5 Forces, Competitor Analysis, and Customer Analysis. Quantitative information is acquired to determine the customer's analysis. Following the processing and analysis of all the acquired data, both qualitative and quantitative, a proposed business solution and its implementation are made after formulation of the solution.

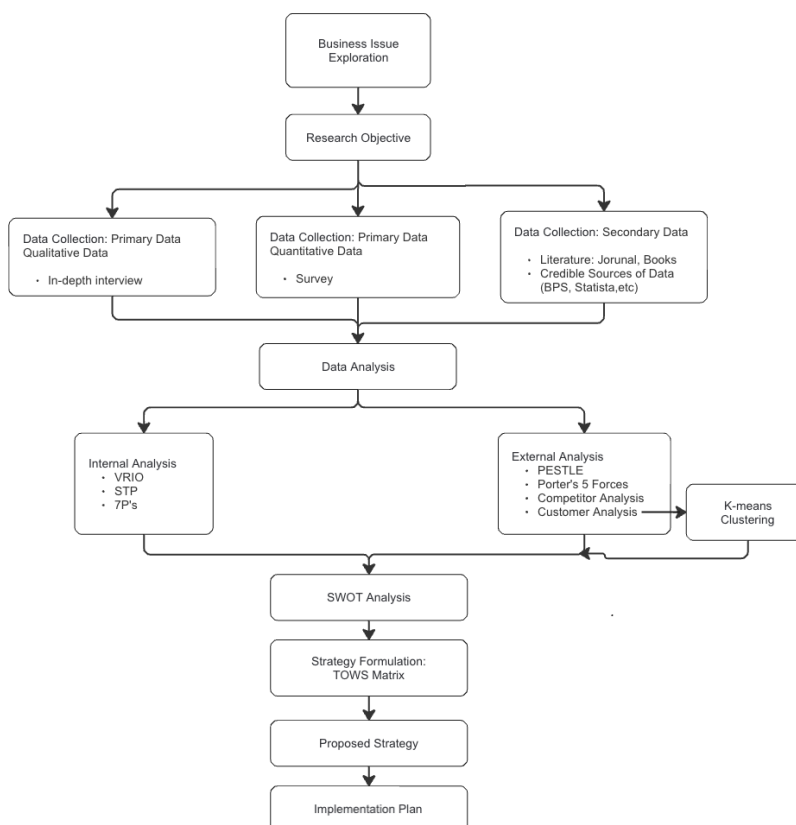


Figure 4. Research Design Diagram (Source: Author, 2024)

ANALYSIS

A. External Analysis

PESTLE: The PESTLE (Political, Economic, Socio-cultural, Technological, Legal and Environmental) framework is a strategic tool designed to assess the external environment within which a business operates. This strategy helps organizations identify and understand key factors which might have an effect on operations, strategies, or decision making; an extension of PEST analysis which was first devised back in the 1960s. The researcher conducted PESTLE analysis which provides invaluable insights into external forces influencing the strategic decisions and market presence of Lazada Indonesia.

Table I. The PESTLE Analysis of Lazada Indonesia (Source: Author, 2024)

Factor	Description	Opportunity/Threat
Political	- Indonesian government's regulatory frameworks ensure safe and fair online transactions. - Support from the government for e-commerce development, including initiatives like Indonesia Vision 2045. - Regulations such as Law No. 7/2014 on Trade, Government Regulation No. 71/2019 on e-commerce Transactions, and Minister of Trade Regulation No. 50/2020 on Business Licensing. (Ismail, Muhammad Rafi, et al., 2022).	Opportunity



Economic	- Indonesia's e-commerce market expected to reach US\$94.8 billion by 2024. - The market shows a compound annual growth rate (CAGR) of 21.1% from 2024 to 2028. - Strong domestic consumption and international trade driving economic growth. - Rising middle class contributing to e-commerce growth. (Heliyani, et al., 2023)	Opportunity
Social	- Increasing internet and smartphone penetration driving e-commerce adoption. - Young, tech-savvy population engaging in online shopping and social media influencing purchasing decisions. - High internet penetration rate of 73.7% as of January 2022. (Standard Insights, 2023)	Opportunity
Technological	- Development of logistics infrastructure and various payment options like e-wallets (GoPay, OVO, DANA, LinkAja). - Investments in technology enabling businesses to create e-commerce websites and reach a larger customer base. - Rapid increase in internet penetration enhancing economies of scale for e-commerce businesses. (Standard Insights, 2023)	Opportunity
Legal	- Intellectual property rights protection remains a challenge. - Regulations on electronic transactions, consumer protection, data privacy, and cyber security require regular updates. (Sudirman and Disemadi, 2023) - Laws such as Law No. 11/2008 on Information and Electronic Transactions impact e-commerce operations. (Edy Santoso, 2022)	Threat
Environmental	- Rapid e-commerce growth raises concerns about sustainability and environmental impact. - Issues like packaging waste and carbon emissions from delivery vehicles need addressing. (Haryanti, Tining, et al., 2021) - Optimization of supply chain processes can reduce energy use and waste production. (Pudjiastuti, Lilik, et al., 2020)	Threat

