The Importance in Providing Country of Origin Information on E-Commerce Platforms to Fulfill Consumer Rights in Indonesia

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ABSTRACT

One of the threats of using the e-commerce system in Indonesian business sectors are the lack of goods and/or services information provided in the e-commerce platform, especially the country of origin information. The general standard of information that should be provided to consumers includes price, quality, and other information that can help consumers decide what to buy according to their needs and the quality of goods. The purpose of this study is to identify the importance of country of origin information in e-commerce platform based on consumer’s view. We used juridical-empirical research to find out how the implementation of a regulation. The primary sources were collected by observation method to the e-commerce platforms and survey method to the e-commerce customers. Based on theories and results, we conclude that country of origin information is important and should be provided by the merchants in the e-commerce platform. Providing country of origin information in e-commerce platform may benefit consumers and also may benefit e-commerce providers and merchants. The government needs to issue a new regulation to make e-commerce providers obligated to provide country of origin information for all of the products that their merchant sold. We also suggest the e-commerce providers to voluntarily and consciously requiring merchants selling on the platform to include country of origin information.

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1. Introduction

The development of digital technology has taken over every significant aspect of our lives, and this includes the late business models involving the e-commerce system.¹ That development already changed the traditional business models where merchant and consumer should meet to complete

their purchase into the business models where the merchant and consumer might complete their transaction by using the internet. There are a few aspects that should be considered to deal with e-commerce systems, such as consumer network privacy protection, personal data protection, transaction security, and customer protection.

Customer protection itself has been regulated and a prioritized in some regulations around the world. In the international level, United Nations Guidelines for Consumer Protection (UNGCP) has been introduced by the world organization on April 9th, 1985. In the national or regional level, there are some regulations introduced by the government. For examples, Indonesia has regulated a Consumer Protection Law since 1999 aims to protect any customer in Indonesia and also help to boost the economic transaction in Indonesia. In the European Union, an obligation to give consumer protection can found in Article 38 of Charter of Fundamental Rights. It clearly stated about union policies shall ensure a high level of consumer protection. Unfortunately, Indonesia still did not have any particular policies concerning consumer protection to face any threats coming from the usage of e-commerce system.

One of the threats of using the e-commerce system in business sectors in Indonesia is the lack of information about the goods and/or services provided in the e-commerce platform. The information that infrequently involved in any e-commerce platform is the country of origin information. In order to provide advanced consumer protection, Indonesia needs to issue some obligations for merchants and platform providers to embed the country of origin information on every product that they sell.

Based on the results of preliminary research we conducted on the 6 (six) largest e-commerce platforms in Indonesia based on iPrice Group version as of quarter two of 2018, we found out that merchants in those platforms rarely include country of origin information in their description of the products. For fashion, health & beauty, and electronic products, several merchants have already included the country of origin information, usually

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with the term "Made In (Country Name)". However, for other products, like food & beverage, home & living, and souvenir & gift products, country of origin information is rarely found on the products.

The objective of this article is to look at past studies related to country of origin and its application as a form of consumer protection. In order to reach the objective, this article will examine the application of country of origin as a form of consumer protection and discuss whether if it could bring benefits to the consumer, but it also could bring benefit to the merchant, platform provider, and also the government.

2. Method

The purpose of this study is to identify the importance of country of origin information in e-commerce platform based on consumer’s view. We used juridical-empirical research to find out how the implementation of a regulation. The research required the use of data from both primary and secondary sources. The primary sources were collected by observation method to the e-commerce platforms and survey method to the e-commerce customers, while the secondary sources collected by doing literature studies.

We conduct three different steps in order to fulfill the data required in this research. First, we identify the Indonesian consumer rights in e-commerce according to the law. Second, we did preliminary research by analyzing e-commerce platforms to find out whether if all of the consumer rights are fulfilled or not. We found out that the consumer rights to information were not provided by the e-commerce platform in Indonesia. One of the information rights is country of origin information.

And third, we design a qualitative research using a questionnaire which consists of several questions related to the importance of country of origin information for the consumer when shopping through the e-commerce platform. The questionnaire was undertaken by Indonesian consumers that used e-commerce platform to buy their chosen products. We also use Bahasa Indonesia as survey language.

The research includes a sample of 171 people from Greater Jakarta Area, Bogor, Depok, Bekasi, Tangerang, Surabaya, Semarang, Bandung, and Yogyakarta. The sample comprises 68.4% women and 31.6% men, and the sample has these following age categories: aged under 21 years (19.9%), from 21 to 30 years (74.3%), from 31 to 40 years (5.3%), and above 41 years (0.6%). Data collection took place in the second week of October 2018.

