

CHAPTER I

INTRODUCTION

1.1 Background of the Study

It turns out that the world of business is not always badly impacted by the pandemic. The business actually had some major positive growth, which is the reason. Online sales professionals are one of them. Online business has attracted a lot of interest during the pandemic period for a number of years because it is thought to be a safe solution for keeping operations running smoothly even during the pandemic, meeting customer needs, and being safer from the spread of viruses when compared with traditional business or face to face directly. The present pandemic has caused losses for a lot of people. However, there are profitable company possibilities during this pandemic crisis by utilizing modern technology like cellphones and social media platforms like the Instagram marketplace, TikTok, Tokopedia, and numerous more to change customer behavior. As online markets have grown significantly in recent years, cooperative ties between sellers as well as information asymmetries between online marketplaces, sellers, and customers have grown. Modern technological advancements make it simpler than ever for everyone to conduct business in a more practical manner, including purchasing (Li et al., 2021).

In the digital era of technology, every practical procedure is the primary course. People that live in the present day tend to develop personalities, habits, or ways of thinking that suit their needs or can be considered to be more intelligent.

E-Commerce or online businesses will be created as a result of people being more used to utilizing technology and having a preference for rapid fulfillment. Where all purchasing and selling operations that take place through an internet network are collectively referred to as "e-commerce." E-commerce is usually considered to refer to any transaction involving the transfer of ownership or rights to use products or services over an electronic network, including buying and selling on the Internet. E-commerce is the practice of conducting business through the use of electronic communications and digital information processing technologies in order to create, redefine, and change relationships between or among companies as well as between those organizations and individuals (Schwarz et al., 2014).

A provider of services, goods, or information markets the assets they control by uploading them to the active E-Commerce platform. Once it is available, customers can access it and look for the goods, services, information, or services they need. This online business activity has an impact on Indonesia's development. The internet network, which is currently faster and has a beneficial effect on new businesspeople, is the only source of business expansion because it can aid in economic development. Starting with those who lack sufficient resources to start a business and advertise their goods on social media (Alfonso et al., 2020).



Figure 1. 1 Growth in the Number of E-Commerce Users in Indonesia

Source: Statista Market Insights (2023)

A wide range of online businesses will be created as a result of the development of e-commerce since this not only makes it simple for customers to access goods and services, but also allows service providers to reduce costs on marketing because all they need to market their goods is network access to the internet. This is because market demand can be carefully analyzed, as could the characteristics of customers who thrive on technological convenience. As we can see from the figure 1.1 above, in 2022, there are 178.94 million users of e-commerce in Indonesia. Comparing this number to last year's 158.65 million users, there has been an increase of 12.79%. When examining the trend, it is seen that Indonesia's e-commerce users are continuing to rise. By the end of 2023, the number is anticipated to reach 196.47 million users. For the upcoming four years, it is expected that the number of people using e-commerce will continue to rise. Statista predicts that 244.67 million individuals will be active in e-commerce in Indonesia by 2027 (<https://www.statista.com/> retrieved in 2023, 20 September).

The last pandemic's implementation of the social distancing strategy sped up technology advancement, which many individuals saw as an effective way to ensure that business operations continue as usual and that consumer needs are still fulfilled. So many individuals prefer to expand their businesses online and meet their demands by making online orders using software for online delivery orders. Even while it might seem like things have started to return to normal since the pandemic, e-commerce businesses continue to grow at a pace that keeps increasing. In this day of rapid technological advancement, many people believe that conducting business online is the best option to expand business.

This can be proven by Tokopedia's claim that Tokopedia is an online marketplace that makes use of technology to expand the ecosystem by reaching out to those without bank accounts and giving service providers like farmers and domestic workers more money. Tokopedia works with more than eleven million suppliers and numerous official stores to offer a wide range of products in Indonesia. With a contribution of more than 1% to Indonesia's overall GDP, Tokopedia is one of the country's biggest employers. More than 550 million different products, including those for fashion, mother and child, cosmetic care, food and health, electronics, automobiles, hobbies, homes, and mobile phones, are sold on Tokopedia. Up to 100 million users visit Tokopedia each month, and its availability in about 99% of Indonesia's sub-districts contributes to this number. On August 17, 2009, William Tanuwijaya and Leontinus Alpha Edison introduced Tokopedia. Tokopedia was founded with the intention of creating an environment where anyone may start and learn anything, as well as the goal of achieving digital

economic equality within the first ten years. Tokopedia will concentrate on creating a super ecosystem that enables everyone to contribute to each other's added value over the next ten years, as well as strengthening its partner network (Tokopedia, 2023).



