

CHAPTER I

INTRODUCTION

1.1 Background of Study

With a population of more than 270 million, Indonesia become top five countries with the most startup companies, although Indonesia startup ecosystem start lately at 2010 compared to US at the end of 1900s. The inspiring story of the emerging of startup giving more exposure that giving birth of many unicorns in Indonesia as example Gojek, Tokopedia and Traveloka. Not to mention as the highest population in Southeast Asia and massive tech savvy citizen make Indonesia as one of the biggest potentials to launch startup companies (Yongjiranon, 2018). Most companies dream for sure is grow bigger, but how to go big in this economy and able to maintain their position in the market with a slow progress may sound quite nonsense. With a very limited funds or cash reserve that the companies have make the company always strive for invest to grow their company. This is what most unicorn do to keep on innovating their product and don't have to worry of their initial fund. Yet, after having a high valuation of their company is not always the end because from the valuation is the term where there will be a determination of how worth our asset or company is, the higher it is the higher our company assets. Unicorn is given for the startup company with the valuation of \$1 Billion, yet above Unicorn there is still Decacorn where the startup company with the valuation of over \$10 Billion and finally Hectocorn that have a valuation of \$100 billion.

Table 1. 1 Decaromn Company list

No	Company	Origin	Industry
1	Toutiau (Bytedance)	China	Internet
2	J&T Express	Indonesia	Expedition/logistics
3	Grab Holdings	Singapore	Ride hailing
4	GoTo	Indonesia	Ride hailing and E-commerce
5	Sea Group	Singapore	E-commerce, entertainment and retail

Source: Alphapwj (2023)

Proud to say, there are not more than 10 decacorn in Asia with Gojek and J&T express as two of the representatives of Indonesia company to break and value over \$10 Billion along with Bytedance from China with Tiktok as their MVP, Grab from Singapore, the direct competitors of Gojek and Sea Group that merge Garena, one of the popular game developer like Free Fire, Shopee one of the e-commerce company in Asia and Sea bank which is new part of sea group. Although it seems that Grab is the direct competitors of Gojek, yet Sea Group is also one of the competitors of Gojek especially goto because they may have the same subsidiary as example if Goto has their e-commerce platform Tokopedia, Sea group also has Shopee, one of the biggest competitors of Tokopedia. In E-banking, GoTo has Jago, Sea group has Sea Bank. Another example is if Gojek has GoFood, Sea Group also have Shopeefood under Shopee.

Founded by Nadiem Makariem (who currently Indonesia's minister of education) in 2010, Gojek Started their business with 20 motorcycle taxis in

capital city, that helps to connect potential customers to the taxi driver yet, this small company now has become one of the biggest start up in Indonesia, and just four years ago, Gojek prove their existence and capability that made in Indonesia application can also compete with other startups and become the first and only Decacorn in Indonesia against other ride-hailing apps (Grab, Maxim or InDriver). Besides that, Gojek is also recognized as one of Fortunes top 20 companies that successfully changed the world in 2019 rank 11 with Gopay innovation which helps financial inclusion in Indonesia. Not only providing customer ride, today's Gojek have more than 20 services like Gosend, Gofood or even digital wallet and e-payment platforms known as Gopay. Moreover, Gojek also expand their business to several southeast Asia countries as example Singapore, Vietnam, Thailand and Philippines.



Figure 1. 1 Goto, Gojek and Tokopedia (2023)

Merged with one of the biggest Indonesia online E-commerce unicorns

Tokopedia, Gojek and Tokopedia now is under PT GoTo Gojek Tokopedia Tbk. GoTo becomes the Indonesia highest valued startup worldwide in 2022 above J&T express and Traveloka (Statista, 2022). GoTo now is under the

leadership of Andre Sulistyono as the CEO, with Patrick Cao as the president. Meanwhile, Kevin Aluwi will remain as the CEO of Gojek and William Tanujaya as the CEO of Tokopedia. Having this merger, GoTo finally launched their IPO and opened their stock to the public in April 2022.