Porter's 5 Forces: Porter's Five Forces is a strategic framework created by Michael E. Porter in 1979 to assist organizations in understanding their competitive environment and making informed decisions. Lazada Indonesia's Porter's Five Forces Analysis provides insight into their competitive landscape and market dynamics, such as high market entry barriers and an established brand presence, which helps mitigate any threats of newcomers to enter. Rivalry among existing competitors is fierce, marked by price wars and technological innovations. Supplier bargaining power is limited due to Lazada's collaboration with numerous vendors. Buyer power is immense due to alternative platforms and price sensitivity among consumers. Furthermore, physical retail stores still pose an existential threat despite Lazada's convenience factor; therefore, this framework helps Lazada strategize in order to strengthen its market position while managing competitive pressures effectively.

Table II. Overview to the Porter's Five Forces Analysis (Source: Author, 2024)

Force	Description	Strength
Competitive Rivalry	Indonesia's e-commerce market is highly competitive with major players like Lazada, Shopee, Tokopedia, and Bukalapak. Competitive dynamics are heavily impacted by aggressive marketing strategies, regular promotions, and extensive product catalogs with competitive prices. (Hermawan, 2022)	High
Threat of New Entrants	The threat of new entrants is low to moderate due to the high barriers to entry, including established brand presence, logistics infrastructure, and regulatory factors. Startups find it challenging to compete with established giants. (Asmah's, 2022)	Low to Moderate
Threat of Substitutes	E-commerce platforms face competition primarily from offline retail channels. However, online shopping's convenience, variety, and competitive pricing keep this threat manageable.	Low
Bargaining Power of Suppliers	The bargaining power of suppliers is moderate. Lazada collaborates with numerous vendors, which limits individual supplier power. However, prominent brands or exclusive product suppliers can have significant influence. (Suroso, Jarot S., et al., 2020)	Moderate



Bargaining Power of Buyers	Buyers have high bargaining power due to the vast selection of purchasing options and ease of switching platforms. E-commerce platforms need to offer competitive prices, quality products, and superior customer service to retain customers. (Suroso, Jarot S., et al., 2020)	High
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Competitor Analysis: Conducting a competitor analysis allows Lazada to identify areas for improvement and create strategies to expand their competitive edge. By understanding the strengths and weaknesses of its rivals, Lazada can tailor targeted strategies that strengthen market positioning while guaranteeing sustainable business success. Kotler and Keller (2016) emphasize its significance as an essential tool in crafting effective marketing strategies which respond to market dynamics and consumer preferences.

Table III. Competitor Analysis of Lazada Indonesia (Source: Author, 2024)

Component	Lazada	Shopee	Tokopedia
Product	Wide range including electronics, fashion, health & beauty, groceries, and more.	Extensive variety, strong focus on electronics, fashion, health & beauty, and household items.	Broad product range with strong focus on local and small brands, electronics, fashion, groceries.
Price	- Commissions on sales averaging 10%, advertising fees, and logistics services (Lazada Express).	Commissions on sales averaging 10%, transaction fees, advertising, in-app purchases, ShopeePay transactions.	Commissions on sales averaging 10%, advertising fees, and financial services including loans and insurance.
Place	Extensive logistics network, partnerships with local and international delivery services. Has its own delivery service, Lazada Express.	Fast delivery options, including same-day delivery, partnerships with multiple logistics providers. Shopee has its own delivery service, Shopee Express.	Efficient logistics network, offers same-day and next-day delivery options, strong local partnerships. Strong in same-day and instant because it has Go-Jek in its ecosystem.
Integrated Marketing Communication	Aggressive promotional campaigns such as 9.9, 11.11, and 12.12, flash sales, strategic partnerships with brands, social media.	Heavy use of social media marketing, influencer partnerships, frequent sales events, and promotions. Shopee also has strength in its affiliate marketing channel.	Focus on community engagement, social media marketing, frequent promotional campaigns, and local events.
People	Lazada has global talent pool as the company has affiliation with Alibaba. Lazada benefits from access to global best practices in e-commerce and logistics.	Shopee, as part of Sea Group, emphasizes innovation and agility in its workforce. The company attracts young, tech-savvy professionals.	Tokopedia places a strong emphasis on community and collaboration within its workforce. This is reflected as they called their employee as Nakama
Process	Multiple payment options including credit/debit cards, online banking, cash on delivery, e-wallets. Lazada acquired Dana to add its payment method.	Diverse payment methods, strong integration with ShopeePay, credit/debit cards, and bank transfers. Shopee is integrated with SEA Bank.	Various payment options including credit/debit cards, online banking, Gopay and OVO e-wallet integration.
Physical Evidence	User-friendly, easy navigation, attractive design, mobile app highly rated (4.7 on Google Play and 4.8 on AppStore).	Highly interactive and gamified interface, frequent updates, engaging user experience. Rating of 4.6 in Google Play and 4.7 in AppStore.	Intuitive, easy navigation, mobile app focuses on simplicity and efficiency. The app rating is 4.6 in Google Play and 4.8 in AppStore).



