

CHAPTER I

INTRODUCTION

1.1 Research Background

Surabaya is a large city with a population of 2,765,908 people. The city occupies coastal terrain and has a land area of 327 square kilometer (km²). The highest point in Surabaya reaches an elevation of about 30 meters. Surabaya is located in the Brantas River Delta, an area that has a high hazard of flooding. Surabaya's population density is 8,458 inhabitants per km². The city is highly urbanized, and the numerous industries located in the city have attracted migrants, contributing to growth of slum areas. The city's annual population growth rate is 0.65 percent, and much of the city's center is densely populated. Surabaya is a tropical city characterized by distinct wet and dry seasons.

Surabaya is located in the north-eastern corner of Java (see figure 1) and is a key node in various national and international air, water, and land transportation networks. Surabaya is less than two hours away from Jakarta (the country's capital) by plane and within a few hours of any city in Southeast Asia. It is served by Juanda International Airport and Perak Port, one of Asia's largest and busiest seaports. These two international nodes serve as important gateways to the province of East Java not only for passengers, but also for the transport of goods. Surabaya has a large shipyard and numerous specialized naval schools. As the provincial capital, Surabaya is also home to many offices and business centres and is an educational hub for Indonesian students. Surabaya's economy is also influenced by the recent growth in foreign industries and the completion of the Suramadu Bridge. Surabaya is currently building high-rise apartments, condominiums, and hotels as a way of attracting foreigners to the city. The city has a gross domestic product (GDP) of US\$22,850 million, which grew at the rate of 6.3 percent in 2008 (compared with national GDP growth of 6.1 percent).

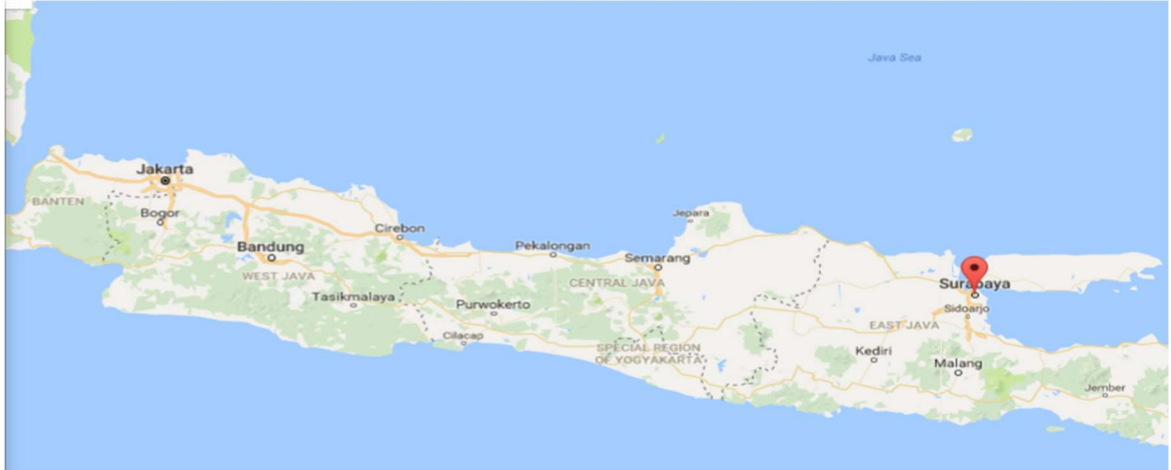


Figure 1
Map of Jawa

As one of the largest city in Indonesia. Surabaya also experienced many challenges, one of it is transportation. Driving through the bustling streets of Surabaya today, or walking along the pavement amid the noise of roaring motorcycles and cars, it is hard to imagine that once upon a time it was people on foot or in a horse-cart that set the pace. Faster forms of urban transportation, like horse trams, electric trams, cars, and bicycles, exerted multiple effects on the city. Roads had to be adjusted to accommodate the more rapid road transportation: a wider carriageway, a hardened surface, and, where possible, curved bends instead of abrupt right angles. Sometimes trees were felled to make room for wider roads or parking bays. The improved means of transportation permitted the well-to-do to live in suburbs, leading to a profound change in urban space itself. More than 1.3 million motorcycles and motor scooters dominate private vehicle transportation in Surabaya as they do in many cities in Southeast Asia. The other important modes of transportation in Surabaya are private automobiles, taxis, and angkot buses (minibuses). Surabaya currently experiences a high-volume rush hour, during which traffic flow is severely impeded.

Furthermore, no high-capacity public transit system serves Surabaya aside from regional commuter trains that run only three or four times each morning and account for a very small share of mode split, estimated at less than 1 percent. The traffic congestion in Surabaya, has led city officials to enhance planning efforts to

increase public transportation networks. Irregular public transportation schedules and a declining perception of the attractiveness of road-based transit have been identified as the main challenges. One of transportation companies that manage to see this opportunity is UBER.

UBER is a smartphone-based transportation services. In 2014, UBER its eponymous smartphone application into Indonesia, gunning for the growing middle class population in the capital city Jakarta. The company, which has established its presence in 43 countries worldwide, had previously arranged a soft launching in Jakarta in June and rolled out its service in the Sudirman Central Business District (SCBD). UBER now claims available in more than 300 cities in 67 countries worldwide. In Indonesia, there are 18 thousand to 20 thousand drivers who have joined. UBER are targeting to have 100 thousand Uber driver until the end of 2016. This mean, UBER will be jumping into a competitive market that's already filled with various public transportation options for the Indonesian middle class, such as taxis and O-JEK, or motorcycle taxis.

