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Articles

TIME MANAGEMENT AND ACADEMIC ACHIEVEMENT AMONG UNIVERSITY STUDENTS: THE MODERATING ROLE OF THE LEARNING ENVIRONMENT

Nurul Khoerunisa, Karina Zian Rehmania, Idam Wahyudi, Anggun Sulistyowati

1-14



INTEGRATION OF DIGITAL CUSTOMER EXPERIENCE, SOCIAL CAPITAL, AND EMOTIONAL BRANDING IN STRENGTHENING TRADITIONAL CULINARY MSMEs IN EAST KALIMANTAN

Zilfana Zilfana, Rina Masithoh Hariyadi, Heriyanto Heriyanto, Camella Verahastuti

15-31



THE INFLUENCE OF DEMAND PLANNING, ORDERING STRATEGY, AND INFORMATION SYSTEMS ON THE EFFECTIVENESS OF INVENTORY CONTROL AT PT ERICO INDONESIA

Budi Susanto, Ema Mulyati

32-41



EXPLORING THE ROLE OF GREEN LOGISTICS TECHNOLOGIES AND MANAGERIAL COMMITMENT: A SYSTEMATIC LITERATURE REVIEW TOWARD A SUSTAINABLE SUPPLY CHAIN

Rizky Khoiriyah, Maniah Maniah

42-62



A REVIEW OF THE EFFECTIVENESS, CONTRIBUTION, AND GROWTH OF REGIONAL TAXES AND CHARGES AS A PILLAR OF FISCAL INDEPENDENCE IN DISTRICT GOVERNMENTS: AN EMPIRICAL STUDY IN KLATEN REGENCY

Lintang Tri Puspitasari, Susi Siswati, Jannes Samuel Elfronzo Abhimaël Panggabean

63-77



HOW CROSS-BORDER SECURITIES HOLDINGS INFLUENCE MARKET INFORMATION TRANSMISSION DURING THE U.S. RECIPROCAL TARIFF SHOCK

Robinson Robinson, Buddi Wibowo

78-89



ACCOUNTING FROM AN ISLAMIC PERSPECTIVE: A SYSTEMATIC LITERATURE REVIEW ON PRINCIPLES, PRACTICES, AND IMPLICATIONS

Nurida Fitriani, Sudrajat Martadinata, Arya Zulfikar Akbar, Deli Maharani

90-109



IMPACT OF THE GOOGLE WORKSPACE-BASED INFORMATION SYSTEM FRAMEWORK ON WAREHOUSE MANAGEMENT EFFICIENCY AT PT ROCHE INDONESIA

Arzan Muharom, Maniah Maniah

110-121



FACTORS THAT INFLUENCE COMPANY SUSTAINABILITY

Wiwik Pratiwi, Tikkos Sitanggang, Azahra Pratiwi Putri

122-143



UTILIZATION OF INTERNET OF THINGS (IoT) FOR ENERGY EFFICIENCY IN SMALL AND MEDIUM RETAIL BUSINESSES

Dison Librado, Dixian Bhikuning, Dara Kusumawati

144-151



THE INFLUENCE OF DIGITAL MARKETING ON PURCHASE DECISIONS WITH SOCIAL CURRENCY AS AN INTERVENING VARIABLE IN FAMILY UNIFORM PURCHASES IN SUMBAWA

Magfirah Aulia Ramdhani, Ria Alvina, Muhammad Fikri Anugrah, Agus Santoso

152-167



DIGITAL CONTENT MARKETING FOR ENVIRONMENTAL AWARENESS: EFFECTIVENESS OF SOCIAL MEDIA CAMPAIGNS IN PROMOTING GREEN CONSUMERISM

Dixian Bhikuning, Dara Kusumawati, Dison Librado

168-175



THE EFFECT OF ESG RISK ON FINANCIAL RISK WITH PROFITABILITY AS A MODERATING VARIABLE

Yorilola Yoanda Putri, Ketzia Marylee, Yulius Jogi Christiawan, Hendri Kwistianus