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3. Analytical Framework

3.1. E-Commerce

Electronic commerce (E-commerce) is a virtual place in which consumers and merchants are discovered and trade goods and services on the internet. It is a well-known digital technology that transforms human business transaction method. Pleşea defines e-commerce as a modern technology to do business that addresses the needs of an organization, traders and consumers to reduce transaction costs while improving quality of goods and services and increasing the speed of delivery. Although, today, the term "E-commerce" refers to some portion of commercial ventures benefit from one or more internet based components.

In Indonesia, e-commerce could be defined from using the definition stated in Article 1 subsection 24 Law No. 7 the Year 2014. Through that regulation, e-commerce is defined as a trade transaction conducted through a series of devices and electronic procedures. Moreover, Article 1 subsection 2 Law No. 11 the Year 2008 define e-commerce or also known as an electronic transaction as a legal act that is committed by the use of Computers, Computers networks, and/or other electronic media.

3.2. Consumer Protection

The consumer constitutes the starting point of economic activities and its role always been valued by the development of the market. To protect those aspects, the need to protect the consumer arises in order to keep good economic activities. Many countries have made a consumer protection law and implemented it. For an example, England has their own Consumer Law to protect the customers in a business transaction and the United States of America give a consumer protection through a system of rules and case law as well as administrative controls.

Looking back to the history, John F. Kennedy was the first to emphasize the idea of consumer protection for the public through the Declaration of Consumer Rights that presented to the U. S. Congress on March 15, 1961. There were four main rights declared in the Declaration of Consumer Rights.

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The four main rights are the rights to safety, the right to be informed, the right to choose, and the right to be heard.\textsuperscript{12}

In Indonesia, such protection to the consumer is regulated in Law No. 8 the Year 1999 which defined customer protection as all means which guarantee the legal security to protect the consumers. Under those regulations, any consumers have exclusive rights that should be provided by the merchant.

3.3. Consumer Rights to Information

The general standard of information that should be provided to consumers included price, quality, and other information that can help consumers decide what to buy according to their needs and the quality of goods.\textsuperscript{13} In Indonesian Law, the consumer rights to obtain pieces of information could be found in Article 4 point c Law No. 8 the Year 1999 which regulated that consumer has the rights to have clear, correct, and honest information on the condition and warranty of the goods and/or services.

3.4. Country of Origin

Country of origin is defined as the image that businessmen and consumers attach to products of a specific country.\textsuperscript{14} It is first known as an image since Ernest Dichter referred to the “made-in” information cue. Such information is needed to provide more comprehensive consumer protection, especially in e-commerce business transaction.\textsuperscript{15} Information about the country of origin of a product generates expectations related to the image of the country, which will influence beliefs related to the particular attributes of products from that country.\textsuperscript{16} Country of origin also could help consumers to make inferences about quality and form purchase intention, particularly when other information cues are inaccessible or too complex to be assessed.\textsuperscript{17}

3.5. Result and Discussion


Based on the results of the survey, we found out that the respondents used to shop in this e-commerce platform: Shopee (70.2%); Tokopedia (64.3%); Lazada (34.5%); Bukalapak (24.6%); Blibli (11.7%); and JD (11.7%). On those platforms, they usually bought these products categories: Fashion and Accessories (67.3%); Health and Beauty (53.8%); Electronic (43.9%); Home Living Care (24%); Food and Beverages (18.7%); Baby Care (4.7%); and Others (8.8%).

In making an online purchase on the e-commerce platform, all of the respondents always saw and observe the product information or description provided by the merchant. The information that the consumer need includes: Product Characteristics and Specifications (92.4%), Originality (89.5%), Country of Origin (61.4%), Composition or Product Components (57.9%), Guarantees or Insurance (48 %), Product’s Weight and Size (45%), as well as other reasons such as Price and Expiry Date (3%).

We also ask our respondents whether if they really know about what is meant by country of origin information. The results stated that 61.4% of our respondents knew about the country of origin information while the remaining 38.6% stated that they did not know about the country of origin information. Later on, we provide explanations about the country of origin with an illustration to help our respondents to understand the concept of country of origin information.

