

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Trade is a basic economic concept that involves buying and selling goods and services, with buyers paying a sum of money to the seller, or exchanging goods or services between parties. The most common exchange media for this transaction is money, but trade can also be done by exchanging goods or services between the two parties, which is called barter. Barter is an old method used by ancient people (believe introduced by the Mesopotamia tribe 6000 BC) to get goods needed by exchanging goods owned, for example before money, salt was considered an expensive item even Romanian soldiers were paid for with salt (Intuit mint, n.d.).

As time went on, the community began to find it difficult to barter, the difficulties experienced for example, the difficulty of finding people who owned the desired items and also the difficulty in determining the exchange rate of the goods and the difficulty in carrying items that were used as barter tools. This prompted the community to create a new, more efficient medium of exchange, initially people chose to use metals (silver and gold). Because the longer the metal is increasingly scarce, then that's when paper money starts to be an alternative, the value of paper money is determined by the numbers written on the banknotes, which in the end the paper money we use even now appears in other forms besides cash, such as credit card, and virtual currency (Investopedia, 2018).

Indonesia is one of the countries with high E-commerce growth, in recent years many large and retail companies have developed their business through digital E-commerce. The number of E-commerce actors continues to grow in accordance with research conducted by communication information technology institutions both at home and abroad. According to the 2016 Economic Census data from the Central Statistics Agency, the E-commerce industry in Indonesia has grown by around 17% in ten years, with a total business reaching 26.2 million E-commerce units (Abdurrahman, 2017).

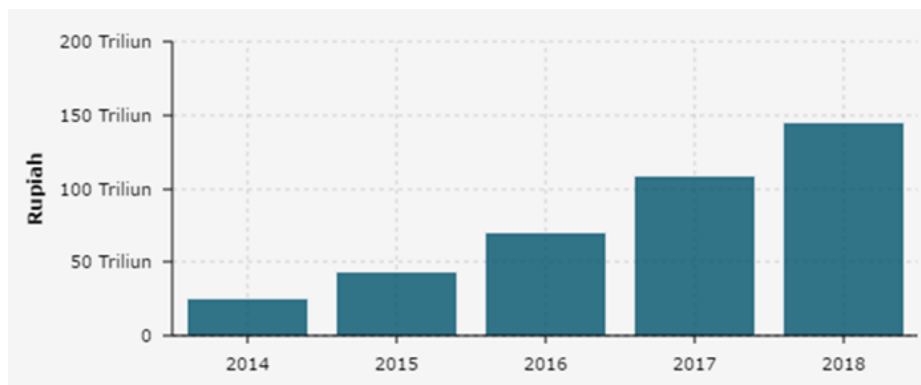


Figure 1.1 E-commerce transaction in Indonesia (2014-2018)

Note. www.databoks.katadata.co.id (retrieved on 28 January, 2019)

As Figure 1.1 shows the growth of E-market transactions in 2018 reaching Rp. 144.1 trillion, while in 2014 E-commerce transactions were only Rp. 25.1 trillion. Indonesia's population which reaches 250 million is also a driving factor for the development of E-commerce, also supported by the ease of reaching the internet. The price of affordable internet connection is one of the causes of the increasing enthusiasm of people in using the internet every day (Dkatadata.co.id, 2016). Figure 1.2 shows in 1998 Internet users were only 500 thousand people, whereas in 2017 internet users grew rapidly to more than 142 million people of which 54% of the total population. The rapid development of technology, extensive internet coverage, and the price of affordable gadgets are the reasons behind the rapid growth of Internet users (Dkatadata.co.id , 2018).