176-194



THE INFLUENCE OF OCCUPATIONAL HEALTH AND SAFETY (OHS) ON EMPLOYEE PERFORMANCE THROUGH WORK DISCIPLINE AMONG TECHNICAL EMPLOYEES

Ahmad Aminlin Faylasuuf Farosa, Muhammad Husain

195-207



ECO-INNOVATION IN COASTAL SEAFOOD MSMEs: SUSTAINABLE PROCESSING STRATEGIES AND INFORMATION TECHNOLOGY INTEGRATION TO PROMOTE THE CIRCULAR ECONOMY

Ridha Tourisma Lajaria, Ghalib Suprianto, Arsyad Junaiddin, I Putu Raditya, Muh. Agili Unggil

208-218



THE INFLUENCE OF ELECTRONIC WORD-OF-MOUTH ON GOFOOD PURCHASE DECISION THROUGH BRAND IMAGE AND BRAND TRUST IN SOLO RAYA

Akbar Eko Marjiyanto, Septi Kurnia Prastwi

219-242



THE EFFECT OF FINANCIAL PERFORMANCE ON THE QUALITY OF SUSTAINABILITY REPORTS WITH ENVIRONMENTAL UNCERTAINTY AS A MODERATING VARIABLE

Mahesti Pramusinta, Sri Hastuti, Januar Eko Prasetyo

243-259



THE IMPACT OF RENEWABLE ENERGY, CARBON EMISSIONS AND LABOR FORCE ON ECONOMIC GROWTH OF DEVELOPING COUNTRIES IN ASIA

Rozzy Aprirachman, Yuni Purnama, Ariyo Saputra

260-275



IMPLEMENTING LARAVEL FOR DIGITAL PAYMENT AUTOMATION IN ISLAMIC BOARDING SCHOOLS THROUGH THE WATERFALL APPROACH

Erna Kumalasari Nurnawati, Muhammad Zidan Rifqi Ramadhan, Edhy Sutanta, Renna Yanvastika Ariyana

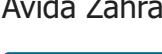
276-290



FINANCIAL HEALTH ANALYSIS OF PT GARUDA INDONESIA TBK USING THE ALTMAN Z-SCORE METHOD, FINANCIAL RATIOS, AND CASH FLOW ANALYSIS

Adinda Arum Ariani, Lukmanul Hakim, Oryza Safitri

291-312



BEYOND THE MAKEUP: UNCOVERING FACTORS BEHIND COSMETIC PURCHASE DECISIONS

Avida Zahra, Zakky Fahma Auliya

313-332



STRENGTHENING GREEN ENTREPRENEURSHIP AMONG COASTAL MSMEs IN KENDARI THROUGH ORGANIC WASTE-BASED PRODUCT INNOVATION AND DIGITAL MARKETING PLATFORMS

Imran Imran, Wa Ode Nursaadha Rajuddini, Muhamad Farih, Yesi Asri, Lisnawati Lisnawati

333-342



TRANSFORMING AGRICULTURAL WASTE INTO VALUE-ADDED PRODUCTS: LOCAL AGROPRENEURSHIP INNOVATION IN SOUTHEAST SULAWESI PROVINCE

Mariani Mariani, Ifin Naim, Angglat Timbul Aruan, Ryansyah Ramadhan, Muh. Yusril

343-351



SYMBOLIC POWER AND EMPLOYEE SILENCE IN HIGHER EDUCATION: NAVIGATING MALAY RIAU CULTURAL VALUES FOR ORGANIZATIONAL TRANSFORMATION

Muhammad Gaza Wirliadi, Riani Rachmawati

352-363



AN EXAMINATION OF THE FACTORS INFLUENCING THE UTILIZATION OF SPAYLATER: ANALYSIS OF THE IMPACT OF LIFESTYLE, PROMOTION, AND CONVENIENCE, AND THEIR RELATIONSHIP TO THE CONCEPT OF TRUST