Targeting	Broad audience, urban and suburban consumers, 18-45 years age group.	Primarily young adults, tech-savvy users, ages 18-35, but also a broad audience.	Urban consumers, tech-savvy individuals, small to medium-sized businesses, ages 20-40.
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Customer Analysis: According to the survey, the overall brand image and trust place Lazada third among the total of the market leaders in Indonesia, which comprised of Lazada, Shopee and Tokopedia (Table VI). Participants were also requested to rank these platforms considering the brand image and trustworthiness. This shows that Lazada still has a long way to go before attaining the reputation of its competitors, which requires a lot of effort to be put on branding and marketing to become a trusted brand. The survey also broke down the perceived quality and value as well as the trustworthiness of the platform (Figure 5-Figure 8). The results depict relative positive attitude of the respondents towards the quality of the Lazada’s mobile application/ services. While these scores would be acceptable for most Businesses, Lazada’s signify that there is still some work to be done to compete with the competitors. The perceived quality and value, as well as perceived trust towards Lazada was rated moderately by customers, hence there should be enhancements put in place towards improving this value and building the brand loyalty. Therefore, while the beliefs of the customer base appear to be slightly positive regarding the services offered by Lazada, the company needs to work on quality, value, and trust factors to make improvements to the brand image and make progress toward improved market share.

Table VI. The Result of The Brand Image and Brand Trust Ranking Between Top Three E-Commerce in Indonesia (Source: Author, 2024)

E-commerce	Rank 1	Rank 2	Rank 3	Grand Total	Index Score
Shopee	43	21	11	182	2.43
Tokopedia	24	31	20	154	2.05
Lazada	7	31	37	120	1.6