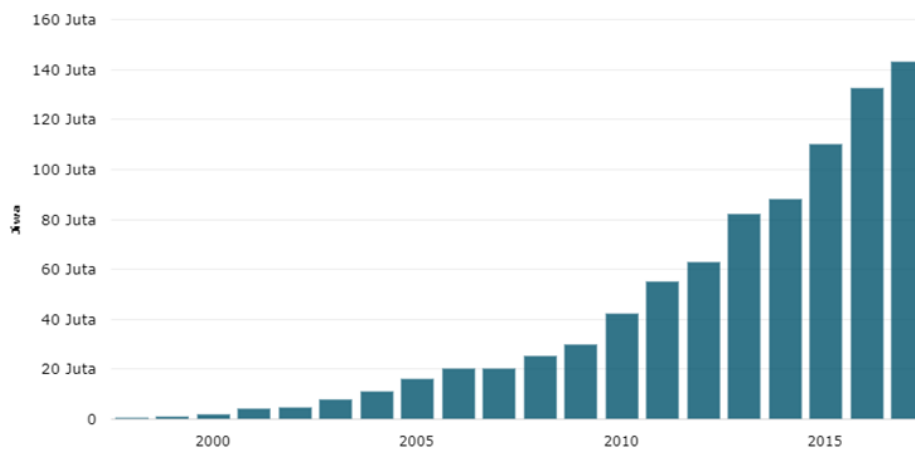


Figure 1.2 Internet users in Indonesia (1998-2017)

Note. www.databoks.katadata.co.id (retrieved on 28 January, 2019)

With the proliferation of digital on the rise in Indonesia, it is no surprise that online shopping is also on the rise. A new survey by The Asian Parent has found that for Indonesian mothers, Shopee is a first choice shopping platform (73%), followed by Tokopedia (54%), Lazada (51%) and Instagram (50%). For 90% of the respondents, Shopee was found to be the most affordable online shopping platform. According to the survey, this might be due to Shopee features such as in-app messaging features, and free goods delivery promos. 83% of the respondents also said they would recommend Shopee to their friends. 98% of mothers surveyed said they were the “ultimate decision” makers for their household purchases.



Figure 1.3 Shopee Logo

Note. www.google.com (retrieved on 28 January, 2019)

Shopee first appeared in Indonesia in December 2015. Chris Feng is the founder and CEO of Shopee who is also the best graduate from the University of Singapore. Shopee's own achievements are with the success of promotions that in a short time, shopee users are no less than its competitors (thidiweb.com, 2017). The increasing penetration of smart phone users makes PT Shopee Internasional Indonesia see new opportunities in the world of e-commerce. Unmitigated Shopee simultaneously targeted the online shopping market in three Southeast Asian countries, namely Indonesia, Singapore and Thailand through its parent entity, Garena. Shopee CEO, Chris Feng, said, since the soft launch in June this year the response of the Indonesian community was quite good. It has been proven that almost 1 million people have downloaded Shopee (www.Shopee.com retrieved 20 March 2019).

Shopee is one of the youngest e-commerce companies that is growing rapidly in the online buying and selling market. This mobile-based marketplace officially entered Indonesia in 2015 and in 2018 has reached 1.5 million transactions within 24

hours, this is a new record for marketplace e-commerce in Indonesia. (Meidita, Suprpto, & Rokhmawati, 2018)



Figure 1.4 The Most Popular Mobile Shopping Application in Google Play in 2017

Note. iPrice Group - detikInet (retrieved on 28 January, 2019)

Figure 1.4 shows Shopee itself is ranked first compared to its competitors such as Lazada, Tokopedia and others for the most popular mobile applications both on the Android and iOS platforms. This is the result of the branding of the “C2C mobile online store” that has often been done since Shopee drove in Indonesia (iPrice Group - detikInet, 2017). All the achievement showed that Shopee have a high repurchase intention, because from figure 1.4 Shopee ranked first on Q2 in 2017.

Repurchase has a definition according to Peter & Olson (2002), namely purchasing activities carried out more than once or several times. From this definition it can be said that there is an intention from the customer to buy the same product or service again. Ferdinand (2002) define that high repurchase intention reflects the level of customer satisfaction when deciding to own a product. Consumer satisfaction is an important concept in consumer marketing and research. It is a common opinion that if consumers are satisfied with a product or brand, they are likely to continue to buy and use it and tell others about their pleasant experiences with the product. If they are not satisfied, they tend to switch brands and raise objections to producers, retailers, and even tell other consumers (Peter & Olson, 1999).

