

CHAPTER I

INTRODUCTION

1.1 Background of the Study

The industry 4.0 era is referred to as the era of disruption due to the transitions humans undergo into automation/digitalization through innovation, which is defined as an innovation that transforms all existing systems into the newest. It is mainly the reception of older technology that will be wiped out in favor of more effective and efficient digital technology. Organizations are undergoing a significant change due to this era of disruption in terms of human resources, the business environment, and the sector as a whole. These huge shifts provide organizations with significant challenges in terms of developing their whole business models and rapidly adapting to digitalization. According to The Ministry of Manpower of the Republic of Indonesia, in today's era, businesses are required to have a high sensitivity and high response to the changes in digital use (Kholisdinuka, 2020). The ministry highlighted Nokia, Kodak, and Yahoo as examples of large companies that were unable to compete due to their slowness in adapting to changes. On the other side, companies with the awareness to leverage the digital revolution and partnership economy concepts, such as Facebook, Alibaba, GoJek, and Zoom, have transformed themselves into gigantic brands, beating business giants that have existed for decades (Kholisdinuka, 2020).

According to this statement, every business must be quick to adapt to changes in order to avoid falling behind in today's fierce competition.

On the other side, the big transition toward digital transformation in Industry 4.0 creates enormous opportunities and new business models that are significantly more advanced and innovative for start-up enterprises. Industrial revolution 4.0 demonstrates how advanced technologies enable individuals to conduct transactions from the comfort of their homes. One evidence of how far this digital transition has progressed is the popularity of online food delivery applications. This application was born from a need in the competitive market for digital technology to make mobility easier. This phenomenon is also getting attention from the Indonesian Central Statistics Agency. Suhariyanto, Chief Officer of the Indonesian Central Statistics Agency or Badan Pusat Statistik (BPS), stated that advancements in technology and communication have made life easier for people. It has altered the lifestyles and consumption patterns of many people. He later remarked that individuals are more inclined to order food online than to cook (Suyanto & Darmawan, 2020).

The world has been confronted with a massive challenge caused by a global pandemic that affected practically every industrial sector in the world. Numerous activities have been postponed as a result of this pandemic condition due to large-scale social restrictions (PSBB) and physical distancing regulations (Ikram, 2021). Additionally, because of the COVID-19 outbreak, Indonesia's economic and business stability has been seriously impacted (Ozili, 2020). According to the Central Bureau of Statistics (BPS), Indonesia's economic growth

fell by minus 2.07% in 2020, inflation reached 0.45% in December 2020, poverty in Indonesia reached 27.55 million people in September 2020, and 2.56 million people were unemployed because of Covid-19 (Librianty, 2021).

COVID-19 has produced a thick walls environment that significantly influenced all business sectors. Transportation obstacles, a scarcity of raw materials, and degradation of supply chains were a few factors that have made the food and beverage industry more difficult to operate during the COVID-19 pandemic (Memon, 2020). 80% of businesses in Indonesia, whether large or small medium-sized enterprises (SMEs), have seen a significant decline in revenue. The effect is more severe for SME businesses, as SME income decreased by more than 50%. In comparison, large enterprises' income fell by only 29% (Chandra Buana et al., 2021). According to a World Bank survey conducted in June 2020, more than 60% of businesses in Indonesia were forced to stop operations during the pandemic, 40% were forced to postpone operations, 20% had yet to reopen, 2-3% of businesses in Indonesia were forced to close permanently, and 9% declared bankruptcy (Doares et al., 2020).

COVID-19 pandemic also had a significant influence on the food and beverage industry globally. As a result, restaurants adapt to the COVID-19 pandemic by modifying their business models. As fear of the COVID-19 virus grows, people are more likely to stay at home and wait until the condition improves. Furthermore, government legislation restricts all activities and interactions between people to reduce the danger of infection with the COVID-19 virus (Widyasari, 2021). People were also not permitted to dine in restaurants to

adhere to health protocol. If insisted, there is a capacity limit to ensure that social distancing is maintained. This situation increases the likelihood that the food and beverage industry, particularly restaurants and small merchants, will suffer a loss (Bauer, 2020). To mitigate losses, restaurants are now focusing on non-dine-in options such as drive-thru, self-pickup, and optimized use of food delivery applications.