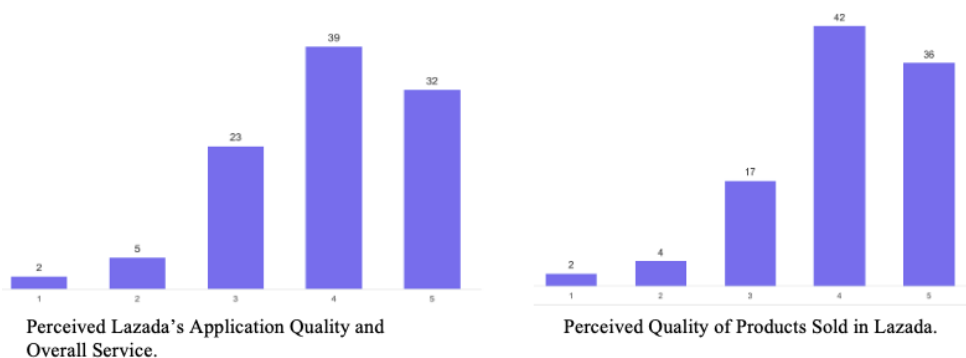


Figure 5. Lazada Indonesia's Perceived Quality and Value

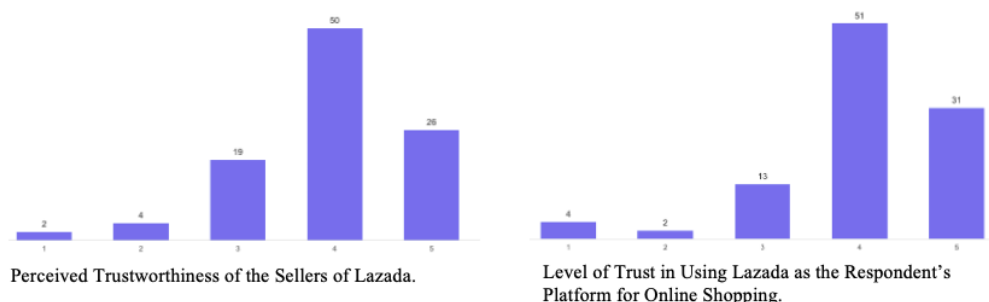


Figure 6. Lazada Indonesia's Perceived Trustworthiness

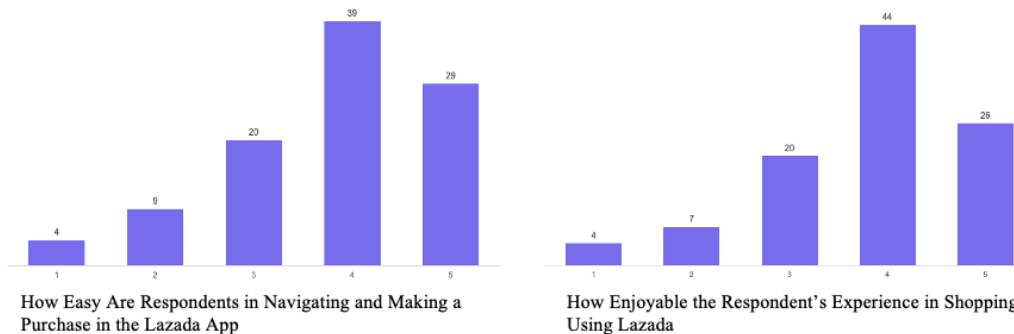


Figure 7. Lazada Indonesia's User Interface and User Experience from Customers Perspective

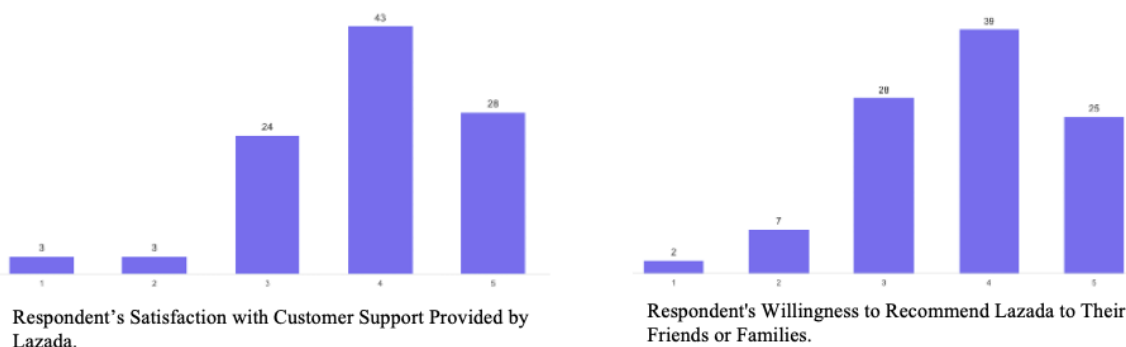


Figure 8. Lazada Indonesia's Customer Satisfaction

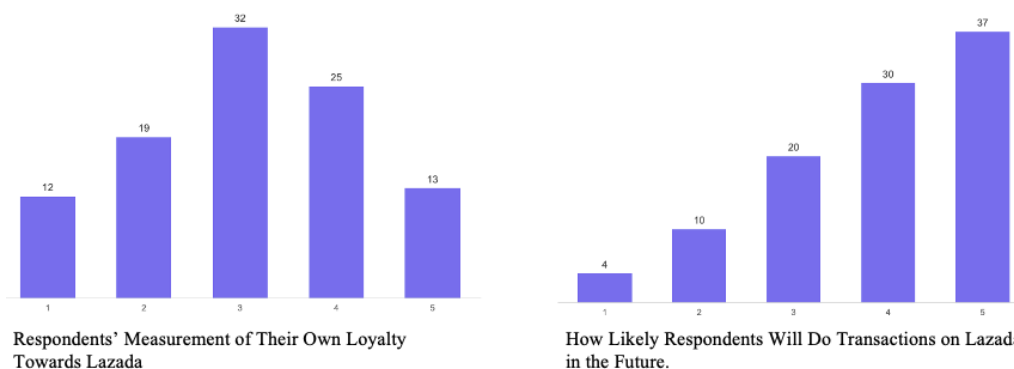


Figure 8. Lazada Indonesia's Customer Loyalty and Willingness to Do Future Transactions in Lazada

K-means Clustering: The questionnaire that's given to the 101 respondents is resulting in 3 clusters (Figure 9 and Figure 10) of customers for Lazada Indonesia. The Table VII summarizes the key characteristics of each cluster, providing a clear overview of the demographic and behavioral patterns within each group.

