CHAPTER I

INTRODUCTION

1.1. Background of the Study

Technological developments are increasingly making all activities easier, many popping up   advanced technologies in this modern era. One of them is with the emergence of the internet. With the development of technology and the internet which continues to grow until now, one of them includes into the world of business and the economy. Advances in technology make people want to go fast as well how to get their needs, find information and others, so that from the emergence of the internet the development of innovation in buying and selling electronically or commonly referred to as e-commerce has emerged (Maisa and Widodo, 2020).
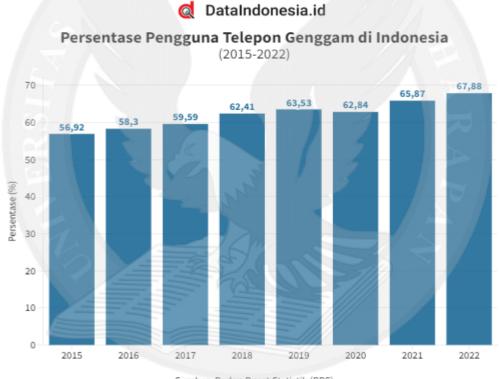
The world of online business is changing rapidly, giving rise to a shift in business strategy. This also affects the world of online business, namely in the way goods and services are sold. Today's business people no longer market their wares in shops or kiosks but have penetrated e-commerce, online shops, and social media (Diawati et al, 2020). A wide range of product offerings and attractive online services that are easy, creative, and effective may also be perceptive factors in e-commerce transaction growth.

One strategy to succeed in globalization is to promote items via internet commerce (eCommerce); intelligent businesses will not oppose current internet trends but will instead seek to innovate. By utilizing e-commerce, businesses can attain and fulfil the expectations of their clients. E-commerce is the dissemination,

purchase, sale, marketing of goods and services through electronic means such as the internet or television, www, or other computer networks. E-commerce can involve electronic fund transfers, electronic data exchange, automated inventory management systems, and automated data collection systems (Harmayani et al, 2020).

Figure 1.1 Growth Number of Ecommerce in Indonesia
Source: YouGov (2023)

According to Statista's report on e-commerce user data in Indonesia, e-commerce users in Indonesia are predicted to increase to 189.6 million users by 2024. Since 2017, there have been 70.8 million e-commerce users and the number has increased every year. In 2018, it reached 87.5 million e-commerce users in Indonesia. While in 2020, it reached 129.9 million e-commerce users. In 2021, it is predicted to reach 148.9 million users, while in 2022 it will reach 166.1 million users and 2023 will reach 180.6 million users.

Due to smartphone users who are in demand in Indonesia. In a survey conducted by Tokopedia, the percentage of mobile users was 62.7%, and the rest were desktop users at 37.3. This makes Tokopedia need to maximize the performance of the applications offered to users. The maintenance carried out by Tokopedia began to fix bugs and update the system which made it easier for users and made users feel satisfied with the Tokopedia Mobile Apps (application). (Adhitama and Dharma, 2022).
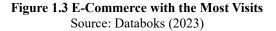

Figure 1.2 Growth Number of Smartphones in Indonesia
Source: DataIndonesia.id (2023)

The Central Statistics Agency (BPS) noted that the percentage of mobile phone users in Indonesia reached 67.88% in 2022. This figure increased by 2.01% points compared to the previous year, which was 65.87%. Looking at the trend, the

percentage of mobile phone users in Indonesia tends to show an increase. However, the figure was corrected in 2020 due to the Covid-19 pandemic. Based on the region, East Kalimantan is the province with the most people owning mobile phones in 2022, namely 82.37%. It is followed by Jakarta with a percentage of 82.27%. The percentage of mobile phone users in Riau Islands is 79.88%. Then, 78.62% of North Kalimantan residents have also used mobile phones. Meanwhile, Papua is the province with the lowest percentage of mobile phone users in 2022, at 35.33%. Above it is East Nusa Tenggara and West Sulawesi with percentages of 52.73% and 61.07% respectively.