After giving that information, we asked the respondents whether if they actually looked at the country of origin information before making any purchase on the e-commerce platform. It turns out that 69% of the respondents sought this information and the other 31% did not care about the country of origin information. In purchasing products, 53.8% of the respondents stated that the country of origin is one of the factors that influenced the purchase of goods, and 25.1% of the respondents were in doubt whether the country of origin was a factor that influenced the purchase of goods or not. The rest 21.1% of the respondents expressly stated that the country of origin does not affect them in purchasing any goods.

In the final question, we asked the respondents whether if the country of origin information should be provided by the merchant on the e-commerce platform or not. As many as 58.5% of respondents answered that it is an important aspect that should be provided by the merchant, 34.5% of respondents answered that it was very important, 6.4% of respondents answered it was not important, and only 1 respondent or 0.6% said that the information was very unimportant.

This indicates that most of the respondents need a country of origin information which actually it is their own right to obtain such information that should be provided by a merchant in e-commerce. However, since the merchants are bounded by the cooperation agreement with service provider platforms, the real decision-maker in this matter are the e-commerce service providers. This is because, in e-commerce, they have what is known as self-
regulation which they can impose sanctions directly on the merchant who does not comply with their provisions.

Unfortunately, the research of the regulations contained in several large e-commerce platforms in Indonesia, there are no self-regulation that requires their merchant to provide country of origin information. The details could be seen in the table below:

**Table 1:** Summary of information provided by different E-Commerce Provider, Oct. 2018.

<table>
<thead>
<tr>
<th>E-Commerce Provider</th>
<th>Consumer Rights on Information Provided</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Products Name and Brand</td>
</tr>
<tr>
<td>Shopee</td>
<td>Yes</td>
</tr>
<tr>
<td>Tokopedia</td>
<td>Yes</td>
</tr>
<tr>
<td>Blibli</td>
<td>Yes</td>
</tr>
<tr>
<td>Bukalapa</td>
<td>Yes</td>
</tr>
</tbody>
</table>

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Country of origin effects actually had been researched by so many researchers on international marketing and consumer behavior literature. Country of origin could influence consumers’ buying decision process also could implicate on a brand of product’s positioning strategy.

From the results of the researches, by giving open-ended questions to respondents, there are several things that cause the country of origin as a weighing factor for purchases by consumers because of these three reasons:

1. Most respondents perceive the country of origin to guarantee the halal quality of the product purchased. As a country with the largest Muslim population in the world, Indonesia has a halal product certification law.
since 2014. However, the law does not mean that all products are required to obtain halal product certification, so many products do not take care of and obtain halal product certification. Thus, consumers also think of looking at the country of origin in perceiving whether if that they want to buy is halal or not.

2. Some respondents also said that the country of origin affects the quality of products purchased. This is consistent with the research of Costa, Carneiro, & Goldszmidt which states that the image of the quality of geographical conditions and human resources of a country, influences consumers in purchasing products.28

3. Some respondents think that the country of origin is useful for knowing whether the product to be purchased has a good impact on health or not. In other words, there is a perception of the security of the composition of ingredients or product components to products from a country.29

The respondents who answered did not care about the country of origin and considered that the information was not important since they needed the product, no matter which country, it would still be purchased. Another reason is that the brand is already trusted by the public. This is in-line with the results of a study by Godey, et al., which concluded that "in the specific case of luxury goods, the study highlights the impact of country of origin is weaker than that of brand."30

Actually, by publishing country of origin information in e-commerce is not a hard way. It is because the actual goods that sold there always provide the country of origin information. In its label, there is information about the producer or manufacturer and the address. If it is an imported one, there will be also the importer or distributor written there. So, it is just a simple way to put the information to the description area of the products sold in e-commerce.

Conclusion


Based on theories and researches results, we conclude that country of origin information is important and urgent to provide by merchants in the e-commerce platform. Providing country of origin information in e-commerce platform may benefit consumers and also may benefit e-commerce providers and merchants.

The government needs to issue a new regulation to make e-commerce providers obligated to provide country of origin information for all of the products that their merchant sold. This regulation is needed in order to fulfill consumer rights of information that guaranteed by the law. In addition, the obligation to provide the country of origin information will also protect the consumers from any products that can endanger them. If the Government does not issue those regulations, the e-commerce provider has to voluntarily and consciously make their merchant obligated to include country of origin information because the e-commerce providers will also get the benefits from providing comprehensive information. It is because the consumers tend to choose products that already have complete information provided in the description of the e-commerce platform.

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References