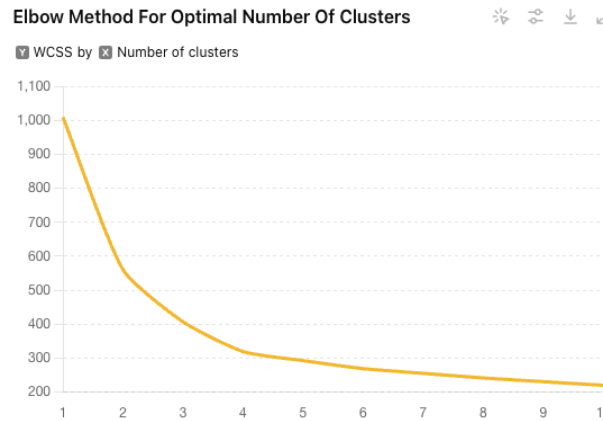


Figure 9. Using the Elbow Method, 3 is the Ideal Quantity of Clusters. (Source: Author, 2024)

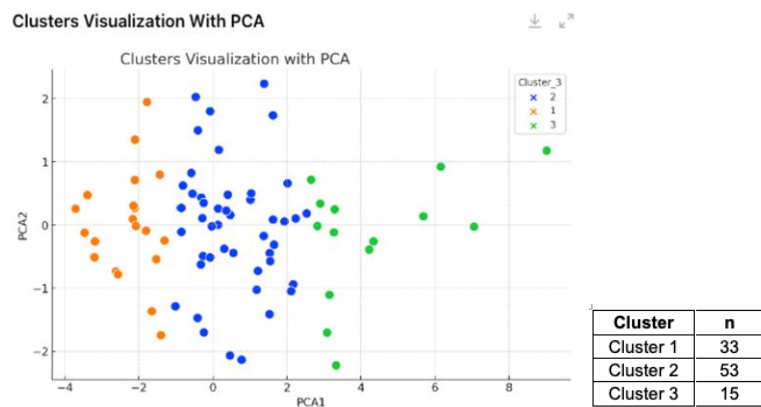


Figure 10. The Scatter Plot Shows the Clustering of Samples. (Source: Author, 2024)

Table VII. Clustering analysis of the survey. (Source: Author, 2024)

Characteristic	Cluster 1 (Highly Satisfied and Loyal) (n= 33)	Cluster 2 (Moderately Satisfied) (n= 53)	Cluster 3 (Dissatisfied) (n= 15)
Age	Predominantly Millennials (28-43 years old) and Generation X (44-59 years old)	Predominantly Generation Z (18-27 years old) and Millennials (28-43 years old)	Predominantly Generation Z (18-27 years old) and some Millennials (28-43 years old)
Gender	Slightly more Female than Male	Almost equal distribution between Male and Female	More Male than Female
Expense per Month	- Mostly Rp 1.200.000 - Rp 6.000.000 - Respondents with expense > Rp 6.000.000 in the middle among other clusters	- Mostly Rp 1.200.000 - Rp 6.000.000 - Respondents with expense > Rp 6.000.000 the highest among other clusters	- Mostly Rp 1.200.000 - Rp 6.000.000 - Respondents with expense > Rp 6.000.000 the lowest among other clusters
Online Shopping Frequency	- Mostly <5 times per month - But this cluster also contain respondents who shop 11-15 times per month	- Mostly <5 times per month - But this cluster also contain respondent who shop >20 times per month	- Mostly <5 times per month - This cluster also contains respondents who shop 10 times per month at maximum.



Overall Quality and Service Rating	High (Average rating: 4.82)	Moderate (Average rating: 3.72)	Low (Average rating: 2.73)
Product Quality Rating	High (Average rating: 4.82)	Moderate (Average rating: 3.91)	Low (Average rating: 2.87)
Seller Reliability Rating	High (Average rating: 4.70)	Moderate (Average rating: 3.83)	Low (Average rating: 2.60)
Trust in Lazada Rating	High (Average rating: 4.75)	Moderate (Average rating: 3.68)	Low (Average rating: 2.53)
Navigation Ease Rating	High (Average rating: 4.76)	Moderate (Average rating: 3.64)	Low (Average rating: 2.40)
Shopping Experience Rating	High (Average rating: 4.78)	Moderate (Average rating: 3.62)	Low (Average rating: 2.60)
Customer Support Satisfaction Rating	High (Average rating: 4.66)	Moderate (Average rating: 3.53)	Low (Average rating: 2.33)
Likelihood to Recommend Rating	High (Average rating: 4.73)	Moderate (Average rating: 3.58)	Low (Average rating: 2.33)
Loyalty Rating	High (Average rating: 4.15)	Moderate (Average rating: 2.79)	Low (Average rating: 1.73)
Likelihood to Purchase Again Rating	High (Average rating: 4.79)	Moderate (Average rating: 3.79)	Low (Average rating: 2.00)