Customer satisfaction is an emotional response to the evaluation of the consumption experience of a product or service. Customer satisfaction IS the level of one's feelings after comparing the performance (or results) that he feels compared to

his expectations (Kotler and Armstrong, 2005). It can be seen that Shopee have a high Customer Satisfaction by their ranking on Google play based on the customers feedback and also their review about the experience using Shopee (Figure 1.5).

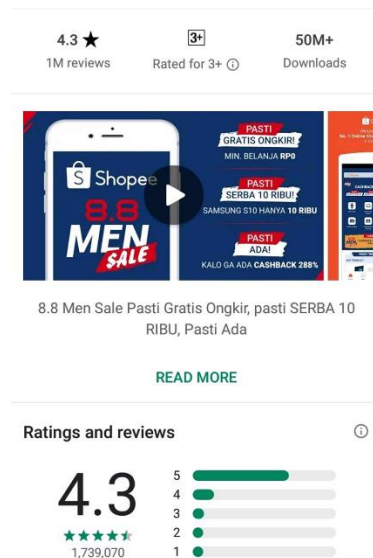


Figure 1.5 Shopee Ranting

Note. Google Play (retrieved on 8 April 2019)

However, to achieve customer satisfaction, companies need to make some effort to do such as providing a holistic experience to customers so that customers have their own impression after using or buying products / services. In addition to memorable experience, customer satisfaction can be achieved through service quality provided by the company. The company is expected to present according to or even more than consumer expectations. The better service quality that can be given and memorable experience will further encourage consumers to feel satisfied and form a positive intention to behave towards the company. Like other E-commerce, there are variables that encourage customer satisfaction to use Shopee, such as Access Convenience, Search Convenience, Evaluation Convenience, and Transaction Convenience (Duarte et al., 2018); Shipping, Tracking, and Customer Service (Cao et al., 2018).

According to Duarte et al (2018), Access Convenience is consumers' perceived time and effort expenditures to initiate service delivery. From Figure 1.6 it can be seen that Shopee has high access convenience, where Shopee companies have applications

that are connected to mobile phones so that they can be seen and used anytime and anywhere (just one click).

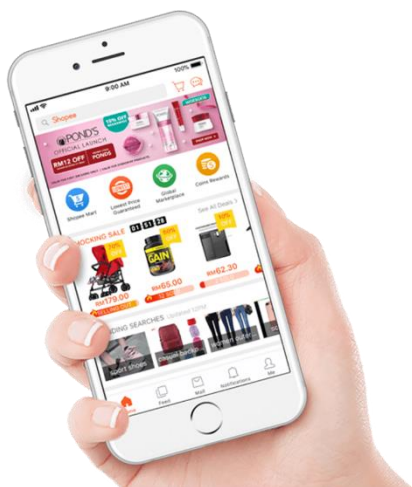
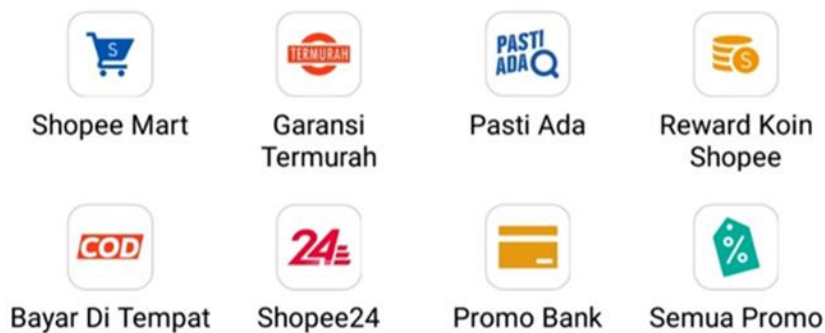


Figure 1.6 Shopee Access Convenience

Note. Google (retrieved on 8 April 2019)

According to Beauchamp and Ponder (2010), Search Convenience is the speed and ease with which consumers identify and select products they wish to buy. With the convenience of finding items, it makes it easier for customers to get the desired item. Convenience in searching goods in Shopee is proven by the application features found in Shopee starting from the search tab display (icon) and the selection of search categories can be easily classified (Figure 1.7).



