

CHAPTER I

INTRODUCTION

1.1 Background

The 21st century has allowed diversified trade and commerce up to the point where multichannel is being commonly employed and shopping through online has significantly increased around the world (Johnson, Gustafsson, & Andreassen, 2001). With the outstanding amount of companies and businesses that have an online presence nowadays, it has stimulated the expansion of global e-commerce at a fast pace. More notably, the rapid growth and significance of e-commerce for the past 20 years has been due to B2B transactions accounting for the majority of the total e-commerce sales and enhancing quality in global supply chain networks (IHSMarkit, 2018). Although, B2C transactions are not to be neglected regarding the popularity of e-commerce as it is starting to show its significance nowadays.

Worldwide retail e-commerce sales have been continuously increasing based on the previous two years, with \$2.382 trillion in 2017 and \$2.928 in 2018, making up 10.4% and 12.2% of total retail sales in each respective year (eMarketer, 2019). It is also interesting to note that Asia-Pacific is estimated to be the leader of the global growth of e-commerce charge in 2019, with a forecasted growth of 25% to \$2.27 trillion which is 64.3% of e-commerce spending globally (eMarketer, 2019).

According to Khan (2016), e-commerce - or more officially known as Electronic Commerce, is the process of purchasing and selling of goods online. E-

commerce can be said to be a part of E-business, as the latter covers the usage of internet technologies to link customers, suppliers, employees, and business partners (Wu, Mahajan, & Balasubramanian, 2003). E-business basically involves any business activity that is administered electronically or online. Regarding E-commerce, Khan also further explains that e-commerce also enables its customers to compare prices, have access to product information, as well as looking at offers before making a purchase. Therefore, consumers within the e-commerce sector are able to reap its many benefits as its usage continuously grows.

Despite the 1997 economic turmoil, today Indonesia managed to be a country with the fastest developing economies around the world. The country has been focusing more and more in their digital economy growth, hence its significant contribution to the country's growth. It is forecasted that internet users will increase by 50 million users by 2020 (Ariffin, 2018). Indonesia's e-commerce was pioneered by Bhinneka.com and Kaskus forum in 1999. People were utilizing forum to sell their products, until in 2010 when marketplace Bukalapak and Rakuten started their operation in Indonesia. For the first time ever, Indonesia had its very own National Online Shopping Day (Hari Belanja Online Nasional – Harbolnas) in 2012. From there on, the number of players in e-commerce sector has only increased (Kompasiana, 2017).

Part of the country's growing digital economy is the rise of e-commerce sector in Indonesia. Eight percent of Indonesia total retail sales last year came from the e-commerce sector (Bisara, 2019). More than 10 percent of Indonesia's

population indulge in online shopping. According to Moore, Akib, & Sugden (2018) the growth of e-commerce sector is driven by four structural changes:

- 1) The increase in available low-cost smartphones
- 2) A large portion of emerging middle class with more disposable income
- 3) The increase of foreign direct investment in Indonesian e-commerce platforms
- 4) The accelerating evolution of payments infrastructure for consumers with no bank account to make online purchases

Most online purchases come from the greater Jakarta region. In Jakarta only, online purchases spending is four times higher than the rest of the cities in Java, and even ten times higher outside Java. E-commerce has also significantly affected women. It has empowered women, by allowing them to participate in the economy (Singh, 2019). Many e-commerce platforms in Indonesia are local, initiated by Indonesian while some are originated from foreign companies. The number one e-commerce marketplace in Indonesia, based on its traffic, is Tokopedia, which is an Indonesian company.

Filter by Business Model Store Type Store Origin Select Data Per Quarter Q2-2019

Merchant	Monthly Web Visits	AppStore Rank	PlayStore Rank	Twitter	Instagram	Facebook	Number of Employees
1 Tokopedia	140,414,500	#2	#2	205,070	1,263,800	6,135,250	3,144
2 Shopee	90,705,300	#1	#1	85,440	2,616,800	14,804,290	3,017
3 Bukalapak	89,765,800	#4	#4	168,260	831,460	2,425,880	2,696
4 Lazada	49,620,200	#3	#3	369,840	1,332,780	28,413,580	2,289
5 Blibli	38,453,000	#6	#6	485,030	822,130	8,349,810	1,372
6 Orami	9,813,100	#27	#26	6,130	87,080	358,080	123
7 Bhinneka	7,678,900	#23	#21	70,920	41,580	1,023,720	588
8 JD ID	7,102,300	#8	#7	24,060	420,270	773,370	1,065
9 Blanja	5,511,600	#19	#12	27,570	n/a	1,226,850	264
10 Zalora	5,218,300	#5	#8	67,100	421,140	7,724,700	484

Figure 1.1 The Map of E-commerce in Indonesia

Source: E-commerce in Indonesia from IPrice Insights (2019)

The figure 1.1 above shows that Tokopedia ranked first as e-commerce marketplace in Indonesia based on its monthly web visits in second quarter 2019. Followed by Shopee, Bukalapak, Lazada, Blibli, Orami, Bhinneka, JD.ID, Blanja, and Zalora. Many of these companies are Indonesian companies, but many of them are not from here. Some have begun their operations in Indonesia earlier than the others, such as Lazada. But they are still left behind by the new comer, that is Shopee.