Figure 1. 2 Tokopedia, Gojek, and GoTo Logo

Source: Google.com (2023)

One of the major e-commerce sites in Indonesia, Tokopedia has a reputation for being innovative. Two of the biggest online companies in Indonesia are Gojek and Tokopedia. The GoTo Group, a holding company, was recently created through their merger. On May 17, 2021, the two companies made this merger official. The combination is anticipated to provide a distinctive ecosystem that combines financial services, services available on demand, and e-commerce into one platform. The Indonesian people, both those who are customers and those who are business participants in other companies, have shown interest in the merger. GoTo is the first Decacorn in Indonesia with a total Gross Transaction Value (GTV) of more than US\$ 18 billion in 2020. GoTo has more than 1.8 billion transactions in 2020, more than 2 million registered driver partners, more than 11 million business

partners or merchants, more than 100 million monthly active users, and contributes 2% of Indonesia's GDP. Due to this merging innovation, Tokopedia has outperformed its other e-commerce competitors by gaining more and more public recognition (Alam, 2023).

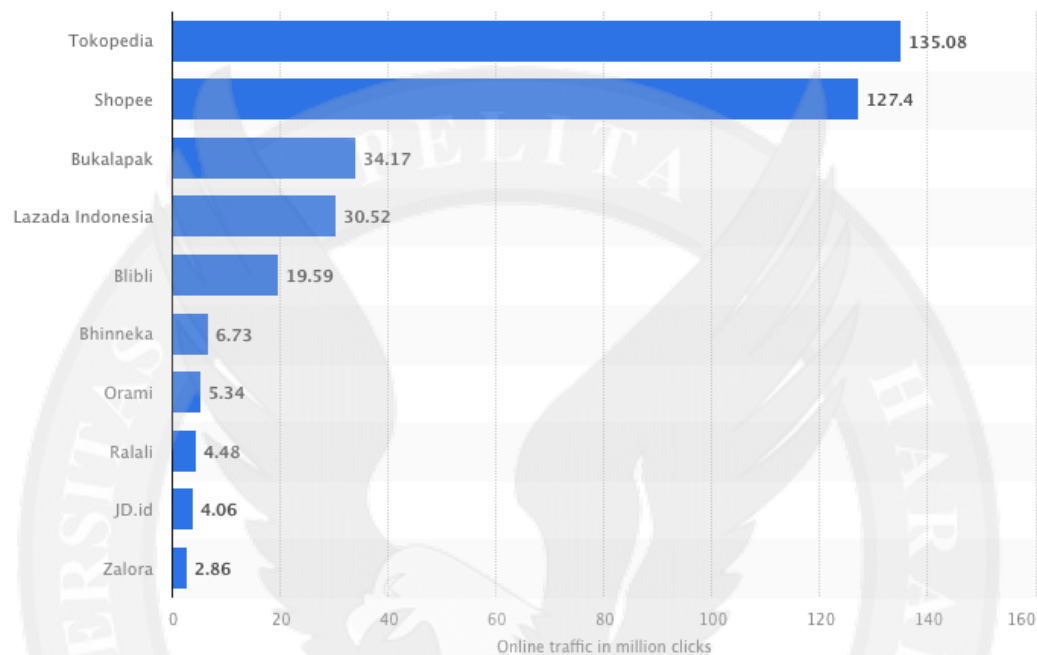


Figure 1. 3 Most Popular and Best-Selling E-Commerce in Indonesia

Source: Statista Market Insights (2023)

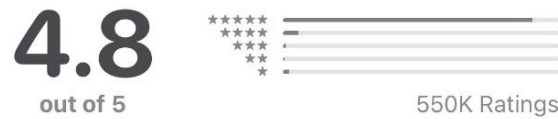
Because there are low barriers to entry in online business, the competitors of E-Commerce can definitely quickly enter the market. We are all familiar with online marketplaces like Tokopedia, Shopee, Blibli, Traveloka, Bukalapak, and plenty of others as shown in figure 1.3. According to Statista, Tokopedia is now the most popular e-commerce site in Indonesia with 135.08 million users, followed by Shopee, a fierce competitor of Tokopedia, with 127.4 million users, Bukalapak, with 34.17 million users, and others. The majority of e-commerce businesses, including Tokopedia, did not witness a reduction in revenue as a result of the effects of the recent pandemic. Tokopedia is seeing a growth in transactions to the point

that small and medium macro-micro businesses (MSMEs) are growing (Wang et al., 2016).