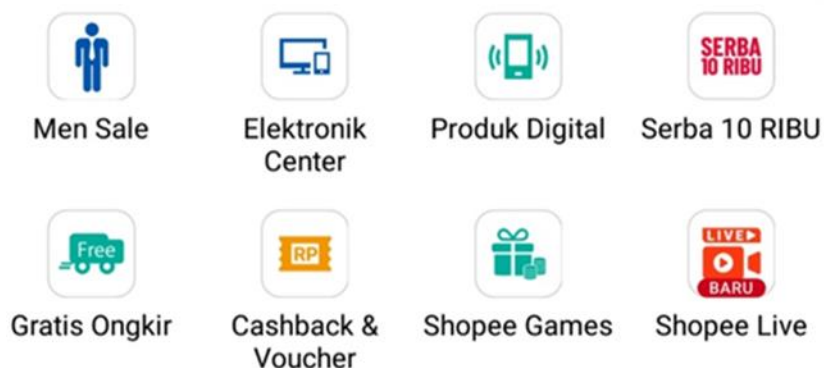


Figure 1.7 Shopee Search Convenience

Note. Google Play (retrieved on 8 April 2019)

According to Duarte et al (2018), Evaluation Convenience is the availability of detailed yet easy-to-understand product descriptions by using various presentation features, such as text, graphics, and video, on the website of the company. With the evaluation of every item offered at Shopee, making customers believe and believe that goods are sold in accordance with customer desires so that expectations of customer satisfaction increase. The Evaluation Convenience can be seen that the goods sold in Shopee have a classification and description of the goods, which helps the buyer to get information from the goods to be purchased (Figure 1.8).

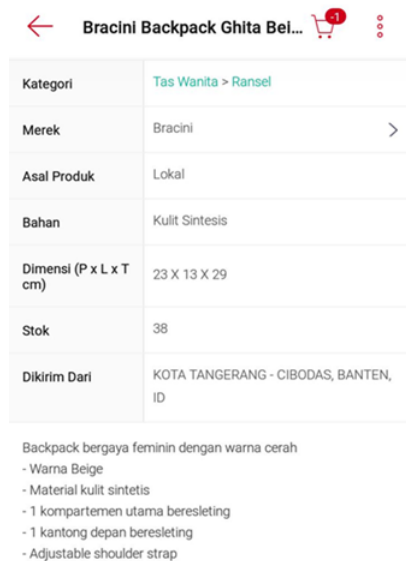


Figure 1.8 Shopee Evaluation Convenience

Note. Google Play (retrieved on 8 April 2019)

According to Beauchamp and Ponder (2010), Transaction Convenience is speed and ease with which consumers can affect or amend transactions. In the Shopee application, the convenience transaction can be obtained from a variety of payment methods that can be used (ATM banking, credit cards, etc.) the many choices that Shopee provides make it easier for customers to choose the method more freely (Figure 1.9).

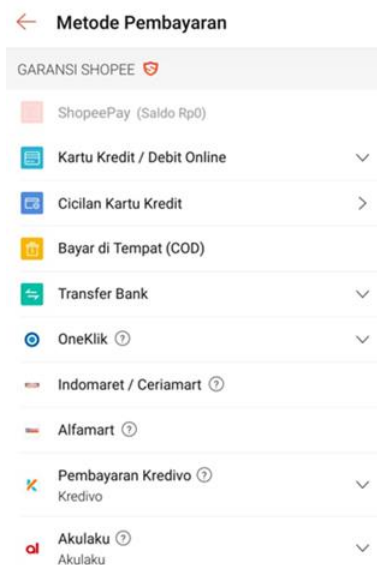


Figure 1.9 Shopee Transaction Convenience

Note. Google Play (retrieved on 8 April 2019)

According to Mulyadi (2001), Shipping is an activity to send goods due to the sale of merchandise. In the dictionary the notion of shipping goods is the act of giving or distributing something (as goods or letters) from one location to another. It can be seen that Shopee have a high Shipping Convenience from Figure 1.10 Shopee offers 8 shipping services that can be selected by buyers such as JNE, JNT, GO-SEND, POS KILAT and even overseas shipping. Not only that, each shipping service offers different prices, so that buyers can choose suitable shipping services and also reach the destination city.

