CHAPTER I

INTRODUCTION

1.1   Background of Study

The digitalization era brings a lot of changes in how one's business operates. From offline based business shift into the online based business, often called as an E-commerce. The term "digitalization" refers to the change of an organization via the use of digital technologies (Sebastian et al. 2017; Vial 2019). With the current shift in business processes, the retails are being forced to adapt to the changes and to fulfill the consumer's needs.

Over a previous decade, consumers are have become digitally involved and gradually adapting to the e-commerce. Consumers may now able to access testimonials from the other consumers to evaluate the suppliers, compare the available options, making it the most flexible way of purchasing (Sparks et al., 2013; Tankovic et al., 2018). Now, public lifestyle has been permeated with the e-commerce. This shifted the power from marketer to consumers ((Labrecque et al., 2013).

From the figure 1, the number of e-commerce users had increased for 68 million users for the past 4 years and it is expected to grow to 221 million users on 2025. Based on these changes, marketers should encourage or inspire consumers to share their good experience, feelings, and recommendation about the services/products they used (Tran & Strutton, 2018). The positive feedbacks are important for e-commerce to increase the customer trust. As trust defined as

an individual's positive believe towards the others party based on their analysis of appropriate ethical behavior in social exchange and trust is a result of online physical environment, or e-servicescape. (Chou & Hsu, 2016; Harris & Goode, 2010).
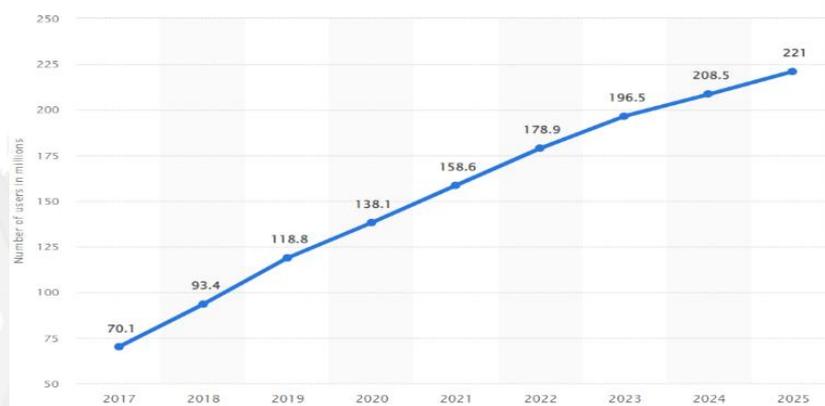

Figure 1.1. E-commerce Users Growth in Indonesia 2017-2025

Source: https://www.statista.com/forecasts/251635/e-commerce-users-in-

indonesia

In Indonesia, there are top five operating e-commerce with the biggest valuation in 2021 which consist of: Gojek, Tokopedia, Traveloka, Bukalapak, and Ovo with the valuation of each company as stated below:

Table 1.1 E-Commerce with Biggest Valuation in Indonesia

Company	Estimated Valuation	Investor
Gojek	US$ 28 million	Meta, Google, Paypal, Astra International, Tencent, VISA, Telkomsel
Tokopedia	US$ 28 million	Alibaba, Google, Temasek, Softbank Vision Fund, Sequoia Capital, East Ventures
Traveloka	US$ 3 million	Global Founders Capital, East Ventures, Expedia Inc
Bukalapak	US$ 7.5 million	Public, Kreatif Media Karya (EMTEK), API Investment (HK), GIC Singapore
Ovo	US$ 2.9 million	Grab, Tokpedia, Tokyo Century Corporation

Source: CB Insights, Tech in Asia 2021. https://id.techinasia.com/daftar-unicorn-indonesia-terlengkap