B. Internal Analysis

VRIO Analysis: The VRIO framework is a strategic analysis tool used to evaluate an organization's internal resources and capabilities to understand their potential for achieving a sustained competitive advantage. By systematically analyzing these aspects, businesses can identify which resources and capabilities are most likely to provide a long-term competitive edge. In the context of Lazada Indonesia, an e-commerce giant backed by Alibaba, the VRIO analysis helps assess how effectively the company leverages its resources and capabilities in a highly competitive market. This analysis will provide insights into Lazada's strengths and potential areas for improvement within the Indonesian e-commerce ecosystem (Barney, 1991; Barney & Hesterly, 2012).

Table IV. Internal Analysis of Lazada Indonesia Using VRIO Framework (Source: Author, 2024)

Resource/Capability	Value	Rarity	Imitability	Organization	Result
Brand Recognition	Yes	Yes	Difficult	Yes	Sustainable Competitive Advantage
Technology and Infrastructure	Yes	Yes	Difficult	Yes	Sustainable Competitive Advantage
Customer Base	Yes	Yes	Not easily	-	Temporary Competitive Advantage
Financial Resources	Yes	Yes	Difficult	Yes	Sustainable Competitive Advantage
Partnerships and Alliances	Yes	Yes	Possible	-	Temporary Competitive Advantage

STP Analysis: In this part, STP analysis will be explained. STP analysis is fundamental for marketers to identify and cater to distinct market segments. Segmentation involves dividing a broad market into subsets of consumers with common needs or characteristics. Targeting selects the most attractive segments to focus marketing efforts, while positioning develops a clear image of the brand in the minds of the target audience (Kotler & Keller, 2016). For Lazada, segmentation focuses on age, economic status, and geographic location, targeting primarily middle to low-income groups and millennials, with previously tailored regional content to engage local preferences before the change in strategy in the early 2024.



Table V. The STP (Segmentation, Targeting, and Positioning) of Lazada Indonesia. (Source: Author, 2024)

Component	Description	Strength/Weakness
Segmentation	Lazada's segmentation strategy focuses on age, economic status, and geographic location. They target first jobbers and the middle segment, primarily the middle to low-income groups with a maximum of the upper middle class. Additionally, Lazada tailors its strategies to different regions, emphasizing tier 2 cities and adapting content to local markets to better engage with local preferences and behaviors.	Strength
Targeting	Lazada initially concentrated on millennials, using high-profile campaigns involving celebrities. Recently, there has been a shift towards a broader mass market approach while maintaining a focus on localizing content. However, recent centralization efforts have posed challenges in maintaining the same level of tailored marketing.	Weakness
Positioning	Lazada emphasizes competitive pricing and attractive promotions, striving to present itself as a reliable and budget-friendly e-commerce option. Challenges include lagging user experience compared to competitors, budget constraints limiting marketing reach, internal coordination issues, and maintaining a consistent Customer Value Proposition (CVP).	Weakness

7P's Analysis: The 7P's framework extends the traditional marketing mix (Product, Price, Place, Promotion) by including People, Process, and Physical Evidence, providing a more comprehensive strategy especially crucial for service-based industries (Booms & Bitner, 1981). For Lazada, the product strategy involves a diverse range of offerings, pricing strategies leverage promotions and discounts, place strategies ensure extensive distribution networks, and promotion involves aggressive marketing campaigns. Additionally, investing in people through training, optimizing processes for efficiency, and enhancing physical evidence through quality packaging and user-friendly interfaces are critical to maintaining competitive advantage.