Tokopedia must therefore be able to increase its Repurchase Intention in order to continue operating and expanding in the Indonesian market. However, there is an important reason for assessing Repurchase Intention according to Tian et al. (2022), which stated that *Repurchase Intention* is the propensity or tendency of a customer to buy goods or services from the exact same business or brand again. The growth in Tokopedia visitors and Figure 1.3 provide evidence of Repurchase Intention on the platform. Figure 1.3 displays a very competitive comparison of Tokopedia's total visits for the second quarter of 2023. Among the marketplaces founded by the young people of the country, Tokopedia performs better than other e-commerce companies, both in terms of total monthly and annual visits. Therefore, Tokopedia must put strategies into place and pay attention to a number of crucial factors if it wants to achieve its objectives in order to gain customer satisfaction and repurchase intentions from customers. Tokopedia must be able to set strategies in order for customers to make more purchases on a variety of everyday product categories on the Tokopedia application. Customers will increase their Tokopedia purchases of daily needs in this way. Increasing *Customer Satisfaction* is one way to increase Repurchase Intention.

Below is a figure that shows customers already have a sense of customer satisfaction on Tokopedia, where they will likely do a repurchase at Tokopedia again in the future.

Ratings & Reviews



Rating dan ulasan



Rating dan ulasan diverifikasi dan berasal dari orang yang menggunakan jenis perangkat yang sama dengan yang Anda gunakan ⓘ



Figure 1. 4 Tokopedia Application Ratings in App Store and Google Play Store

Source: Google.com (2023)

Customer Satisfaction is a factor that affects repurchase intention. According to Ali (2019), customer satisfaction refers to the degree of joy or happiness that customers feel with a product or service they have purchase. Since there are many customers that are likely to choose Tokopedia over the other e-commerce applications, the number of users that install Tokopedia keeps increasing. We can see from Figure 1.4 that the ratings from App Store is 4.8, meanwhile from Google Play Store is 4.6, but both of them are having mostly 5-star reviews, which means most of the users are completely satisfied with Tokopedia's application, this marks as the Customer Satisfaction evidence towards Tokopedia. Even though the rating of Google Play Store is lower than App Store, Tokopedia therefore must pay more attention for the customer satisfaction of Android users. Tokopedia must be able to make customers satisfied with their experience while shopping on Tokopedia. Customers will feel satisfied if Tokopedia can provide their needs as expected by them, including the products they

buy. Additionally, Tokopedia needs to be able to maintain customers' first impressions of it when they desire to shop there, as can be observed from the Tokopedia application itself.

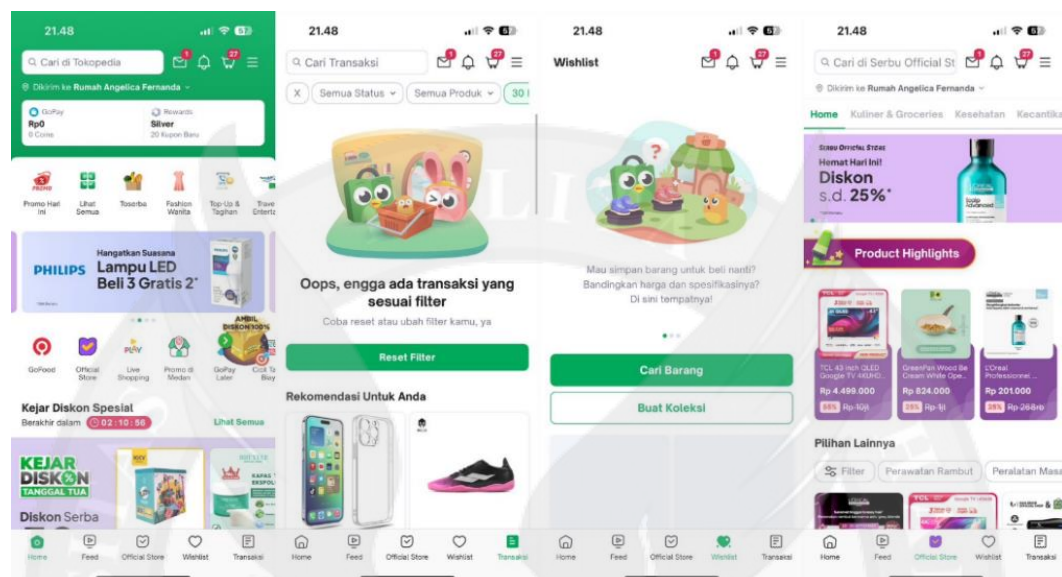


Figure 1. 5 Main View of Tokopedia Application Design

Source: Tokopedia App (2023)