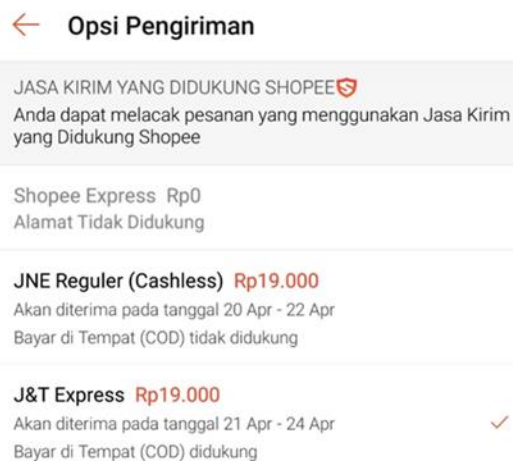


Figure 1.10 Shopee Shipping Convenience
 Note. Google Play (retrieved on 8 April 2019)

According Cao et al (2017), Tracking define as a system that provide by the company to track the goods that being delivered. It can be seen that Shopee have high convenience on tracking by giving easiness for customer to track their goods. Delivery status details can be monitored by the customer through the Shopee application only if the seller sends orders using Shopee Supported Services and if the seller has entered the delivery receipt number into the Shopee application. The delivery status in the Shopee application is provided directly by the sending service provider via the system. If a problem occurs from the system of the sending service provider, and Shopee can help the customer by confirming the delivery status to the sending service provider supported by Shopee. How to track it is by selecting Delivery Status on the Order Details page as can be seen from Figure 1.11.

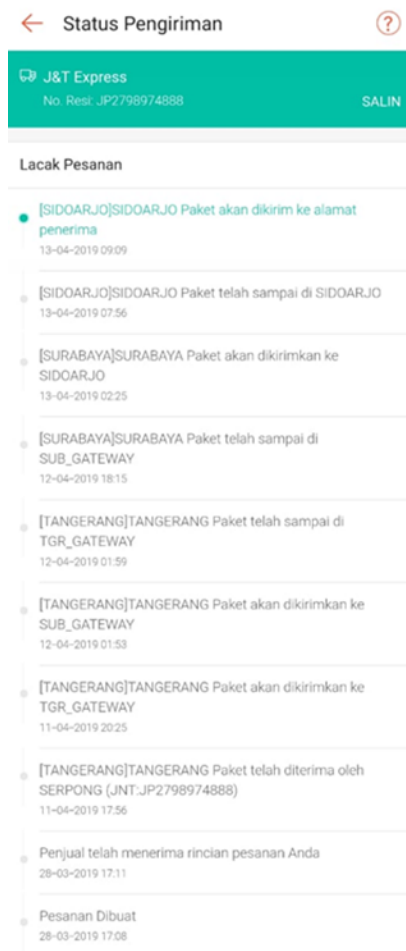


Figure 1.11 Shopee Tracking Convenience

Note. Google Play (retrieved on 8 April 2019)

According to Moenir (2008), Customer Service is an activity carried out by a person or group of people based on material factors through certain systems, procedures, and methods in order to fulfill the interests of others according to their rights. It can be seen from Figure 1.12 that Shopee have a high Customer Service Convenience. It can be seen that Shopee Customer Service always tries to reach its users and provide solutions. Shopee provided several customer service options that can be contacted. Users can contact one of the Shopee customer service when facing problems in buying and selling online at Shopee, and Customer Service Shopee will provide a reply as soon as possible proven by 24-hour customer service even on holidays (Sajadah.co, 2017).