Putri Rayyan Tsaqila, Nurasia Nurasia, Putu Ari Oka, Fadilla Alsiyah Aura

364-381



DEVELOPMENT OF THE EARLY WARNING SYSTEM MODEL ON THE PERFORMANCE OF BANK PERKREDITAN RAKYAT (BPR)

Titin Rullana, Imam Nazarudin Latif, Melki Permana, Jihan Irana Dewi

382-390



SIMPLICITY MEETS QUALITY: EXPLORING THE PATH TO CUSTOMER SATISFACTION IN DIGITAL TRANSPORTATION APPLICATIONS

Andine Herlina, Zakky Fahma Auliya

391-405



THE INFLUENCE OF WORKLOAD ON EMPLOYEE PERFORMANCE THROUGH JOB SATISFACTION WITH TRANSFORMATIONAL LEADERSHIP AS A MODERATING VARIABLE AT THE REGIONAL REVENUE MANAGEMENT AGENCY OF BURU REGENCY

Yasmin Yulianti Mony, Priyastwi Priyastwi

406-421



THE EFFECT OF DIGITAL MARKETING ON PURCHASING DECISIONS FOR MSME PRODUCTS IN THE SOCIETY 5.0 ERA: A STUDY OF SHOPEE USERS IN YOGYAKARTA

Dara Kusumawati, Dixian Bhikuning, Dison Librado

422-429



SYNERGY OF TECHNOLOGY, FINANCIAL LITERACY, AND PARTNERSHIP IN BOOST THE PERFORMANCE OF MSMEs IN BERINGHARJO MARKET, YOGYAKARTA

Sri Lestari Yuli Prastyatni, Alfonsus Fulgentius Ama Dunga

430-439



DO PEER BANKS MATTER? IDENTIFYING PEER EFFECTS IN LIQUIDITY HOARDING BEHAVIOR IN INDONESIA

Sekar Sattiti, Zaafri Ananto Husodo

440-456



BBRI STOCK PRICE FORECASTING USING THE HOLT-WINTERS DOUBLE EXPONENTIAL SMOOTHING METHOD

Nur Ayya Maulida, Diah Anggeraini Hasri, Rozzy Aprirachman, Yuni Purnama

457-470



FACTORS AFFECTING THE LEVEL OF WORKING CAPITAL FINANCING: THIRD-PARTY FUNDS, FINANCING TO DEPOSIT RATIO (FDR), AND NON-PERFORMING FINANCING (NPF) AT ISLAMIC COMMERCIAL BANKS IN INDONESIA PERIOD 2019-2024

Mahdalena Mahdalena, Rahmawati Khoiriyah

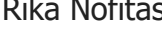
471-487



THE FUTURE OF MANAGEMENT ACCOUNTING IN THE DIGITAL ERA: A COMPREHENSIVE LITERATURE REVIEW

Zulkaffi Zulkaffi

488-506



THE EFFECT OF FINANCING TO DEPOSIT RATIO (FDR), OPERATING EXPENSES TO OPERATING INCOME, AND THIRD-PARTY FUNDS ON THE MARKET SHARE OF SHARIA COMMERCIAL BANKS FOR THE PERIOD 2019-2024

Rika Nofitasari, Rahmawati Khoiriyah

507-526



HOW LIFESTYLE, CAFE ATMOSPHERE SHAPE, AND CUSTOMER EXPERIENCE AND REVISIT INTENTION AMONG GEN Z: EVIDENCE FROM TOMORO COFFEE SUMBAWA

Muhammad Nur Fietroh, Nurasia Nurasia, Hartini Hartini, Jayanti Mandasari, Joti Aprilia

527-537



EFFECTIVENESS OF ACCOUNTING APPLICATION IMPLEMENTATION ON THE ACCURACY OF FINANCIAL REPORTING OF MSMEs IN BOJONEGORO

Siti Nurul Hidayah, Dina Alafi Hidayatni, Nurul Mazidah, Hafidza Nash'ul Amrina

538-549



DIGITAL FINANCIAL MANAGEMENT MODEL TO ACCELERATE THE TRANSITION TO A GREEN ECONOMY IN THE ENVIRONMENTALLY FRIENDLY TRANSPORTATION SECTOR