The pandemic of COVID-19 causes people to be afraid of leaving their houses and prefer to stay in. It results in a rise in food delivery services (Garcia, 2020). According to Technomic (2020), 32% of adult respondents expressed a desire to reduce their restaurant eating habits to mitigate the risk associated with COVID-19 concerns. Nielsen (2020) research found the increment in usage of food delivery applications during the COVID-19 outbreak. Prior to the pandemic, 56% of Indonesians had used an online food delivery app to place an order. During the pandemic, this number increased by 8%. Research by McKinsey (2020) revealed that 34% of respondents ordered more food through food delivery applications rather than visiting restaurants directly. According to the Head of the Central Bureau of Statistics (2019), individuals increasingly purchase food online rather than cooking for themselves or dining out (Valenta, 2019).

Additionally, according to Nielsen Singapore research, the choice to use an application to purchase foods online occurs an average of 2,6 times each week. (Gojek.com, 2019). This research suggests that ordering food online or through an app is highly valued by Indonesians in terms of time and energy efficiency.



Figure 1. 1 Gojek and GoFood Logo

Source <https://www.gojek.com/id-id/>, retrieved in 2021, December 20

Gojek is the only Indonesian application to rank in the top 10 applications in terms of monthly active users in the Indonesian market (Andriani, 2019). In Indonesia, online food delivery is a relatively new service. Indonesians are the world's fourth-largest online food delivery market (Clement, 2020). Between 2020 and 2024, online food delivery services are expected to increase at an annual rate of 11.5%, making online food delivery one of Indonesia's most rapidly growing industries. As illustrated in Figure 1.2, data from Statista (2021) revealed that online food delivery services in Indonesia earned US\$ 803 million in revenue, an increase of 70.1% over data from 2020. It is estimated that it will increase to US\$ 1,136 million in 2022 and US\$ 1,532 million in 2025.

Additionally, Statista (2021) reported that there were 19.1 million users of online food delivery applications in 2020. It is estimated that by 2024, there will be 31 million users of online meal delivery apps. There are two household brands for online food delivery apps that provide on-demand services in Indonesia. The first is Gojek, which operates the GoFood service, and the second is Grab, which operates GrabFood.

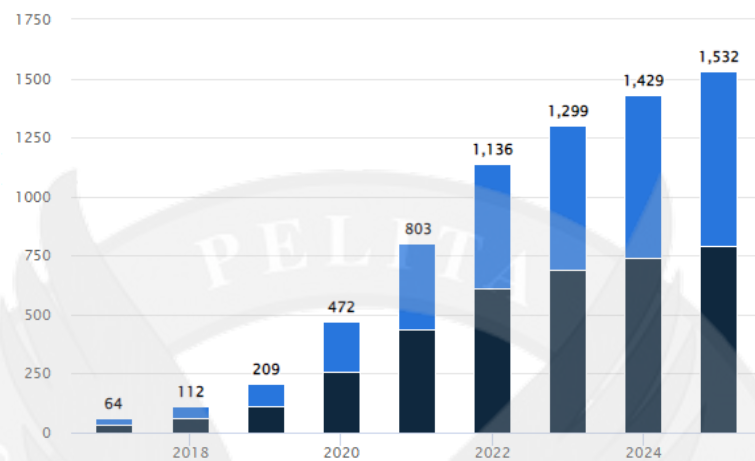


Figure 1. 2 Total Revenue of Online Food Delivery Service in Indonesia 2017- 2020 and Projection For 2021-2025

Source: Statista (2021)

Gojek was founded in 2010 to provide a solution for metropolitan traffic congestion. This business creates a system for connecting *ojek* (motorcycle taxi) with passengers. Gojek's vision is to improve Indonesia's transportation infrastructure, provides convenience for the community in carrying out daily activities such as document delivery and daily shopping by courier services, and contribute to motorcycle taxi drivers' welfare (Moniaga, 2018). This feature benefits *ojek* drivers, as prior to this, waiting for passengers may take an excessive amount of time. Gojek can be accessed via the Gojek application, which can be downloaded from the App Store and Play Store.

Gojek provides numerous benefits to its users, including low transportation rates, short journey times, simple and convenient booking, a secure service, and excellent services. The public greatly values this positive impact, and

the Indonesian government encourages Gojek to continue operating and providing benefits to the app users (Fazri, 2015). Gojek continues to improve its service and add new features to its app as part of its business diversification strategy, including GoRide, GoCar, GoFood, GoMart, GoSend, GoBix, GoPay, and GoAuto. One of the most frequently used features is GoFood (Nayoan et al., 2021).

GoFood is a feature in the Gojek application that enables customers to order meals from any restaurant or shop simply by logging into the application. After the customer places an order for food, the system locates a driver near the merchant or restaurant to place the order and deliver the food to the customer (Asvaris, 2020). The GoFood service is quite beneficial, particularly in the city of Medan. Additionally, many students and workers who spend their time carrying out their duties are too lazy to go out and instead purchase food or beverages by using GoFood (Lumongga, 2018).