Tokopedia itself began to be built in 2007 by William Tanuwijaya and his colleagues but was only launched to the Indonesian market in 2009 to coincide with Indonesia's 64th Independence Day. As one of the largest e-commerce sites in Indonesia, Tokopedia has the following number of visits.

Figure 1.3 E-Commerce with the Most Visits
Source: Databoks (2023)

The data on the number of visits shows that Tokopedia is in second place behind its main competitor, Shopee. The number of Tokopedia visits reached 1.25 billion. This data shows that Tokopedia still has problems regarding the number of visits that are less competitive than competitors. Tokopedia needs to pay attention to this problem because the number of visits has a high enough difference compared to competitors in similar businesses.

Tokopedia is important to maintain customer loyalty in an effort to do business well in the future. Loyalty is formed or created by a person or individual towards an organization and is shown through actions, for example shown by remaining loyal to use services or buy goods at that company or entrusting their needs and needs to the company (Kalinic et al, 2019). Tokopedia is one of the largest e-commerce in Indonesia now (Ariani and Oetama, 2023). To assess customer loyalty, researchers took data from YouGov about the brand with the highest rating by consumers with the following results.

Consumer satisfaction is a person's feeling of pleasure or disappointment that arises after comparing the performance (results) of the product that is thought to be against the expected performance. If consumers are completely satisfied with the services provided, then in the future they will use services again in the same place and provide recommendations to others (Ariani and Oetama, 2023). To find out the satisfaction of consumers who use the Tokopedia application for online shopping, the researcher conducted a pre-survey of 30 respondents who actively use Tokopedia for daily shopping with the following results.

Table 1.1 Pre-Survey of Respondents in Tokopedia

No	Questions	Yes	No
1	Does the Tokopedia application help in daily activities?	10	20
2	Is the Tokopedia application easy to understand?	12	18
3	Have you ever received a recommendation to use Tokopedia?	16	14
4	Is the price of the product offered by Tokopedia in accordance with the quality of the product?	12	18
5	Do you feel comfortable using Tokopedia?	17	13
6	Are you satisfied with the experience of using Tokopedia?	12	18
7	Will you continue to use Tokopedia for online shopping in the future?	20	10

Source: Pre-Survey (2023)

In a pre-survey given to 30 respondents regarding Tokopedia, there are still problems with consumers who are dissatisfied with their experience using Tokopedia. The results of the pre-survey also show that consumers are still found stating that they have a lack of experience in the Tokopedia application, which is still unable to meet their needs, difficulty in understanding the application, prices that are more expensive than competitors, lack of comfort in the complex application display. These results show that Tokopedia has not been fully able to fulfil the needs of consumers.

Since its launch into the Indonesian market Tokopedia has grown rapidly and has been able to influence and develop consumer trends in Indonesian society, especially in the behavior of consumers in Indonesia who are starting to dare to make online transactions. Tokopedia needs to pay attention to customer satisfaction and customer loyalty. However, Tokopedia Apps with seller logins with mobile users > 6 million in 2023. Average rating of 4.6 on Play Store (Adhitama and Dharma, 2022).

Figure 1.4 Ratings of Brand Tokopedia
Source: Playstore (2023)

Customer satisfaction reflects a customer's post-consumption judgement concerning a specific service or product. Satisfaction as the most significant determinant of m-commerce continuance intentions after trust. Satisfaction in m-commerce was also found as the most important predictor of customer loyalty (Kalinic et al, 2019). Figure 1.5 shows that Tokopedia's rating is 4.6, which indicates that consumers give a high rating and are satisfied with Tokopedia. A high rating assessment can indicate that Tokopedia consumers like performance expectancy, effort expectancy, social influence, hedonic motivation and price. Tokopedia must pay attention to these variables in the impact on customer satisfaction.