Amelia Puspa Tamara, Riky Sambora

550-557



PROTECTIVE WASTE: INNOVATION IN ANTI-CORROSION PAINT BASED ON CUCUMBER PEEL WASTE AND TEA POWDER

Gilang Tri Sandi, Erwan Eko Prasetyo, Amelia Puspa Tamara, Yuniar Istiyani

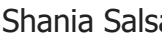
558-568



THE EFFECT OF SHRIMP TRADE COMPETITIVENESS ON SUSTAINABLE ECONOMICS

Tety Rachmawati, Fahmi Tarumanegara, Rahayu Lestari

569-580



THE EFFECT OF THE USE OF ARTIFICIAL INTELLIGENCE TECHNOLOGY AND INFLUENCER MARKETING IN AFFILIATE MARKETING ON THE BUYING INTEREST OF GENERATION Z

Shania Salsa Bella, Ahmad Saifurizta Effasa, Ari Kuntardinda

581-597



MARINE DEBRIS IN THE SPECIAL REGION OF YOGYAKARTA: ISSUES, IMPACTS, AND PROPOSED SOLUTIONS

Ary Sutrichastini, Ainina Ratnadewati, Lilik Ambarwati, Nur Widiastuti

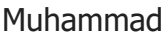
598-605



EVALUATION OF THE CASH ON DELIVERY (COD) PAYMENT METHOD ON THE SHOPEE PLATFORM FOR COSMETIC PRODUCTS Case Studies in Banjarnegara, Batang, and Wonosobo Regencies

Ayu Fera Wati, Uswatun Chasanah

606-614



THE EFFECT OF PRICE ON CUSTOMER LOYALTY THROUGH THE PERCEPTION OF PRODUCT SUSTAINABILITY

Muhammad Mathori, Diah Retno Wulandaru

615-636



| Make a Submission |
|-----------------------|
| INFORMATION |
| For Readers |
| For Authors |
| For Librarians |
| EDITORIAL POLICIES |
| Publication Ethic |
| Editorial Team |
| Reviewer |
| Focus and Scope |
| Author Guidelines |
| Peer Review Process |
| Publication Frequency |
| Publication fee |
| Plagiarism Checker |
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EVALUATION OF THE CASH ON DELIVERY (COD) PAYMENT METHOD ON THE SHOPEE PLATFORM FOR COSMETIC PRODUCTS

Case Studies in Banjarnegara, Batang, and Wonosobo Regencies

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Abstract

This study examines the implementation of the Cash on Delivery (COD) payment method on the Shopee e-commerce platform, particularly in cosmetic product transactions within the regencies of Banjarnegara, Batang, and Wonosobo in Indonesia. Using a qualitative descriptive approach, the research explores how COD is applied operationally, identifies its strengths and weaknesses, analyzes consumer perceptions, and investigates the resulting implications for sellers and couriers. Data were gathered through in-depth interviews with twelve informants consisting of six consumers, two sellers, and four couriers directly involved in COD transactions for cosmetic products. Data analysis adopted the interactive model proposed by Miles, Huberman, and Saldana (2014), including data reduction, data display, and conclusion drawing. The findings reveal that COD plays an essential role in increasing transaction accessibility for consumers lacking digital financial infrastructure, while also fostering trust and reducing perceived risks in online shopping. However, COD presents significant operational challenges for sellers and couriers, including increased risks of unilateral cancellations, product returns, and logistical inefficiencies. The study concludes that while COD serves as a crucial payment alternative for consumers in non-urban regions, it requires enhanced regulatory frameworks, seller protection mechanisms, and courier support systems to ensure sustainable e-commerce operations. This research contributes novel insights by presenting a multi-stakeholder qualitative evaluation, focusing on the high-risk cosmetic product category, and analyzing COD in regions with low digital financial penetration. This study addresses three visible gaps in the literature. First, this study incorporates the viewpoints of consumers, sellers, and couriers using a qualitative approach. Second, this study focuses on cosmetic products. Third, limited attention has been given to COD implementation in non-urban contexts with low digital payment adoption rates.