Table VI. The Marketing Mix (7P's) Analysis of Lazada Indonesia. (Source: Author, 2024)

Component	Description	Strength/Weakness
Product	Lazada provides a vast range of products such as home goods, fashion, electronics, beauty, etc. Their product strategy focuses on meeting diverse customer needs through a comprehensive product mix, continuously updated to reflect current market trends and consumer preferences. However, Lazada faces challenges in product localization compared to competitors like Shopee and Tokopedia.	Strength
Price	Lazada ensures its product pricing stays competitive, providing reasonable prices, discounts, and promotions during specific periods like Harbolnas and significant sales events. This dynamic pricing approach helps attract price-sensitive consumers. However, pricing matters more than brand positioning for Lazada, impacting their competitive edge.	Strength
Place	Lazada possesses a vast and efficiently connected distribution network, collaborating with various logistics companies and courier services to ensure timely delivery. Their "Pickup Points" service adds convenience for customers. Maintaining consistent localized marketing efforts across different regions remains a challenge.	Strength
Promotion	Lazada employs diverse and aggressive promotional strategies, leveraging digital marketing, social media, influencer partnerships, and large-scale campaigns like "11.11" and "12.12" sales events. These efforts drive traffic and sales. However, their marketing campaigns often lack consistency, affecting brand recognition.	Weakness
People	Lazada invests in training and development to ensure staff can deliver excellent customer service, emphasizing hiring skilled personnel and fostering a customer-centric culture. This focus on people helps build strong customer relationships. However, internal coordination issues between different divisions can affect the coherence of marketing strategies.	Strength



Process	Lazada has implemented various processes to improve seller engagement and operational efficiency, including programs like LazNong (Lazada Nongkrong/Hang Out with Lazada) and seller conferences. These initiatives build a community among top sellers. However, there are challenges in integrating different teams' efforts, leading to inconsistencies in initiatives.	Weakness
Physical Evidence	Physical evidence includes their website interface, mobile application, packaging, and any tangible items associated with the brand. Lazada focuses on creating a visually appealing and user-friendly online shopping environment. However, there is a need for more visible and consistent branding efforts to enhance physical evidence of Lazada's reliability and service quality.	Strength

C. Strategy Formulation

SWOT Analysis: In order to obtain insights from both internal and external analysis, the author adopted SWOT analysis. A SWOT analysis considers both internal and external factors when assessing the prospects of an organization for the future. The following are Lazada Indonesia's SWOTs:

Table VII. The SWOT Analysis Table to Summarize Both the Internal and External Analysis. (Source: Author, 2024)

	Positive	Negative
	Strengths	Weaknesses
Internal	1. Strong brand recognition and market presence in Southeast Asia, supported by Alibaba.	1. Inconsistent user experience compared to competitors.
	2. Comprehensive product mix catering to diverse customer needs.	2. Budget constraints limiting marketing reach.
	3. Competitive pricing and attractive promotions.	3. Internal coordination issues between different divisions affecting marketing strategies.
	4. Efficient logistics network and partnerships with various delivery services.	4. Challenges in maintaining a consistent Customer Value Proposition (CVP).
	5. Strong financial backing from Alibaba.	5. Dependence on centralized strategies reducing localized marketing effectiveness.
External	Opportunities	Threats
	1. Expanding e-commerce market in Indonesia with growing internet and smartphone penetration.	1. Intense competition from major players like Shopee and Tokopedia.
	2. Increasing demand from young, tech-savvy consumers.	2. High bargaining power of buyers due to vast purchasing options and price sensitivity.
	3. Technological advancements improving customer service and logistics operations.	3. Regulatory challenges and need for compliance with evolving e-commerce laws.
	4. Potential to leverage big data and analytics for personalized marketing and customer engagement.	4. Environmental concerns related to packaging waste and carbon emissions from delivery vehicles.

TOWS Matrix: The TOWS Matrix, introduced by Heinz Wehrich in 1982, is a strategic planning tool that enhances the traditional SWOT analysis by systematically matching external opportunities and threats with internal strengths and weaknesses to develop strategic options. According to Wehrich, the TOWS Matrix provides a structured approach to identifying strategic alternatives that can help organizations optimize their performance in a competitive environment (Wehrich, 1982). Applying this framework to Lazada Indonesia allows for a comprehensive analysis of the company's strategic position, facilitating the development of actionable strategies to leverage its strengths, mitigate its weaknesses, capitalize on opportunities, and defend against threats. By



employing the TOWS Matrix (Table VII), Lazada can create targeted strategies that enhance its competitive advantage in the rapidly evolving e-commerce market in Indonesia.