Persentase Kunjungan ke Situs Traveloka Berdasarkan Negara
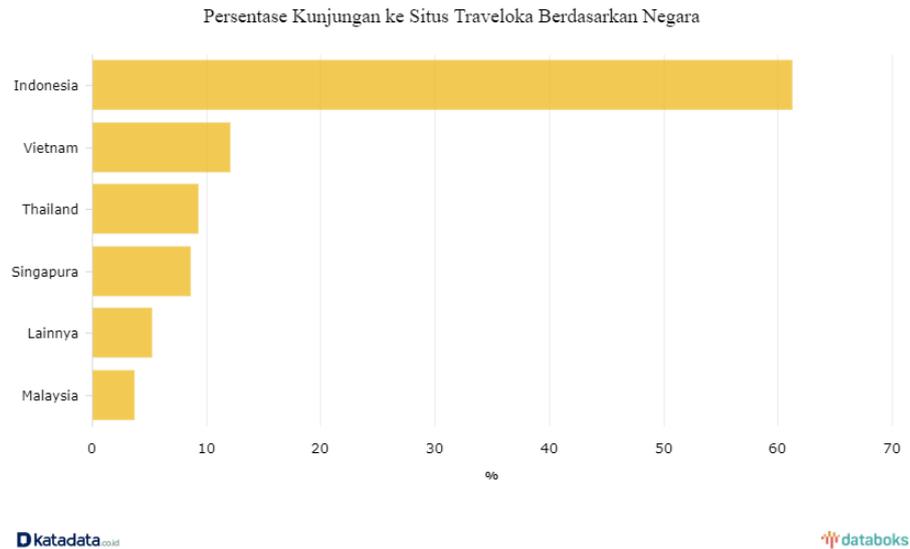
Figure 1.2. Percentage Traveloka Users Based on Countries
Source: databoks.katadata.co.id

Traveloka is a well-known technology company in South East Asia that provides access for public to find and book several services such as transportation, accommodation, lifestyle, and also finances. Traveloka also offer a financing, payment, and insurance solutions to help overcome various financial difficulties in supporting customer daily travel and lifestyle activities (Traveloka.com). Traveloka have more than 20 of product and services under their brands varying from flight and accommodation to financial product. Until January 2022, Traveloka has more than 40 million users and has been downloaded for more than 100 million times by IOS and Android users (The Jakarta Post, 2022)
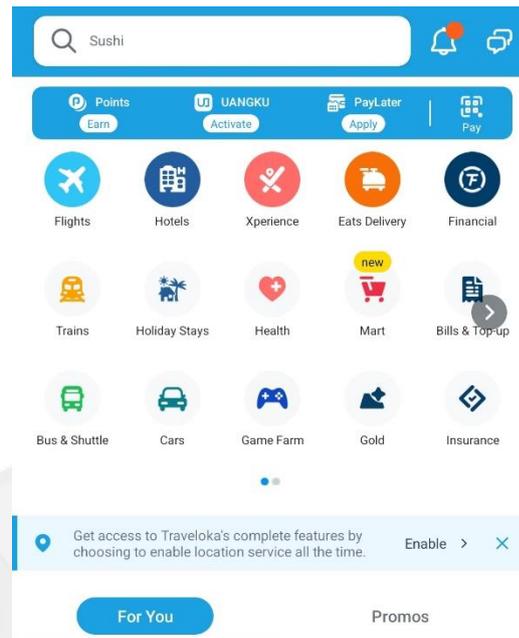
Figure 1.3. Traveloka Apps Interface
Source: Internal Sources (2022)

Traveloka has also formed partnerships with over 200 full-service and low-cost airlines. In addition, as a customer transportation to the airport, the company has partnered with more than 300 shuttle and bus operators, including more than 500 rental cars. In addition, to provide comprehensive lifestyle services, Traveloka Xperience collaborates with over 111.000 inventory, 30.000 restaurants around Indonesia, and over 250 financial service providers to enhance the experience (Teknologi Bisnis, 2022)

Figure 1.4. Reward Zone by Traveloka
Source: Internal Sources (2022)

The most recent innovation from Traveloka is Reward Zone. The innovations include the game elements in their apps to increase user convenience and user interaction while using the apps. Reward Zone entice the users with various of free games, in exchange of Traveloka Points. Which can be redeemed for various products available in Traveloka. The implementation of Reward Zone brings positive feedback from the users by increasing apps usage for 60% and grow the number of daily users for 15% in just one month since the initial launch in mid-January 2022 (Traveloka, 2022).