Application Design is one of several variables that can affect customer satisfaction. A good design will lead to a good first impression when they launch the app. According to Duma Konda et al. (2022), in business, the term "*application design*" refers to the process of developing and putting into use software applications that satisfy user demands and expectations. Because it can affect service quality, customer satisfaction, and loyalty, application design plays an important role in e-commerce. By offering straightforward product descriptions, a simple checkout process, and guaranteed transaction security, a well-designed app may enhance the shopping experience for users. Figure 1.5 provides proof of the application design from Tokopedia, where each symbol and element of text is laid up clearly and attractively to make it simple for users to understand. In order to

make it simpler for customers to search, each feature has also been explained in terms of customer satisfaction and fulfillment with various services.

Tokopedia must also focus on maintaining good customer service and reliability, so that its users feel satisfied, assured, and loyal to it. Customers are more willing to trust and utilize a product or service again in the future once they find it to be reliable. According to Delima and Hafsah (2021), *customer service* refers to the help and support a company offers to its customers before, during, and after the purchase. Don't forget that the most important position in any company is in customer service. Everyone, from the president of the company to the employees who serve customers, must adopt good customer service practices and try to attract and keep consumers. Customer service involves interaction between companies and their customers, and it has an impact on customer retention, loyalty, and satisfaction. Effective relationships between businesses and customers may be created and service quality can be raised with the use of the proper and appropriate communication strategies. There is no need for any position in an organization without customers (Lucas, 2022).

Meanwhile, according to Wahyudi (2021), the ability of a brand to consistently and reliably meet the demands and expectations of its customers is known as *reliability*. A trustworthy brand continuously provides high-quality goods or services that satisfy customers' needs or go above and beyond their expectations. Tokopedia must be able to ensure that the information conveyed to customers is in accordance with their needs, both in terms of application performance and more crucial transaction information.

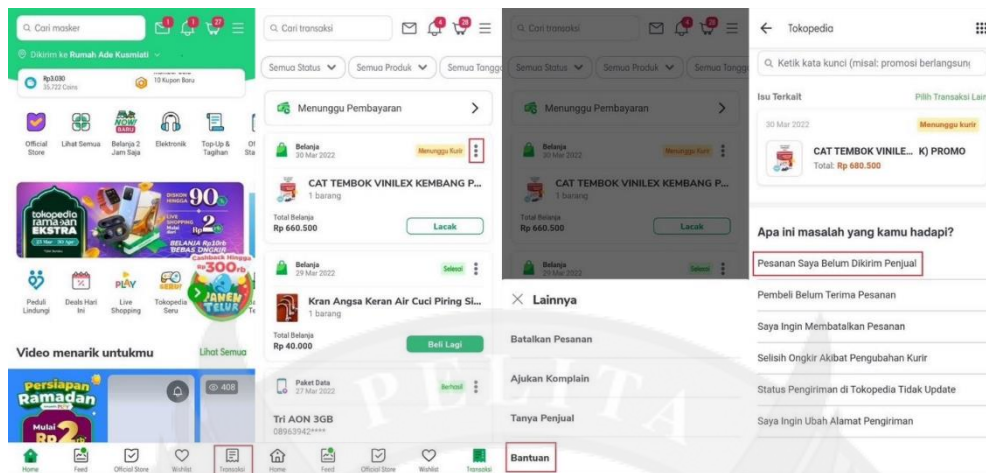


Figure 1. 6 Tokopedia Customer Service in App

Source: <https://www.tokopedia.com/> (2023)