Measuring customer loyalty becomes increasingly important when the business becomes more well-known. To measure its growth, the business needs keep its current consumers satisfied and trust while acquiring in new customers. Shiu-Wan et al (2019) explain that customer satisfaction and trust are the two most essential variables when measuring consumer loyalty. Landis (2022) found out that acquiring a new customer can cost as much as 5x than retaining an existing customer, and it will increase company's profit for more than 25% with only to maintain our customer 5%, means the higher retention the company do the more profit the company will obtain, not to mention selling success rate to customer we had is about 60% which is a lot higher than success rate of selling it with the new customer which is only up to 20%. Which is why maintaining our current customers are very important not only about acquiring, yet this is always be homework for every company on how to maintain the customer loyalty.

With the availability of competitors actually opening the chances for the customer to choose and try each of the competitors to find the best experience. Hence, it is always suggested to prevent this issue in advance by giving a better experience to the customer so that we can be customers top of mind. Below will

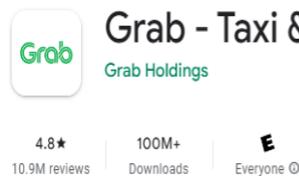
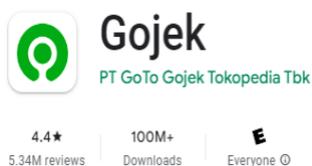
be the Gojek competitor analysis in Indonesia and list of e-hailing that is available in Indonesia.

Table 1. 2 Competitors List

No	Application	Established years
1	Gojek	2010, by Nadiem Makarim
2	Grab	2012 in Kuala Lumpur (Malaysia) by Anthony Tan and Tan Hooi Ling, founded in Indonesia in 2014
3	InDriver	2013 in Russia by Arsen Tomsky, founded in Indonesia in 2019
4	Maxim	2003 from Russia by Maxim Benologov and founded in Indonesia 2018

Source: Prepared by the writer (2023)

With the alternative product now available, as explained above, Gojek has to face a fierce competitive with maxim that known for the offer lower fee or even Indriver that allows the customer to bargain for the fee and allow us to choose the driver based on the review and rating from other users. Not to mention, Grab that also have more promos compared to Gojek that usually depends on the certain time and chosen merchants. Due to the perception of the competition that may have persisted in the minds of the customers, Gojek may be less advantageous than its competitors in this situation. Gojek must still develop their own brand image from scratch in the meantime.



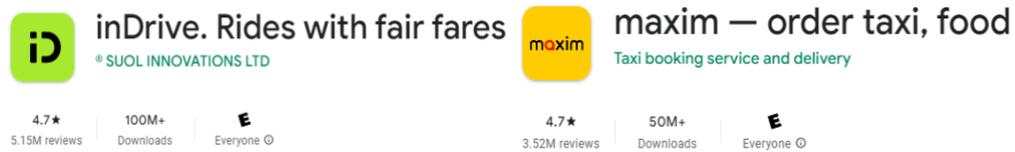


Figure 1. 2: Playstore (2023)

From the figure above, it can be implied that Grab, the primary rival of Gojek, and other ride-hailing apps like maxim and inDriver have higher ratings than Gojek in Playstore. This rating of Playstore is calculated based on the app's current quality ratings from user reviews, not the user reviews' average lifetime value. The rating reveals the degree of user satisfaction and trust with the app. Customers are likely to see how the review of a service is once we want to download an app and seeing above review half of the Grab have more good reviews compared to Gojek. As playstore also show how is the reviews written by the customers exclusively to those who have ever download the apps. These reviews written demonstrates how the customers experience and impressions of using the apps. This impression and set of beliefs of the brand is showing how Gojek's current customer satisfaction and trust are still lower than those competitors. Based on one of the CRM application, Zendesk found out that about 61% of customers would likely to switch to another competitor with only one poor experience, which increase 22% compared to previous year in 2021 (Bishop, 2022).