Keywords: Cash on Delivery, E-commerce, Cosmetic Products, Consumer Trust, Online Shopping.

INTRODUCTION

Digital transformation has reshaped the global commercial landscape, especially with the rapid development of e-commerce platforms that have revolutionized consumer purchasing behavior. In Indonesia, the proliferation of online marketplaces such as Shopee, Tokopedia, and Lazada has dramatically expanded the accessibility of digital commerce across urban and rural areas. These platforms offer various payment methods designed to accommodate diverse consumer preferences and levels of digital financial literacy. Among these, the Cash on Delivery (COD) payment method remains

highly preferred by consumers who are hesitant to adopt digital payment systems. Factors such as trust issues, limited access to banking facilities, and concerns about product authenticity make COD an appealing option in developing regions. Because COD allows buyers to pay after receiving the goods and minimizes the risk of uncertain online transactions. (Nasution, 2025)

Cosmetic products constitute one of the most purchased categories on Shopee, driven by the increasing interest in skincare, makeup, and beauty enhancement products across various demographic segments. Such products often carry higher perceived risks due to concerns about authenticity, product safety, and suitability for personal use. Consumers purchasing cosmetics online frequently express worry about receiving counterfeit, expired, or misrepresented products. In this context, COD offers a sense of security because it allows consumers to inspect the product upon delivery before making payment.

However, despite its benefits, COD introduces several challenges for consumers, sellers, and couriers. Consumers sometimes engage in uncommitted purchasing behavior, such as canceling or refusing orders at the point of delivery without valid reasons. Sellers bear the financial burden of logistics costs associated with returns and order cancellations, which cannot be reclaimed from the consumers. Sellers may also suffer performance downgrades on Shopee's rating system due to canceled transactions. For couriers, COD brings additional responsibilities such as collecting cash payments, managing product returns, resolving disputes with customers, and dealing with uncooperative buyers—tasks that significantly increase their workload and stress levels.

The importance of understanding the implementation of COD is amplified in non-urban regions such as Banjarnegara, Batang, and Wonosobo, where digital financial inclusion is relatively low. Many residents in these areas lack access to banks, ATMs, or digital wallets, making COD the most viable mode of payment for e-commerce transactions. Previous studies on COD have primarily focused on quantitative approaches that measure the influence of COD on consumer purchase decisions or compare COD with digital payment methods. However, limited research has examined COD from the perspectives of multiple stakeholders, especially concerning high-risk product categories such as cosmetics.

This study aims to fill this research gap by conducting an in-depth qualitative analysis focusing on: (1) the implementation process of COD in cosmetic product transactions; (2) the strengths and weaknesses of COD for consumers, sellers, and couriers; (3) consumer perceptions and trust in COD as a payment method; and (4) the operational implications of COD for sellers and couriers. The study further highlights the challenges faced by each stakeholder, thereby providing meaningful insights for policymakers, e-commerce platforms, and logistics companies.

LITERATURE REVIEW

Cash on Delivery (COD) is a payment mechanism in which buyers pay for their orders only when the products are physically delivered to them. Serfiyani (2013) explains that COD allows a mutually agreed transaction where payment is executed at the delivery location rather than during the purchase moment. Historically, the COD system was used extensively in traditional commerce, especially in catalog-based retailing and postal deliveries. In the digital era, COD has been reintroduced within e-

commerce to address a range of consumer concerns, including distrust toward digital payments, uncertainty about product authenticity, and fear of online fraud.

Recent studies highlight that COD functions as a trust-building mechanism for risk-averse consumers (Gao & Waechter, 2017). Particularly in emerging economies, COD continues to be a dominant payment method because it aligns with cultural preferences for physical verification and tangible transaction processes (Hsu et al., 2021). COD also expands e-commerce participation among unbanked or underbanked populations, effectively bridging financial inclusion gaps (Ofori et al., 2022). In Indonesia, COD adoption is closely linked to low national digital literacy and incomplete coverage of digital financial infrastructure, making COD an essential mechanism for enabling inclusive online commerce.