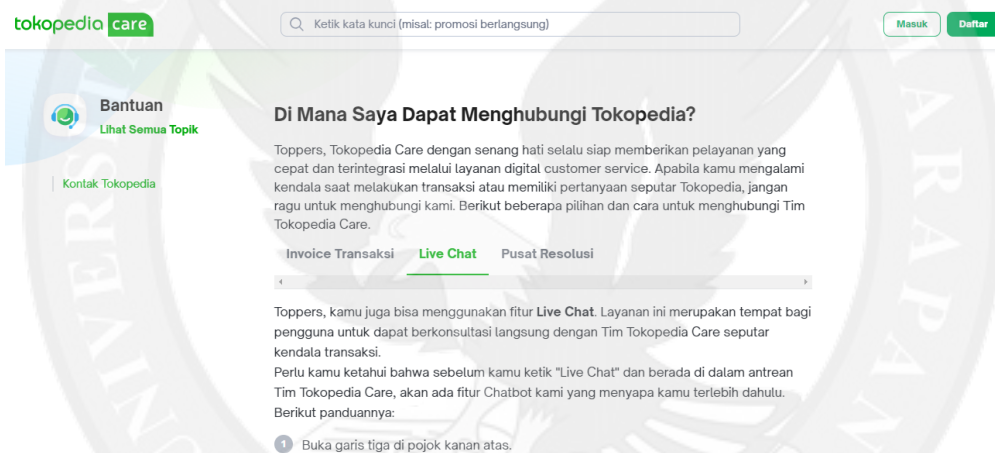


Figure 1. 7 Live Chat Feature in Tokopedia

Source: <https://www.tokopedia.com/> (2023)

From figure 1.6 above, we can directly use the application to contact Tokopedia customer service for assistance. We may ask about any issues we have with the product we purchased or make a complaint against the seller. Tokopedia itself already has good quality customer service because they have provided a special assistance website for customers called Tokopedia Care (as seen in figure 1.7). Tokopedia Care aims to give customers the impression that they can rely on Tokopedia's customer service regardless of any issues they may have with the seller

or product. And if the answer still doesn't help, customers can directly contact Tokopedia customer service via the Live Chat feature on the website. The Live Chat feature on Tokopedia with Bots that can engage with actual humans demonstrates how technology can be utilized to improve the effectiveness and efficiency of customer service.

Here are a few reviews that display feedback from the users on Tokopedia's customer service from the App Store and Google Play Store.



Figure 1. 8 Online Review of Tokopedia Customer Service

Source: App Store and Google Play Store (2023)

In fact, figure 1.8 shows that most of Tokopedia customers are satisfied with the customer service provided by Tokopedia both from the App Store and Google Play Store. Most of the customers feel that it is very easy to contact Tokopedia Customer Service because they respond very fast and always prioritize customer complaints. Some even compare Tokopedia's customer service with other e-

commerce competitors, and Tokopedia still wins. There are also customers who feel that Tokopedia can be relied on if something goes wrong with the product they have received, all of this makes customers happy and satisfied. In addition, Tokopedia has provided a Live Chat feature as the writer explained previously, the Live Chat feature with this Bot was made for customers to connect with an actual human customer service. Therefore, Tokopedia needs to maintain and keep increasing its customer service so that the customers will always feel satisfied and have the intention to repurchase again.



Figure 1. 9 Tokopedia Fulfillment
Source: Google.com (2023)

Not only that, by delivering a satisfying shopping experience and exceeding customer expectations, an effective fulfillment process can raise customer satisfaction and repurchase intentions. As a result, customers will feel that Tokopedia can meet their daily needs and will eventually continue to shop there. According to Yu (2022), *fulfillment* is the ability of a brand to continually meet or exceed customers' requirements and expectations over time in the context of customer satisfaction and loyalty. Numerous techniques, including consistency,

quality, and reliability, can be used to evaluate fulfillment. The proof of Fulfillment that Tokopedia has can be seen from figure 1.9 where Tokopedia claims “*Selalu Ada, Selalu Bisa*” for customers, also Tokopedia provides free shipping and Cash on Delivery services to its customers. Additionally, each of these variables reflects global e-commerce industry development behavioral patterns (Ahenkora et al., 2020; Gangil & Vishnoi, 2020).

Here are a few reviews that display feedback from the users on Tokopedia's fulfillment from the App Store and Google Play Store.