Several reviews from customer on how the app crush and errors, the customer service that is not helping, how the order is cancelled after waiting

quite a long time, driver that is not user friendly that even angry at the customers even the promos that is not tempting compared to the other direct competitors. Even with a limited and fewer reviews compared to Grab, Gojek has a worse review and has to work a lot to compete with the available competitors, not to mention Gojek is from Indonesia and also the first transportation e-hailing in Indonesia supposed to be able to hold their reputation as the pioneer to prove their existence and show that local company also able to compete with international company like maxim, InDriver and most importantly Grab. Having such an unpleasant experience can make the customer skeptics and choose to go to other competitor instead. Hence, there will be no harmonious and continues relationship which is called as loyalty that comes from the manifestation of customer satisfaction (Swastuti, 2019) and no maintenance of a relationship of customer trust (Shiu et al 2019).

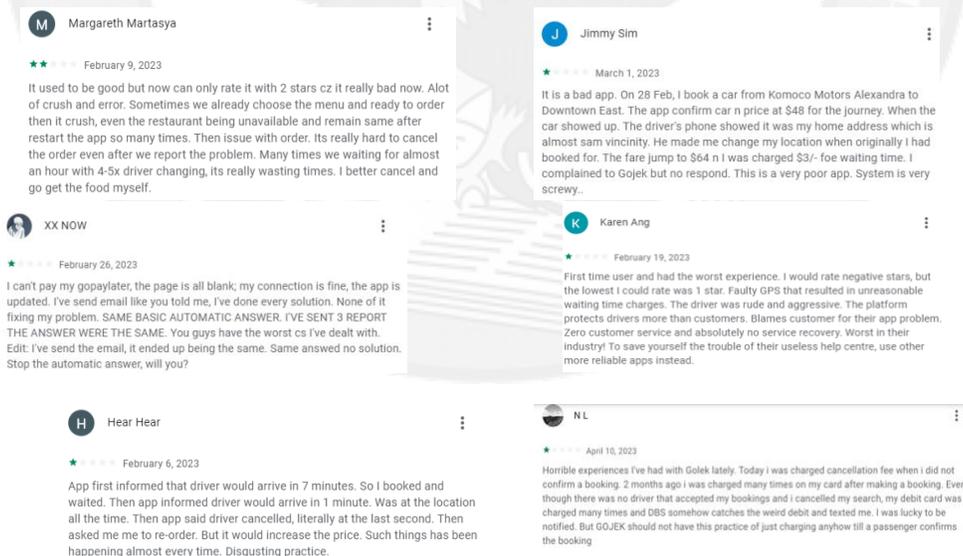


Figure 1. 3: Playstore (2023)

Having said that the app crash and error due to the design are too packed in one single page where the information is too much, the font and language that is inconsistent. Apps design is part of satisfaction and trust that will impact loyalty because apps design is a tool that bridge between the company and the customers, where apps design is part of satisfaction and trust that will impact loyalty because customers are likely to revisit if they trust our brand and feel sure while using our service by not having any difficulties during accessing or utilizing our apps (Wilson et al., 2019).

Customer service that is not helping and makes the customer feel unease, and mistrust and move to other competitors instead. According to Raza et al (2020) Users' interest may be maintained by responsiveness, and quick responses can increase user loyalty, trust and satisfaction although some researchers found out that customer service have no significant influence with customer satisfaction (Ul Haq & Awan, 2020).

Another reviews on how the customer get charged on her credit card multiple times from the cancellation she never made, yet there is no confirmation or even notification from Gojek. This experience shows that Gojek have to be more secured to prevent this issue happen again because security. Security is defined as a protection when there is a potential loss of data or network resources by other external parties Trivedi (2018). According to Rita et al (2019) customer nowadays are more critical and skeptics about how the company should protect them from fraud. According to Giao (2020), by ensuring customer Privacy/Security can keep customer trust.

Customer review's about how the fee is not the amount the customer expected, the driver that cancel the order after waiting for long, and how the driver is quite rude make the customer's feel annoyed and give Gojek 1 star instead. Failed to give their best service show Gojek is fail at fulfil their promise because service company should be able to deliver their service well. According to Ulkhaq et al (2019) Fulfilment is the how well the service provider has kept its promises regarding order fulfillment and product availability. By fulfilling the company promises to the customers will give a good service experience as what their expectation (Chandra & Wirapraja, 2020) and increase trust because trust is the degree where the promises given is fulfilled by the company (Shiu et al 2019) and trust is the element of the variable to show whether the services or the product are reliable and can be trusted or not. Thus, the feeling of dissatisfaction and distrust is something that the company should avoid because they made the customer choose not to continue and move to other competitors instead.