Lazada is one of an international e-commerce company headquartered in Singapore. It has launched and operated since 2012 in Indonesia, Malaysia, the Philippines, Thailand and Vietnam that focuses on developing an online shopping and selling marketplace. Lazada provides different categories of products such as consumer electronics and its components, household appliances, beauty, fashion,

toys, sports equipment, groceries and many more. Lazada provides comprehensive customer care, multiple methods of payment and supported by approximately 100 logistics partners in order to deliver an excellent customer experience.

Lazada introduces Lazada Express in 2013 to provide “last-mile delivery service”, expanding Lazada’s reach geographically. In the same year, Lazada launched Android mobile application to further improve customer experience. Then in April 2016, The Alibaba Group purchased a major stake in Lazada to boost Alibaba's international expansion plans and home market where it is helping all Alibaba’s buyers and sellers to get access to Southeast Asian market (CNBC.com, 2016). In August 2018, Lazada become the biggest e-commerce operator in Southeast Asia including Malaysia, Vietnam, Thailand and the Philippines based on average monthly web visits (Business Times SG, 2019).

While in Indonesia, Lazada was ranked first in year 2017 until first quarter of 2018 in terms of e-commerce monthly web visits. On the second quarter of 2018, it ranked third overtaken by Tokopedia and Bukalapak, which both are local e-commerce companies from Indonesia . From the third quarter of 2018 until the second quarter of 2019 , it ranked four with 49,620,200 visitors compared Tokopedia with 140,414,500 visitors followed by Shopee from Singapore and Bukalapak as second with 90,705,300 visitors and third with 89,765,800 web visitors consecutively (IPrice,2019).

In 2018, Lazada received most number of complaints among other e-commerce as many as 18 complaints, followed by Akulaku with 14 complaints, Tokopedia 11 complaints, Bukalapak 9 complaints, Shopee 7 complaints, Blibli 5

complaints, JD.ID 4 complaints, and Elevenia 3 complaints in terms of daring shopping in Indonesia (CNN Indonesia, 2018).

1.2 Research Problem

A success of a company can be measured by many tools and one of them is the company's customer satisfaction (Devaraj, Fan, and Kohli, 2002). According to Business Times SG (2019) as of August 2018, Lazada is the number one e-commerce operator in Southeast Asia, including countries such as Malaysia, Thailand, Vietnam, and the Philippines based on average monthly web visit. The company first operated in the country back in 2012, followed by other e-commerce such as Shopee in 2015. Shopee managed to hold the second position in the Indonesia e-commerce industry, whereas Lazada has been operating in the country for years and are still left behind. From this, it can be said that the slow growth of Lazada is affected by their customer satisfaction. This research aims to give Lazada recommendations to - at the very least - maintain their position in the market and also to be more competitive.

Therefore, the research questions are formulated as follows:

- 1) Does Website Design positively affect E-Customer Satisfaction of Lazada Indonesia?
- 2) Does Information Quality positively affect E-Customer Satisfaction of Lazada Indonesia?
- 3) Does Customer Service positively affects E-Customer Satisfaction of Lazada Indonesia?

1.3 Research Limitation

This research is only limited to four independent variables. They include:

- 1) Website Design.
- 2) Information Quality.
- 3) Customer Service

1.4 Research Objectives

- 1) To know whether Website Design positively affects E-Customer Satisfaction of Lazada Indonesia.
- 2) To know whether Information Quality positively affects E-Customer Satisfaction of Lazada Indonesia.
- 3) To know whether Customer Service positively affects E-Customer Satisfaction of Lazada Indonesia.

1.5 Thesis Outline

CHAPTER I: INTRODUCTION

This chapter discusses the background , research problem, research limitation, Research objectives and thesis outline.

CHAPTER II: LITERATURE REVIEW

This chapter contains theories and conceptual frameworks that are used to approach the problem of the study and the hypothesis of the problem.

CHAPTER III: RESEARCH METHOD

This chapter describes the analytical methods used in the research along with data and data sources.

CHAPTER IV: DISCUSSION AND ANALYSIS

This chapter outlines the result of data analysis which included the result of statistical calculations of the relationship of each variable include the testing of hypothesis

CHAPTER V: CONCLUSION AND SUGGESTION

This chapter includes the conclusions of the result of analytical calculations and its implications of the problem.