However, COD carries operational risks for sellers and couriers, such as high cancellation rates and increased logistics burdens. E-commerce platforms face challenges in managing COD disputes, failed deliveries, and return logistics, which often incur additional costs (Akram et al., 2021). Despite these challenges, COD remains a critical payment method in developing countries where cash remains the predominant transaction medium.

E-Commerce and Payment Trust

E-commerce refers to the integration of technological platforms for conducting product purchases, order processing, logistics, and customer service electronically (Yuswan, 2018). Trust is a core component influencing the level of engagement and purchasing behavior in online marketplaces. Kotler and Keller (2016) argue that consumer trust in e-commerce emerges from consistent perceptions of platform reliability, data security, transparent communication, and secure payment options.

Trust in payment systems becomes particularly crucial in markets where digital fraud and cybersecurity issues are common. According to Pavlou (2003), trust reduces uncertainty and encourages consumers to engage in transactions that involve high information asymmetry. Payment trust encompasses customers' belief that the payment channel protects sensitive personal and financial data. COD provides an alternative path to trust by eliminating immediate financial exposure, especially for first-time shoppers or those with limited familiarity with online retail platforms.

More recent studies point out that payment trust correlates directly with platform credibility, vendor reputation, and the perceived fairness of dispute resolution processes (Liébana-Cabanillas et al., 2021). In developing countries, lack of trust in digital payment systems is one of the primary barriers to e-commerce adoption (Chong, 2020). For Indonesian consumers who have experienced issues with counterfeit products or misleading online advertisements, COD is perceived as a safer and more controllable payment method.

Perceived Risk in Online Shopping

Perceived risk encompasses multiple dimensions of uncertainty that consumers associate with purchasing online. Schiffman and Kanuk (2010) defined perceived risk as a consumer's subjective belief about potential negative outcomes, which may include financial loss, product dissatisfaction, psychological discomfort, or logistical failure. In e-commerce, perceived risk becomes heightened due to the inability to physically inspect goods, concerns over payment security, and uncertainty about product authenticity.

Contemporary studies classify perceived risks into six categories: financial, product, privacy, psychological, time, and delivery risk (Featherman & Pavlou, 2003; Bhatnagar et al., 2018). Cosmetic products in particular carry high perceived product risk due to concerns about authenticity, safety, and compatibility with the user's skin type. The COD method reduces financial and product risk because payment is deferred until the product is delivered and inspected. This aligns with findings by Yeo et al. (2017), who demonstrated that COD lowers perceived risk in emerging markets by allowing consumers to verify product quality.

Perceived risk also influences customer loyalty, repurchase intention, and satisfaction with the overall shopping experience. Rahman et al. (2021) found that consumers are more likely to adopt COD in regions with high levels of digital distrust and low cybersecurity awareness. This underscores COD as not only a payment method but also a risk mitigation tool that shapes consumer psychology.

Previous Studies on COD

A substantial number of studies have examined the role of COD within the context of online purchasing behavior. Shafa and Hariyanto (2020) reported that payment methods, including COD, significantly shape online purchase decisions, particularly through their role in risk mitigation. Similarly, Setiawan (2021) highlighted COD as an influential determinant among students who prefer low-risk payment systems. Simatupang et al. (2023) also confirmed COD's positive influence on purchase decisions in several Indonesian regions.

Hamdi et al. (2024) noted that although COD positively affects purchasing decisions, its influence is often overshadowed by promotional mechanisms such as flash sales and free shipping, which provide immediate economic incentives. Patralia et al. (2024) demonstrated that Gen Z consumers prefer COD due to its flexibility and lower perceived risk.

International research adds depth to these findings. Yeo et al. (2017) emphasized that COD reduces financial risk and builds trust in digital commerce. Lim et al. (2016) argued that payment trust significantly affects online purchase intentions, and Rahman et al. (2021) identified that COD tends to be more prevalent in areas with limited access to digital finance.