Figure 1.12 Shopee Customer Service Convenience

Note. Google Play (retrieved on 8 April 2019)

1.2 Research Problems

Based on the background of the study, research problems consist of the following:

1. Does Access Convenience have significant effect towards Customer Satisfaction of Shopee Customer in Surabaya?
2. Does Search Convenience have significant effect towards Customer Satisfaction of Shopee Customer in Surabaya?
3. Does Evaluation Convenience have significant effect towards Customer Satisfaction of Shopee Customer in Surabaya?
4. Does Transaction Convenience have significant effect towards Customer Satisfaction of Shopee Customer in Surabaya?
5. Does Shipping have significant effect towards Customer Satisfaction of Shopee Customer in Surabaya?
6. Does Tracking have significant effect towards Customer Satisfaction of Shopee Customer in Surabaya?
7. Does Customer Service have significant effect towards Customer Satisfaction of Shopee Customer in Surabaya?
8. Does Customer Satisfaction have significant effect towards Re-purchase Intentions of Shopee Customer in Surabaya?

1.3 Research Objectives

Based on the research problems, research objectives consist of the following:

1. To examine the effect of Access Convenience towards Customer Satisfaction of Shopee Customer in Surabaya
2. To examine the effect of Search Convenience towards Customer Satisfaction of Shopee Customer in Surabaya
3. To examine the effect of Evaluation Convenience towards Customer Satisfaction of Shopee Customer in Surabaya
4. To examine the effect of Transaction Convenience towards Customer Satisfaction of Shopee Customer in Surabaya
5. To examine the effect of Shipping towards Customer Satisfaction of Shopee Customer in Surabaya
6. To examine the effect of Tracking towards Customer Satisfaction of Shopee Customer in Surabaya
7. To examine the effect of Customer Service towards Customer Satisfaction of Shopee Customer in Surabaya
8. To examine the effect of Customer Satisfaction towards Re-purchase Intentions of Shopee Customer in Surabaya

1.4 Research Contributions

1.4.1 Theoretical Advantages

This study made its contribution as a reference in customer satisfaction and behavioral intentions, by identifying the significance of factors, which are: access convenience, search convenience, evaluation convenience, transaction convenience, shipping, tracking, and customer service; that affect Repurchase intention in using e-commerce application. This study also a reference for further studies related to similar to the field of study.

1.4.2 Empirical Advantages

1.4.2.1 For Shopee E-commerce

The result of this study can be used for evaluation purposes by Shopee regarding their consumer behavior and how they can improve their strategies in

marketing by learning about their consumers and how to create effective marketing through the variables such as access convenience, search convenience, evaluation convenience, transaction convenience, shipping, tracking, and customer service in order to increase customer satisfaction and Repurchase Intention.

1.4.2.2 For the researcher

This study depends the researcher's knowledge about Marketing Strategy particularly in the sub-field of marketing strategy. It gives the researcher a much broader awareness of the intricacy of marketing and its elements to its marketing strategy.

1.5 Research Limitations

This study was conducted with Shopee as the allowed research object. This research used access convenience, search convenience, evaluation convenience, transaction convenience, shipping, tracking, and customer service in order to increase customer satisfaction and Repurchase Intention. The researcher is limited in terms of location because the research will be done in Surabaya, Indonesia. The respondents will be limited to Shopee customer who have has experience with purchasing product using Shopee application.

1.6 Research Outlines

Research outline explains the systematic writing of this study. The outline is divided into five chapters as follows:

Chapter I

This chapter sets up the research problem for the reader. It also provides the background information defining the issue and important terms. It specifies the research objectives explored in greater detail to contribute to understanding the research problem.

Chapter II

This chapter summarizes the major studies and findings that have been published on the research topic and how this study contributes or adds to what has already been studied. This chapter also states a clear description of theories that apply to the research problem, an explanation of why it is relevant, and how the modeling efforts address the hypothesis to be tested.

Chapter III

This chapter explains the detailed technical and scientific activities which include the research design, sampling plan, instrumentation, statistical tools, and treatment of data.

Chapter IV

This chapter starts with explaining the object of the study, organizing the findings that address the research questions, and explain more on how these data collected are related to the theory and prior researchers presented at the beginning of the study.

Chapter V

This chapter consists of the summary of the research, conclusions and recommendation that can be used to advance the study of the research topic by its theoretical, methodological, substantive contributions that may be necessary to overcome the limitations of existing empirical facts in the future.