Figure 1.5. Traveloka Competitor in Indonesia 2017
Source: https://blog.staah.com/infographics/staah-reveals-traveloka-top-site-hotel-bookings-indonesia

On the figure 1.5 shows Traveloka's brand awareness and the direct competitors such as Booking.com, Agoda, Pegipegi, and many more. These competitors have a similar market as Traveloka. Although Traveloka has the highest brand awareness among Indonesian citizens, these competitors may have an impact on Traveloka revenues, as customers now have variety of option when deciding which e-commerce to use (Maesaroh et al., 2019).

As the number of e-commerce users are expected to increase until 2025, Traveloka has started to improve their apps to enhance customer experience and increase the customer interactions. This improvement on Traveloka apps is related to the variable online servicescape (e-servicescape). E-servicescape is defined as online environment that exist during the delivery of services. (Harris & Goode, 2010). E-commerce that successfully implement e-servicescape will resulting in customer trust.

Various Studies have been conducted to learn about the relationships between e-servicescapes, trust, e-wom, and customer loyalty (Tran and Strutton,

2020; Wu et al., 2016). Shows that there are influence between e-servicescape on trust, e-wom, and customer loyalty. There are two research gaps in this research study. The first gap is related to a company's capacity to manage its customers reviews in such a way that they may influence customer perception on applications. Therefore, an additional variable --e-wom-- is added into this research (Tankovic & Benazic, 2018; Aprianti & Rachmawati, 2020). The second gap is to add trust as the intervening variable in this research, since trust is as part of process in customer purchase decision and from within e-servicescape contexts, the presence or absence of trust is likely associated with E-WOM behavior and customer loyalty. (Trivedi & Yadav, 2018; Tran & Strutton, 2018; Yong, 2018)

With research gap stated above, this research will be using Traveloka as the research object. This research aims to analyze and enrich the understanding the influence of e-servicescape on trust. and the influence of trust on online WOM (E-WOM) and customer loyalty. E -servicescape represented by aesthetic appeal, layout/functionality, and financial security. Each of the dimensions have sub-dimensions. Aesthetic appeal consists of three sub-dimensions: Entertainment Value, Originality of Design, and Visual Appeal. Layout/Functionality consist of four sub-dimensions: Customization, Interactivity, Relevance of information, and Usability. And Financial Security consist of two sub-dimensions: Ease of Payment & Perceived Value.

In this research, Writer is interested to explore more about the relationships between variables and the effects on Traveloka apps that affect Traveloka's users' growth and interactions. Thus, the tittle that chosen by the

writer for this research is **"Investigating E-Servicescape, Customer Trust, Loyalty, and E-WOM: Study on Traveloka"**

1.2   Problem Limitation

Based on the background of study above, the problem limitations in this paper are stated as below:

1. This research focuses to observe and examine the influence of e-servicescape on trust, and the influence of trust towards e-wom (Word of Mouth) and customer loyalty on Traveloka apps.

2. Respondents in this paper are required to be at the age of 18-60 years old, has Traveloka apps installed on their smartphone, and at least had two times of transaction on Traveloka apps for the past 6 months.