Additional studies highlight that COD is strongly associated with:

- (1) Trust in logistics services (Khan et al., 2020),
- (2) Cultural preferences for cash (Musa et al., 2022),
- (3) Low familiarity with digital payments (Sivathanu, 2019)
- (4) The need for quality assurance in visually sensitive product categories such as cosmetics (Jain & Kulhar, 2023).

Collectively, these studies reinforce that COD remains relevant in contexts where distrust, risk aversion, and infrastructure gaps persist.

Research Gaps and Novelty

This study addresses three visible gaps in the literature. First, previous research focuses mainly on consumers using quantitative approaches; whereas this study incorporates the viewpoints of consumers, sellers, and couriers using a qualitative approach. Second, few studies focus specifically on cosmetic products, which carry high levels of perceived risk and thus rely heavily on trust-building

payment methods like COD. Third, limited attention has been given to COD implementation in non-urban contexts with low digital payment adoption rates.

RESEARCH METHOD

This study employs a qualitative descriptive approach to gain a deep understanding of the implementation of COD in cosmetic product transactions on Shopee.

Research Setting and Participants

The research was conducted in three regencies: Banjarnegara, Batang, and Wonosobo. A total of twelve informants were selected purposively based on their experience in using the cash on delivery payment method in the last six month, with a minimum of two transactions: six consumers, two sellers, and four couriers. The sample includes variations in age, occupation, gender, and frequency of online shopping transactions.

Data Collection

Data were collected using semi-structured in-depth interviews that allowed participants to share detailed experiences and perceptions. Interviews were conducted face-to-face and through video calls, depending on the availability of participants. Each interview lasted between 30 and 60 minutes. Documentation such as screenshots, receipts, and product return notes were also collected to support and validate the interview results.

Data Analysis

Data analysis used the Miles, Huberman, and Saldana (2014) interactive model, which consists of three stages:

- (1) Data reduction, involving the coding, categorization, and summarization of interview transcripts;
- (2) Data display, in which findings were organized in narrative and thematic forms;
- (3) Conclusion drawing, where emerging patterns were interpreted to develop final findings.

Validity and Reliability

Data credibility was ensured through source triangulation by comparing information across consumers, sellers, and couriers. Member checking was used to verify interpretations with participants, and prolonged engagement ensured data richness.

RESULTS AND DISCUSSION

Implementation of COD in Cosmetic Purchases on Shopee

The findings reveal that COD is widely used among consumers in Banjarnegara, Batang, and Wonosobo, especially among individuals with limited access to banking services or e-wallet applications. Many consumers consider COD to be the most practical option because it requires no digital literacy and allows them to confirm the product's condition before making a payment. Consumers interviewed expressed that COD protects them from product fraud, particularly important in the cosmetic category where product authenticity and safety are major concerns. "Yes, I think COD can reduce the risk of fraud or non – conforming goods." (Consumer informant AR)

From a seller's perspective, COD implementation follows Shopee's default procedures where sellers activate COD as an available payment option. Sellers noted that cosmetic products sent via

COD are usually packaged more securely to prevent misunderstandings or claims of product damage. However, sellers also revealed that COD increases transaction risks because consumers can easily cancel upon delivery.

Couriers explained that COD requires additional steps, including cash handling, reporting payment flows to the logistics company, and dealing with potential order refusals. They often face challenging interactions with customers who claim that the product does not match expectations, despite having no prior communication with sellers.

The results of this study are in line with Chong et al (2020) who explained that trust is an important factor in the adoption of e-commerce in developing countries.

Strengths and Weaknesses of COD

Strengths for Consumers

Consumers value COD primarily for security and inspection flexibility. Cosmetic items, which may include skincare, makeup, and personal care products, require careful evaluation of texture, color, packaging, and authenticity markers. Many consumers indicated they would not buy cosmetics online without the option to inspect them at delivery. COD also allows consumers with unstable financial conditions to manage their spending, as they only pay when the item is physically in hand.