Performance expectancy is defined as the extent to which consumers feel that using an electronic payment system will help and provide benefits in making online transactions such as in terms of speed, security and convenience of transactions (Suwandi and Aziz, 2018). Performance expectancy is an individual's belief that technology will facilitate daily activities. This technology provides several benefits for its users, such as saving waiting time, ease in gaining

information and support (Utomo, 2021). Performance expectancy plays an important role in the user experience on platforms like Tokopedia as follows.

Table 1.2 Reviews about Performance Expectancy of Tokopedia from Playstore

No	Date	Comments	Rating
1	3/6/2024	Some items are only purchasable from browser	1 star
2	12/28/2022	The delivery point is away from my address	1 star
3	4/16/2024	The product I'm looking for isn't here	1 star
4	11/27/2022	UI are simple, but nowadays the pages crash	1 star
5	6/16/2024	There are many ads	1 star

Source: Playstore (2024)

Performance expectancy is significant driver of customer satisfaction. Within this environment, it is imperative for mobile vendors to establish comprehensive marketing campaigns that effectively promote the advantages provided by mobile commerce to customers (Kalinic et al, 2019). On the issue of performance expectancy of Tokopedia consumers, there is still a poor consumer experience because there are several products that can only be purchased using a browser, the lack of flexibility of the application in saving time such as errors in delivery and product variations that are still incomplete compared to competitors. This complaint shows that performance expectancy at Tokopedia has not fully met consumer expectations.

Effort expectancy is consumer expectations when using a mobile payment system to make online transactions, the ease of using mobile payments that do not require special skills to operate the system (Achiriani dan Hasbi, 2021). Effort expectancy explains the ease and ability of consumers to understand a particular application and be able to understand the application when in use and the appearance in an application that does not make consumers feel difficult (Amaral, 2021). Effort expectancy of Tokopedia user as below.

Table 1.3 Reviews about Effort Expectancy of Tokopedia from Playstore

No	Date	Comments	Rating
1	2/2/2024	Previously rating UI is lot better than new one. The new UI only shows item rating at the notification.	1 star
2	2/6/2023	The ads are disruptive and annoying	1 star
3	5/4/2023	Tokopedia now too many ads, too much loading and become laggy, unresponsive crash and freeze	1 star
4	6/6/2024	Weird search feature, slow UI	1 star
5	6/15/2024	App display that is slow to process transactions	1 star

Source: Playstore (2024)

On the issue of effort expectancy at Tokopedia, consumers still state that the Tokopedia application is difficult to understand because of the appearance of application updates which make the application more complicated and difficult to understand. Consumers are also disturbed because advertisements continue to appear and laggy applications often disrupt the consumer shopping process. This complaint shows that performance expectancy at Tokopedia has not fully met consumer expectations.

Social groups and references are a person or group that influences a person's behavior which is used as a basis for comparison in forming values and guidelines for behaving in certain situations. Social groups or references, better known as Social Influence, are information from individuals, groups, or the mass media that can implicitly and explicitly influence how a person act. In social influence, the current online shopping trend has become a consumer culture (Nurochim et al, 2022). In the condition of social groups on Tokopedia, consumers responded that the problem that is still being experienced is that there are other marketplaces that are more popular than Tokopedia because they provide better discounts and services. In addition, consumers predominantly use the Tokopedia application because it is

recommended by friends and family. The Tokopedia application is a popular application that is quite well known by consumers.

Hedonic motivation is overall evaluation of a consumer based on the fulfillment of pleasure. The hedonic value is based on the motivation of consumers to buy because they like it, driven by the desire to achieve a form of pleasure, freedom, delusion, and escape from problems (Kusmarini et al, 2020). In shopping on e-commerce, consumers often buy products directly when buying a product. In hedonic motivation at Tokopedia, the problem faced is that consumers complain about the inconvenience of using Tokopedia because of missing products due to the free shipping feature. In addition, consumers also complain about delays in delivery and difficult product searches due to improper keywords from the Tokopedia application which make it difficult to find the product they are looking for.