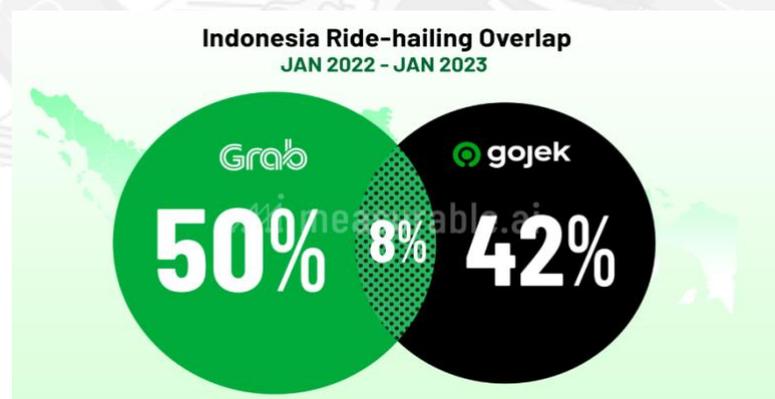


Figure 1. 4: Measurable.ai (2023)

Research conducted also demonstrate how Grab have a more users in Indonesia compared to Gojek although the gap is not huge, but still as the first e-hailing transportation app in Indonesia and as the representative of Indonesia Decacorn, Gojek should have do better. Given the size of the industry and the services each firm provides, it may come as a surprise that just 8% of Indonesia's ride-hailing users (those who utilized both platforms between January 2022 and January 2023) did so in the previous year. One possibility is because Grab and Gojek each have a loyal user base that is reluctant to move to a competitor.

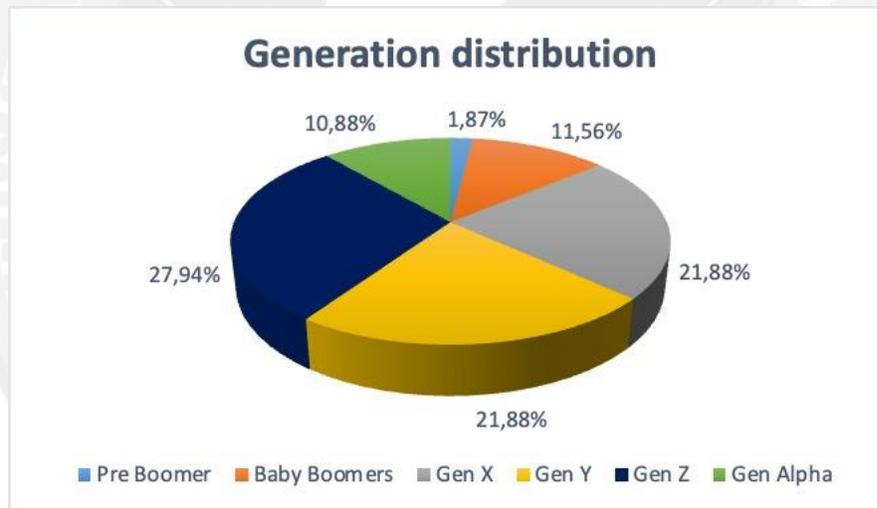


Figure 1. 5: BadanPusat Stastik (2022)

Out of more than 270 million populations in Indonesia, Indonesia citizen is distributed into some generations such as Gen-z contribute most of the citizen in Indonesia, those who were born at 1996 – 2010, followed by Gen Y or the millennials (1981 – 1995) and Gen X (1965 – 1980). Next, is the

generation after the World War II or Baby Boomers (1946 – 1964), Gen Alpha (2011 – 2025) the generation that is currently studying. And lastly baby boomers' parent the depressed generation because of the world war and economy crisis. Each of this generation may have different approaches because every of this generation face different issues and as the world keeps on improving, the eldest generation are likely to be left behind if they are unable to adapt with the advancement of the technology for example.