Strengths for Sellers

Sellers acknowledged that offering COD increases sales volume because many buyers filter product searches based on COD availability. Shopee's algorithm also tends to increase visibility for stores offering COD, indirectly improving store performance metrics. For cosmetics sellers, COD helps build trust and attract first-time customers.

Strengths for Couriers

Couriers reported that COD increases package delivery volumes, which can translate into higher delivery-based incentives or commissions, depending on the logistics company. However, the financial benefits are often overshadowed by operational burdens.

Weaknesses for Consumers

Some consumers experienced inconvenience due to the need to be physically present during delivery. Delays, courier availability constraints, and miscommunications also disrupt the convenience of COD.

Weaknesses for Sellers

Unilateral cancellations were the most frequent issue. Sellers reported that consumers often cancel orders for reasons such as:

- (1) insufficient funds at delivery time,
- (2) changed preferences,
- (3) dissatisfaction without proper evaluation, and
- (4) confusion about product specifications.

Sellers lose money on logistics costs, return shipping fees, and damaged packaging.

Weaknesses for Couriers

Couriers face additional work pressures, including collecting cash, providing change, managing returns, and engaging with difficult customers. Failed COD deliveries result in financial losses because

couriers often must pay for return transportation fees upfront before being reimbursed—sometimes weeks later.

Table 1
Thematic findings of strengths and weaknesses of COD

| Informants | Strengths of COD | Weaknesses of COD |
|------------|---|-----------------------------------|
| Consumers | Sense of security and trust | Delays |
| Sellers | Increase sales volume | Risk of returns and cancellations |
| Couriers | Increase the volume of package delivery | Additional workload |

Consumer Perception Toward COD

Consumer perception toward COD is overwhelmingly positive. The findings indicate that trust is the core psychological factor influencing COD use, consistent with Kotler and Keller (2016). Consumers perceive COD as a risk-reducing mechanism in online shopping. Interview data showed that consumers prefer COD especially when trying new products or unfamiliar brands. In cosmetic purchases, consumers prioritize product authenticity; COD enables them to visually check the packaging, holograms, batch numbers, and expiration dates. “highly secure for cosmetic products that are prone to damage.” (Consumer informant RK)

Interestingly, several consumers indicated they would shift to digital payments only if Shopee provided stronger return guarantees or if cosmetic authenticity could be confirmed digitally. This reflects a deeper behavioral pattern in rural areas, where long-standing distrust in digital systems persists.

Operational Impact on Sellers and Couriers

For sellers, COD expands market reach into rural or suburban regions where digital payment penetration is low. Sellers of cosmetic products reported higher conversion rates when offering COD. However, return rates for COD transactions were significantly higher than for digital payments. Sellers estimated that up to 15–25% of COD transactions result in cancellations or returns, leading to financial losses. Such a high return rate is particularly problematic for cosmetic products, which cannot always be resold due to hygiene considerations.

For couriers, COD increases operational complexity. They must manage cash handling, update transaction systems manually, negotiate with customers who display uncooperative behavior, and physically transport returned goods. Couriers reported experiencing emotional stress when dealing with customers who refuse orders without remorse. Some couriers stated that difficult COD experiences led them to prefer delivering prepaid orders.

CONCLUSION

This study concludes that the COD payment method remains a vital and trusted payment mechanism for cosmetic product transactions on Shopee, especially in regions with limited access to digital financial infrastructure. COD enhances consumers’ sense of security, supports financial inclusivity, and increases buyer confidence in purchasing high-risk products such as cosmetics. However, COD presents substantial challenges for sellers and couriers, including financial losses due to cancellations and increased operational burdens.

The study highlights the need for greater platform-level support from Shopee, such as stricter cancellation policies, strengthened seller protection programs, and improved courier support systems. Consumer education on responsible COD behavior is also essential. The findings suggest that while COD will remain relevant in rural areas, long-term sustainability requires improvements in digital literacy and risk management strategies.

Further study is recommended to use a multi – case qualitative approach across various e – commerce platforms to increase the transferability of research findings.

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