Price is the value of sacrifice (money) paid by consumers to obtain a product. Consumers will of course be satisfied, if the sacrifice (money) to get the product is in line with their expectations (Johar et al, 2018). The following is a comparison of product prices offered by Tokopedia compared to competitors.

Table 1.4 Price Comparison of Tokopedia and others competitor

No	Product Name	Tokopedia's Price	Shopee's Price	Blibli's Price
1	Xiaomi Focus Pen	999.000	999.000	999.000
2	Samsung Microwave 23L	1.505.000	1.519.176	1.179.000
3	Philips Trimmer	322.900	323.000	335.500
4	Logitech Mouse G502	999.000	639.000	762.600
5	Asus Mouse WT245	399.000	None	559.000

Source: Prepared by writer from Official Store in Tokopedia, Shopee and Blibli (2024)

Price has a positive and significant effect on customer satisfaction. Providing bonuses or discounts with a certain number of purchases can also attract consumers to visit and buy (Riduan and Christiana, 2023). On the issue of prices

on Tokopedia, for some similar products, Tokopedia has a higher price compared to competitors due to differences in Flash Sale and Discount programs implemented by competing marketplaces. In addition, the price offered can be declared competitive because some of the same product prices on the Official Store also have the same price. The price offered is also in accordance with the product value and product quality that is evenly distributed in each marketplace.

Based on the background of study described by the writer, then the writer conducted research with the title **"The Influence of Performance Expectancy, Effort Expectancy, Social Influence, Hedonic Motivation and Price Towards Customer Satisfaction and Customer Loyalty at Tokopedia in Medan".**

1.2. Problem Limitation

The following problem 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 performance expectancy, effort expectancy, social influence, hedonic motivation and price, while customer satisfaction and repurchase loyalty 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 purchased and tried products from Tokopedia at least twice in the last three months, know the

promos offered by Tokopedia, have received a recommendation to use Tokopedia, ever contacted Tokopedia customer service, have purchased electronic products (credit, PLN, PDAM) at Tokopedia.

1.3. Problem Formulation

From research at Tokopedia, the writer obtained several questions regarding the arising problems which are.

1. Does performance expectancy significantly influence customer satisfaction at Tokopedia in Medan?

2. Does effort expectancy significantly influence customer satisfaction at Tokopedia in Medan?

3. Does social influence significantly influence customer satisfaction at Tokopedia in Medan?

4. Does hedonic motivation significantly influence customer satisfaction at Tokopedia in Medan?

5. Does price significantly influence customer satisfaction at Tokopedia in Medan?

6. Does customer satisfaction significantly influence customer loyalty at Tokopedia in Medan?

1.4. Objective of the Research

The objective for this research is to find out about:

1. To determine whether performance expectancy significantly influences customer satisfaction at Tokopedia in Medan.

2. To determine whether effort expectancy significantly influences customer satisfaction at Tokopedia in Medan.

3. To determine whether social influence significantly influences customer satisfaction at Tokopedia in Medan.

4. To determine whether hedonic motivation significantly influences customer satisfaction at Tokopedia in Medan.

5. To determine whether price significantly influences customer satisfaction at Tokopedia in Medan.

6. To determine whether customer satisfaction significantly influences customer loyalty at Tokopedia in Medan.

1.5.   Benefit of the Research

Benefits of this research can be listed as follow:

1.5.1   Theoretical Benefit

The results of this research are expected to contribute to the existing theories relevant with performance expectancy, effort expectancy, social influence, hedonic motivation and price towards customer satisfaction and customer loyalty.

1.5.2   Practical Benefit

The practical benefit of this research as follow:

a. For the writer, the result of this research is expected to contribute to the exciting theories relevant with performance expectancy, effort expectancy, social influence, hedonic motivation, price and customer satisfaction and customer loyalty.

b. For Tokopedia Medan, this research as information about whether the survey that has been made will be useful to improve the marketplace performance.

c. For other researchers, to be a guide and reference in leading the researcher to do other research that is compatible with this research.