Although radio has been there since colonialization, but technology like television just emerged in Indonesia in 1963 near the end of baby boomer's era, and personal computer, video games and internet just emerge during the generation of X. Hence, this generation of X is the one that introduce the technology to their child and generation after that which is millennials/Generation Y. No wonder this generation is the generation which have more access to technology compared to the previous generation, this generation grew along with the advancement of the technology. And finally, generation Z that was born after the technology and the appearance of social media made this generation quite dependent with technology as if that this generation cannot live without technology.

Not only technology and generation that improved, but economy also start to improve after the world war and post economy depression, more and more business established. With the globalization, information is shared easily

and more business opportunity to come and inspire local company to build their own brand based on the competitor business model.

In 2023, the world is entering the decade where baby boomers are most likely to leave workforce or near the retirement because they are above their potential ages for work even based on Indonesia workforce rules that productive workforce is within 15-64 years old (Kominfo, 2021) even though 60 years old is still productive ages but people are most likely not to hire workforce in their near 60 because of their limitation like their energy, memories that is more likely to be weaker than the younger generations. Gen X that is also more likely to be retired or those who are currently in managerial positions are likely waiting to be replaced by the next generations, Gen Y. Gen-z has the largest population that is digitally native because they grew with the availability of technology (Brown, 2020). Generation Z highlights the new potential and challenges brought by the ongoing evolution of factors affecting building brand loyalty because loyalty is never simple, today's youth present even greater challenges because they are having more compulsive behaviors and switching between brands easily due to the availability of the competitors (Cagnin et al, 2022). It is still an incipient topic in academic literature that loyalty in the younger generation must have specific characteristics such as its uniqueness, interest and ability to impress them (Marques, 2018). The unique emotional palette and interests between these two generations Y and Z, even though they are still developing, present interesting marketing and emotional branding

problems. Keeping up with Generation Z and Millennials' rapidly evolving tastes and interests will be one of the major difficulties for brands. It is essential for brands to research the social traits of these customers to understand the constantly evolving trends they adhere to (Dogra, 2019).

In addition, there are several research gaps that the writer found out in this research from previous research starting from the demography and specific age groups of the subject and the object of the research studies, the subject of the research will be specifically age range from 18 – 26 years old (Gen-Z). The research object of this study is also only limited to respondents who stayed in Medan. Hence, the writer is aiming to examine and figure out the factors that influencing the dependent variable, Medan Generation Z's loyalty of using Gojek in working on improving the independent variable through the mediating variable to help on assisting the research gaps.

Given such an opportunity, as the marketing student, the writer would use this chance to find out about how is **"The Influence of Apps design, Fulfilment, Customer Service and Privacy/Security on Gen-Z Customer Loyalty In Gojek With The Customer Satisfaction and Customer Trust As The Intervening Variable."**

1.2 Problem Limitation

There are several problem limitations on this research study based on the background of the study above are as follows:

1. This research will investigate only the six variables consisting of four independent variables which are Apps Design (AD), Fulfilment (F), Customer Service (CSS) and Privacy (P) along with one dependent variable Customer Loyalty (CL) and two intervening variables which is Customer Satisfaction (CS) and Customer Trust (CT)
2. The data that is going to be used in the research model is obtained from the questionnaire distributed to customers through online social media as a reference with the characteristics of men and women, with the range age from 18-26 years old (Gen Z) and has ever used Gojek previously.

1.3 Problem Formulation

Here are the problem formulations based on the background described above are as follows:

1. Does the Apps Design (AD) have a significant influence in the Customer Satisfaction (Cs) of Gojek's Gen-Z customers in Medan?
2. Does the Fulfilment (F) have a significant influence in the Customer Satisfaction (CS) of Gojek's Gen-Z customers in Medan?
3. Does the Customer Service (CSS) have a significant influence in Customer Satisfaction (CS) of Gojek's Gen-Z customers in Medan?