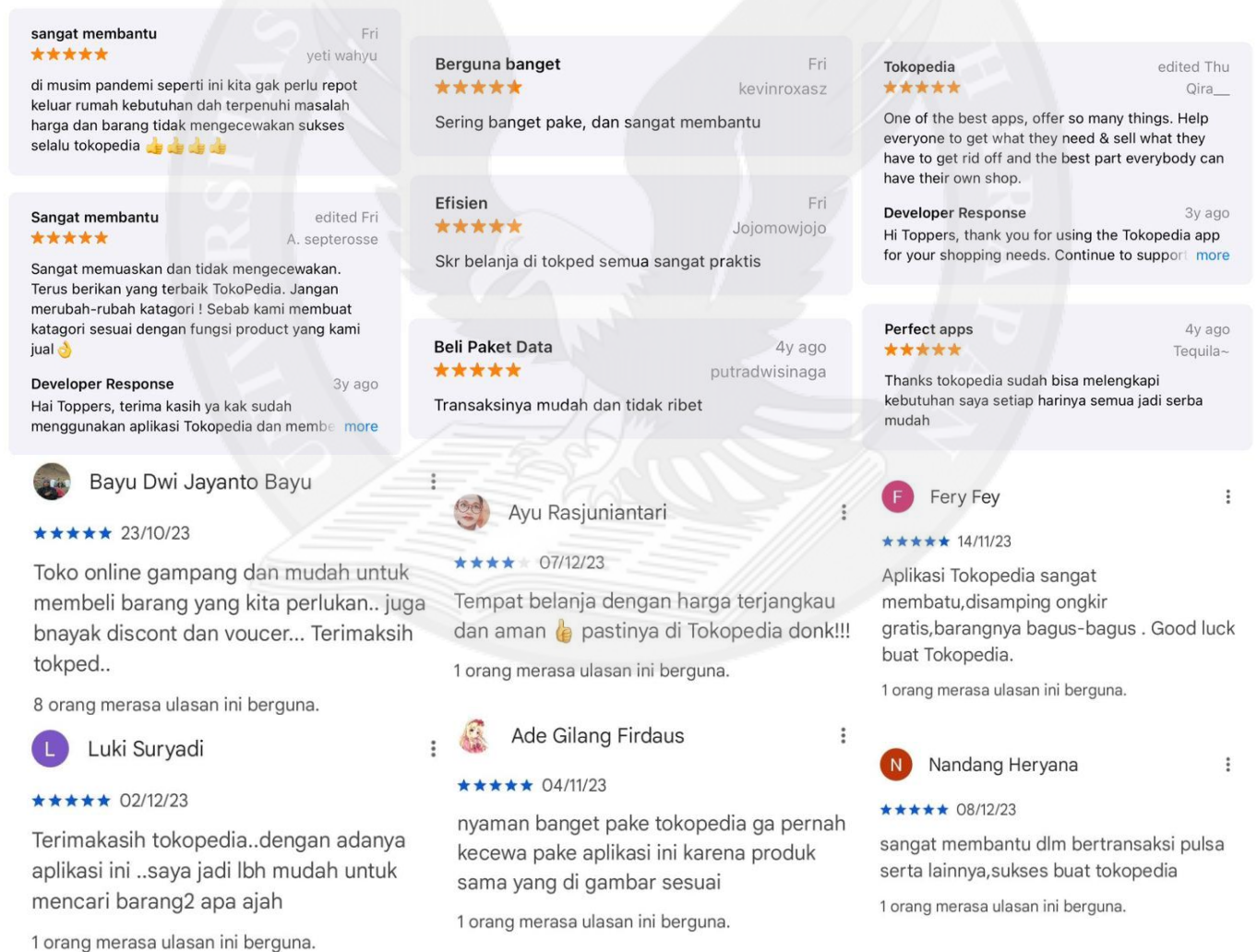


Figure 1. 10 Online Review of Tokopedia Reliability & Fulfillment
Source: App Store and Google Play Store (2023)

Figure 1.10 demonstrates that some customers continue to believe that Tokopedia always fulfills the service promises it has made to them, including promotions, discounts, free delivery, etc. Here, customers might always prioritize choosing to use Tokopedia over other e-commerce competitors and will always put trust in the company, which may increase income for the company. Additionally, users might think twice on deciding to switch to competing e-commerce that they will always compare on the reliability to Tokopedia's. (Kovalenko & Naherniuk, 2021; Shin & Casidy, 2021).