UBER, launched its operations in the city of Surabaya at January, 2016. Surabaya became the fourth city Uber expansion in Indonesia, after Jakarta, Bandung, and Bali. In Jakarta. In City of Heroes, the company offers a low-cost, UBERX. UBERX use city car to car type of a van. Surabaya was subjected UBER business expansion due to high consumer demand. The second largest metropolitan city is also being wiggling to the planned construction of the tram. UBER optimistic, they help complete the public transport system worked out by the city of Surabaya. The next challenge is how to create customers' buying decision. Kotler, Bowen and Makens (2009) defined customer buying decision as all customers' experience in learning, choosing, using, even disposing of a product.

Research by Khan and Supinit (2015) showed that there are several factors affecting customers' buying decision, which are: Price, Car Model, Safety and Brand. Price is the amount of money for which something is sold or offered for sale (Cambridge Academic Content Dictionary, 2011). Price is the value that is put to a

product or service and is the result of a complex set of calculations, research and understanding and risk taking ability. A pricing strategy takes into account segments that have ability to pay. UBER prices are lower compared to traditional taxi operators. Its base fare currently stands at Rp 7,000, with each additional minute costing Rp 500 and each kilometer is Rp 2,850 placing UBER at par with local taxis.

Car Model is a style of design of a car; the type of car or structure of the car (Ghazali et al., 2011). In Surabaya UBER launch UBERX for the type of the car. The type of car should be seven seater car, UBERX seats 4 passengers, and it is the cheapest UBER service available. In most cities like Surabaya, UBERX cars must be model year 2013 or newer and pass a vehicle inspection that looks at basic safety features like brakes, tires, and overall condition. UBERX cars are typically economic Toyota Avanza, Toyota Rush, Chevrolet Spins, Suzuki Ertiga, Daihatsu Xenia, Daihatsu Terious, and many more. UBERX drivers drive “regular” cars that typically are not luxury sedans

Brand is kind grade, or make, as indicated by a trademark of the car (Aaker, 2002). Uber is a well know brand. Has is an international brand, rider or customer that travel from one city to city or another country it could be easy for them to hire a private car for their daily journey

Safety is the state of being safe; meaning the level of safety in a car (Cambridge Academic Content Dictionary, 2011). UBER is dedicated to keeping people safe on the road. UBER’s technology enables to focus on rider safety before, during, and after every trip. For pickups, the UBER app automatically finds the customer or the rider location to provide door-to-door service. That means the rider or the customer stay safe and comfortable until the driver arrives. There will be driver profiles in customer phone so when matched with a driver, see driver name, license plate number, photo, and rating to know who is picking up. And even after the trip, it is able to contact the driver if something was left behind. Is able to share the ETA (Estimated Time of Arrival) so customer can follow the route. Always on

the map, GPS (Global Positioning System) data is logged for every trip so the UBER know where and when riding is being made and who is behind the wheel. UBER ensure that drivers are taking the best route every time. Anonymous feedback, after every trip, customer or rider can rate the driver and provide anonymous feedback about the ride. UBER review all feedback because the goal is to make every ride a great experience. There is always 24/7 support team is ready to respond to any questions about the trip and help customer retrieve lost items. Rapid response specially-trained incident response teams are available around the clock to handle any urgent concerns that arise of the customer in UBER. Substitute phone numbers, in many locations around the world, UBER uses technology that anonymizes phone numbers to keep contact details confidential. So, when the rider or the customer and the driver need to contact each other, the personal information stays private.

Based on the phenomenon and theory that been given, this research entitled “Factors Affecting UBER Customers’ Buying Decision at Surabaya”.

1.2 Research problems

1. Is there a significant effect of price on UBER customers’ buying decision at Surabaya?
2. Is there a significant effect of car model on UBER customers’ buying decision at Surabaya?
3. Is there a significant effect of safety on UBER customers’ buying decision at Surabaya?
4. Is there a significant effect of brand on UBER customers’ buying decision at Surabaya?

1.3 Research objectives

1. To determine the effect of price on UBER customers’ decision in Surabaya.
2. To determine the effect of car model on UBER customers’ decision in Surabaya.
3. To determine the effect of safety on UBER customers’ decision in Surabaya.

4. To determine the effect of brand on UBER customers' decision in Surabaya.

1.4 Research contributions

1.4.1 Theoretical Advantage

This study made its contribution as a reference in customers' buying decision, by identifying the significant of factors that affect customers' decision. This study is also reference for further studies related or similar to the field of study.

1.4.2 Empirical Advantages

1. For Uber in Surabaya, Indonesia

This result of this study can be used for Uber Surabaya regarding customers' buying decision and how to improve their strategies in marketing by learning their customer and how to create customers' buying decision.

2. For the researcher

This study deepens the researcher's knowledge about the customers' buying decision. It gives the researcher a much broader awareness of the intricacy of customer's buying decision and its element to its marketing strategy.

1.5 Research Limitations

This study was conducted in order to find out the reason behind customers' buying decision in UBER. This research used price, car model, safety and brands as the dependent variable. This research is also limited in the terms of location because the research will be done in Surabaya, Indonesia.

1.6 Research Outline

Reacher outline explain the systematic writing of this study. The outline is divided into three chapters as follow:

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 specific the research objectives explored in greater detail to contribute to understand the research problems.

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 modelling effort addresses the hypothesis to be tested.

Chapter III

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