4. Does Privacy/Security (PS) have a significant influence Customer Satisfaction (CS) of Gojek's Gen-Z customers in Medan?
5. Does Customer Satisfaction (CS) have a significant influence in Customer Loyalty (CL) of Gojek Gen-Z customers in Medan?
6. Does the Apps Design (AD) have a significant influence in the Customer Trust (CT) of Gojek Gen-Z customers in Medan?
7. Does the Fulfilment (F) have a significant influence in the Customer Trust (CT) of Gojek Gen-Z customers in Medan?
8. Does the Customer Service (CSS) have a significant influence in Customer Trust (CT) of Gojek Gen-Z customers in Medan?
9. Does Privacy/Security (PS) have a significant influence Customer Trust (CT) of Gojek Gen-Z customers in Medan?
10. Does Customer Trust (CT) have a significant influence Customer Loyalty (CL) of Gojek Gen-Z customers in Medan?

1.4 Objective of the Research

From the formulation and limitation above, the main objectives of this research study are:

1. To identify whether Apps Design (AD) has a significant influence in the Customer Satisfaction (CS) of Gojek Gen-Z customers in Medan.
2. To identify whether Fulfilment (F) has a significant influence in the Customer Satisfaction (CS) of Gojek Gen-Z customers in Medan.

3. To identify whether Customer Service (CSS) has a significant influence in Customer Satisfaction (CS) of Gojek Gen-Z customers in Medan.
4. To identify whether Privacy/Security (PS) has a significant influence Customer Satisfaction (CS) of Gojek Gen-Z customers in Medan.
5. To identify whether Customer Satisfaction (CS) has a significant influence in the Customer Loyalty (CL) of Gojek Gen-Z customers in Medan.
6. To identify whether Apps Design (AD) has a significant influence in the Customer Trust (CT) of Gojek Gen-Z customers in Medan.
7. To identify whether Fulfilment (F) has a significant influence in the Customer Trust (CT) of Gojek Gen-Z customers in Medan.
8. To identify whether Customer Service (CSS) has a significant influence in Customer Trust (CT) of Gojek Gen-Z customers in Medan.
9. To identify whether Privacy/Security (PS) has a significant influence Customer Trust (CT) of Gojek Gen-Z customers in Medan.
10. To identify whether Customer Trust (CT) a significant influence in the Customer Loyalty (CL) of Gojek Gen-Z customers in Medan.

1.5 Benefit of the Research

1.5.1 Theoretical Benefit

The study research uses the theory of apps design, fulfilment, customer service, privacy, customer satisfaction, trust and loyalty. After this research study is completed, it is intended that the theory and findings can be used as a

resource and study material to benefit readers. In addition to serving as references, this research also discusses issues with maintaining consumer loyalty. And also, possibly this research study might be improved in the future to include all of Indonesia rather than just a certain region.

1.5.2 Practical Benefit

The following are some advantages that the author may offer to various parties:

1. For company

This research may offer the business more information and suggestions on how to enhance its apps design, fulfilment, customer service, privacy, customer satisfaction, trust and customer loyalty programs, as well as suggestions for what needs to be addressed. Also, the business may use the study's input as a resource when making future decisions.

2. For Author

This study could provide more information and understanding regarding the relationship between apps design, fulfilment, customer service, privacy, and customer loyalty, with customer satisfaction and customer trust playing as a mediating variable. And as a marketing student, who knows if this theory and its findings will be used in the future.

3. For other researchers

This study's findings can be used as a reference by other researchers for their future research and discussions in order to determine whether or not these

factors will continue to affect customer satisfaction and consumer loyalty as the times pass.

1.6 Writing Systematics

This thesis is going to use systematic as follows:

Chapter I: Introduction

This chapter is going to discuss what is the background, problem formulation, problem limitation, objective of the research, benefits of the research and writing methodology.

Chapter II: Literature review and hypothesis development

Meanwhile this chapter will discuss about the literature review, previous research, hypothesis development, research model and framework of thinking.

Chapter III: Research methodology

Chapter III will discuss about the research population and sample, data collection method and data analysis method.

Chapter IV: Results

Chapter IV will discuss about the result of the research and further explanation on the result of the finding

Chapter V: Closing

In this Chapter V will discuss about the conclusion and managerial implications of the research