Today, most people, particularly women, have the option to purchase online. Daily needs products are available on Tokopedia with a range of tempting pricing points. Customers no longer need to leave their homes to shop because Tokopedia offers speedy delivery of their purchases. However, as is well known, there are many e-commerce businesses operating in Indonesia, and the deals they each offer are essentially identical. The design of the e-commerce application itself is one of the aspects that influences customers' decisions to utilize one e-commerce over another. The performance of the e-commerce website and the services offered are both influenced by application design, which is important to the consumer. While a badly designed e-commerce application can cause inconvenience and missed sales, one that is professionally designed can offer a practical and affordable means of conducting business (G, 2021). Additionally, Shopee, Tokopedia's main competitor, offers a design and set of features that are nearly identical to Tokopedia. This will make customers consider their intention to repurchase needs on

Tokopedia. This is also the reason why the dependent variable in this research is *Repurchase Intention*, while the intervening variable is *Customer Satisfaction*.

Therefore, the writer decided to find out whether application design, customer service, reliability, and fulfillment of Tokopedia could influence customer satisfaction and repurchase intention in Medan. The writer will conduct the final result of this research in the form of a thesis with the title “**The Influence of Application Design, Customer Service, Reliability, and Fulfillment Towards Customer Satisfaction and Repurchase Intention at Tokopedia in Medan**”.

1.2 Problem Limitation

The following limitations have been put in place by the writer in order to make this research more organized:

1. In this study, the independent variables are application design, customer service, reliability, and fulfillment, while customer satisfaction and repurchase intention serve as the dependent variables.
2. This research data is gathered from Tokopedia Medan customers.
3. The data that's needed to evaluate the research model will be gathered in the form of questionnaires created in accordance with the research object.
4. The samples to be analyzed are limited to specific characteristics; both male and female, aged 18 to 60 years, domiciled in Medan, have ever installed, or used the Tokopedia application, have ever purchased and tried products from Tokopedia at least twice in the last three months,

and have ever contacted Tokopedia customer service in the last three months.

1.3 Problem Formulation

The goal of this research is to analyze how Application Design, Customer Service, Reliability, and Fulfillment influence Customer Satisfaction and Repurchase Intention. As a result, here are the problems of formulation those are encountered in this research, which aims to provide answers to the following questions:

1. Does Application Design have a significant influence on Customer Satisfaction of Tokopedia customers in Medan?
2. Does Customer Service have a significant influence on Customer Satisfaction of Tokopedia customers in Medan?
3. Does Reliability have a significant influence on Customer Satisfaction of Tokopedia customers in Medan?
4. Does Fulfillment have a significant influence on Customer Satisfaction of Tokopedia customers in Medan?
5. Does Customer Satisfaction have a significant influence on Repurchase Intention of Tokopedia customers in Medan?

1.4 Objective of the Research

Here are some of the objectives of this research, which are based on the problem formulation mentioned in the previous point:

1. To determine whether Application Design has a significant influence towards Customer Satisfaction of Tokopedia customers in Medan.
2. To determine whether Customer Service has a significant influence towards Customer Satisfaction of Tokopedia customers in Medan.
3. To determine whether Reliability has a significant influence towards Customer Satisfaction of Tokopedia customers in Medan.
4. To determine whether Fulfillment has a significant influence towards Customer Satisfaction of Tokopedia customers in Medan.
5. To determine whether Customer Satisfaction has a significant influence towards Repurchase Intention of Tokopedia customers in Medan.

1.5 Benefit of the Research

The writer hopes that this research can provide several benefits to those who use it. The benefits of this research can be divided into theoretical benefits and practical benefits.

1.5.1 Theoretical Benefit

The theoretical benefit of the research's results is that it can be used as additional information as well as a reference to do future research on application design, customer service, reliability, and fulfillment towards customer satisfaction and repurchase intention.

1.5.2 Practical Benefit

This research will be beneficial not just theoretically but also practically. Tokopedia, the writer, and other researchers are all going to benefit from the additional knowledge gained from this research.

- a. For Tokopedia, it is expected that the results of this research will add to existing information and serve as material for decision-making regarding topics such as application design, customer service, reliability, and fulfillment. This will allow Tokopedia to grow into an e-commerce site with a high level of customer satisfaction and repurchase intention in the future.
- b. For the writer, it is to understand more about application design, customer service, reliability, and fulfillment towards customer satisfaction and repurchase intention, and how each has an effect on the others.
- c. This research may be used as a reference, starting point, or informational source for other researchers who are thinking about doing research with similar variables.