1.3   Problem Formulation

The problem formulation in this paper are stated as below:

1. Does entertainment value significantly affect customer's trust on Traveloka users?

2. Does originality of design significantly affect customer's trust on Traveloka users?

3. Does visual appeal significantly affect customer's trust on Traveloka users?

4. Does customization significantly affect customer's trust on Traveloka users?

5. Does interactivity significantly affect customer's trust on Traveloka users?

6. Does relevance of information significantly affect customer's trust on Traveloka users?

7. Does usability significantly affect customer's trust on Traveloka users?

8. Does of customer review significantly affect customer's trust on Traveloka users?

9. Does ease of payment significantly affect customer's trust on Traveloka users?

10. Does perceived security significantly affect customer trust on Traveloka users?

11. Does trust significantly affect e-wom intention on Traveloka users?

12. Does trust significantly affect customer's loyalty on Traveloka users?

1.4 Objective of the Research

The objective of research on this paper are stated as below:

1. To examine and analyze the influence of entertainment value towards customer trust on Traveloka users

2. To examine and analyze the influence of originality of design towards customer trust on Traveloka users

3. To examine and analyze the influence of visual appeal towards customer trust on Traveloka users

4. To examine and analyze the influence of customization towards customer trust on Traveloka users

5. To examine and analyze the influence of interactivity towards customer trust on Traveloka users

6. To examine and analyze the influence of relevance of information towards customer trust on Traveloka users

7. To examine and analyze the influence of usability towards customer trust on Traveloka users

8. To examine and analyze the influence of customer review towards customer trust on Traveloka users

9. To examine and analyze the influence of ease of payment towards customer trust on Traveloka users

10. To examine and analyze the influence of perceived quality towards customer trust on Traveloka users

11. To examine and analyze the influence of trust towards customer e-wom intention on Traveloka users

12. To examine and analyze the influence of trust towards customer loyalty on Traveloka users

1.5   Benefit of Research

Based on the outlined research objectives, it is intended that this study will be beneficial for people who can be explained as follows:

1.5.1   Theoretical Benefit

The findings of this study are expected to be used as contributions to theory development and research, particularly in the areas of e-servicescape, trust, E-WOM, and customer loyalty. Furthermore, this research is expected to be used as a reference for future research.

1.5.2   Practical Benefit

1. For Writer

Beneficial in terms of broadening the author's perspective and increasing his knowledge about the impact of the e-servicescape on trust, as well as the impact of trust on e-wom and customer loyalty, particularly in the E-commerce industry.

2. For Traveloka

It is hoped that it will be useful in developing strategies for coping with the influence of the e-servicescape, trust, e-wom, and customer loyalty.

1.6   Writing Systematics

To make the discussion in this thesis easier to comprehend and understand as a whole, a systematization must be presented. the systematics of the writing system consists of the following:

1. Introduction to the Thesis

The opening section includes the front cover page, title page, supervisor approval page, ratification page, motto and dedication page, prologue page, table of contents page, table list page, image list page, attachment list page, definition of symbols and abbreviations, and abstraction

2. Main Section of the Thesis

The primary section is broken into the following chapters and subchapters:

Table 1.2 Writing Systematics

CHAPTER	ABOUT
Chapter I: Introduction	This chapter includes context, problem formulation, problem limits, research aims, research benefits, and thesis writing methodology.
Chapter II: Literature Review	This chapter's literature review has the following sections: a. Research review, which summarizes the results of prior research pertinent to the study. b. Theoretical basis comprising a discussion of E-servicescape dimensions, Trust, Loyalty, and E-WOM
Chapter III: Research Methodology	In this chapter, the author outlines the research methodologies utilized by the author in the development of information systems.In order to be thorough, the chapter's research methodologies include: a. Location and Timing Selection for Research b. Needs Assessment c. Research Activity (Flowchart included)
Chapter IV: Research Result and Discussion	This chapter provides an overview of the study and analysis outcomes. Both qualitatively, quantitatively, and statistically, as well as a description of the research outcomes. Chapter IV is divided into: a. Research Outcomes b. Discussion
Chapter V: Conclusion	This chapter offers conclusions and recommendations drawn from the full body of research. Problems that exist in the research and the findings of the objective analysis of the research can be stated as conclusions.

Source: Author

3.   Conclusion of the Thesis

This dissertation's conclusion includes a bibliography and a list of appendices..