Table VIII. TOWS Matrix Based on All the Analysis Beforehand. (Source: Author, 2024)

	Strengths (S)	Weaknesses (W)
	SO Strategies	WO Strategies
Opportunities (O)	SO1: Leverage strong brand recognition and market presence to attract young, tech-savvy consumers. (S1, O2)	WO1: Improve user experience and address internal coordination issues to better meet the demands of tech-savvy consumers. (W1, O2)
	SO2: Utilize comprehensive product mix and competitive pricing to capture the expanding e-commerce market. (S2, O1)	WO2: Allocate budget effectively to enhance marketing reach and consistency. (W2, O4)
	SO3: Utilize Alibaba’s strong financial backing for innovative marketing to capitalize on increasing internet and smartphone penetration. (S5, O1)	WO3: Adapt strategies to ensure consistent Customer Value Proposition (CVP) and improve localized marketing efforts. (W4, W5, O4)
	SO4: Partner with technology providers to improve customer service and logistics operations. (S3, O4)	WO4: Develop some way to decentralize some marketing strategy so that local team can tweak the marketing plan. (W5, O2)
	ST Strategies	WT Strategies
Threats (T)	ST1: Use strong logistics network and partnerships to maintain a competitive edge against major players like Shopee. (S4, T1)	WT1: Enhance internal processes and coordination to efficiently manage budget constraints and competitive pressures. (W3, T1)
	ST2: Emphasize competitive pricing and attractive promotions to retain price-sensitive customers amidst intense competition. (S3, T1, T2)	WT2: Focus on improving user experience and customer support to build brand trust and loyalty. (W1, T2)
	ST3: Leverage big data and analytics to create personalized marketing and retain customers despite high bargaining power. (S5, T2)	WT3: Develop sustainable practices to address environmental concerns and regulatory compliance. (W3, T3)
	ST4: Strengthen strategic partnerships and alliances to mitigate the impact of external competitive pressures. (S1, S4, T1)	WT4: Lazada team could develop CPV that has focus on sustainability. (W4, T4)

CONCLUSION

The analysis procedure in the preceding section yielded the results and conclusions that make up the proposed solution. The proposed solution is the marketing strategy that will be implemented to increase brand loyalty and market share of Lazada Indonesia. Below are the chosen strategies:

A. STP Strategy

Lazada’s STP strategy focuses on enhancing its competitive positioning in the Indonesian e-commerce market by targeting three main customer clusters. The first cluster comprises highly satisfied and loyal customers, mainly Millennials and Generation X, who spend significantly and shop frequently. The second cluster consists of moderately satisfied customers, primarily Generation Z and Millennials, with equal male and female distribution, offering potential for conversion into highly loyal customers through improved services. The third cluster includes dissatisfied customers, mostly Generation Z, who exhibit lower engagement and satisfaction.

Lazada should focus on targeting the second cluster, as these customers show moderate satisfaction and significant growth potential. By enhancing their shopping experience, addressing their needs, and providing personalized marketing and promotions, Lazada can convert them into loyal customers. The company aims to position itself as a premier e-commerce platform offering a seamless,



personalized shopping experience for young, tech-savvy shoppers, emphasizing a wide product selection, reliable delivery, and exceptional customer service. This targeted approach will drive sustainable growth and strengthen Lazada's market position in Indonesia.

B. Marketing Mix Strategy

Chosen marketing mix strategy based on internal resources and time constraints:

1. Integrated Marketing Communication: Affiliate Marketing Strategy (SO3). Affiliate marketing was chosen as a priority due to its cost-effectiveness and potential for high returns on investment. By leveraging the financial backing from Alibaba, Lazada can maximize the budget allocated for affiliate marketing. This strategy is efficient in generating organic traffic and conversions through authentic user testimonials, which align with Lazada's objective to enhance brand loyalty without extensive upfront costs.
2. Integrated Marketing Communication: Digital Platform Marketing Strategy (WO2). Given the diverse digital landscape and the rising influence of platforms like Instagram, TikTok, and YouTube, investing in digital platform marketing is crucial. These platforms provide broad reach and targeted advertising capabilities, making them ideal for maximizing engagement and conversions within the allocated budget.
3. Integrated Marketing Communication: Segmentation and CVP Strategy (WO3). Developing robust segmentation, targeting, and positioning is fundamental for creating a consistent Customer Value Proposition (CVP). This approach allows Lazada to precisely target its marketing efforts, ensuring that resources are directed towards the most promising customer segments.
4. Product: Product Diversification and Localization (SO2). Enhancing product localization is essential to cater to the growing preference among Generation Z and Millennials for local products. This strategy not only meets consumer demand but also strengthens Lazada's market position by differentiating its product offerings from international brands.
5. People: Internal Team Alignment (WO1, WT1). Improving internal cohesion between the marketing, commercial, and business development teams is vital for leveraging Lazada's competitive advantage. Effective collaboration ensures that strategies are implemented seamlessly, maximizing their impact.

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