GoFood emerged as a new solution provider for the food and beverage sector when Indonesia was on the verge of recession and enterprises collapsed. GoFood enables business owners to innovate in the food and beverage sector without suffering high financial costs. Businesses that employ online food delivery services such as GoFood avoid the expense of hiring their own staff and purchasing their own motorcycle to deliver their food to customers. Further, food delivery service benefits the businesses since additional costs related to employee compensation and motorcycle maintenance can be avoided either (Mindarti et al., 2020). As a result, GoFood now has partnerships with 37,000 food and beverage businesses, including SMEs and restaurants (Lutfiah, 2019), and merchants of

GoFood brought an estimated Rp18 trillion to the Indonesian economy in 2018 (Aprilianti & Amanta, 2020).



Figure 1. 3 Interface of GoFood on Gojek Application

Source: Gojek app, retrieved in 2021, December 21

GoFood, as the leading online food delivery platform, is continuing to strive to innovate as well as provide customers with a pleasurable culinary experience (GoBiz, 2021). During the pandemic, GoFood saw a 20% increase in transaction volume (GoBiz, 2021). This increase demonstrates a strong demand for food delivery services because of the restrictions imposed by the government. Additionally, GoFood has been named Indonesia's best online food delivery service (Gojek.com, 2019). This concept is also supported by the Nielsen Singapore study, which discovered that 84% of consumers who use multiple online food delivery applications agree that GoFood offers the best service in Indonesia (Gojek.com, 2019). According to Gojek's internal data, GoFood provides four times the service of its competitors. As illustrated in Figure 1.4 below, the data by Statista (2020) shows that GoFood has a 25% market share of online food delivery services in Indonesia. It is the highest percentage in Indonesia, surpassing GrabFood (20%), Yum! Brands (15%), Zomato (10%),

Dominos (5%), and McDelivery (5%). As a result, by 2020, the whole value of the GoFood service shall reach USD 1.74 billion, accounting for 47% of the total value of the Indonesian food delivery service industry (Akhmadi et al., 2021).

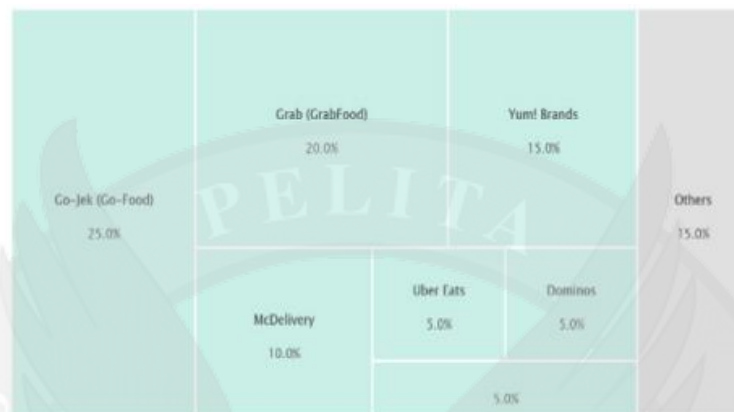


Figure 1. 4 The Usage Share of Online Food Delivery in Indonesia

Source: Statista (2020)

Furthermore, according to Foodizz and Deka Insight (2021), GoFood also topped the list of the most widely used food delivery services in Indonesia. Out of 748 respondents involved in the study, 61 percent were found to use the GoFood app, 49 percent of those who use GrabFood, and 22 percent of ShopeeFood. Overall, respondents who prefer to use food delivery applications such as the three above applications reach 89 percent. This value far outperforms the number of respondents who use applications made by restaurants or cafes, telephone services for selected restaurants or cafes, WhatsApp channels for selected restaurants or cafes, or other services.



Figure 1. 5 The Most Popular Food Delivery App as of December 2021

Source: Foodizz dan Deka Insight (2021)

Table 1. 1 The Most Used and Popular Food Delivery App in Indonesia

Food Delivery App	Total Installed (App Store & Play Store)	Total Reviews		Launched in (year)	Rating	
		App Store	Play Store		App Store	Play Store
GoFood, powered by Gojek	100,000,000+	223.7K	4.6M	2015	4.4	4.3
GrabFood, powered by Grab	100,000,000+	400.8k	8.8M	2016	4.9	4.7
ShopeeFood, powered by Shopee	100,000,000+	818.5K	182K	2021	4.6	4.7

Source: <https://apps.apple.com/id/app/>, <https://play.google.com/store/apps/details>, retrieved in 2022, April 28

As illustrated in the table above, competition for food delivery apps is becoming fierce in Indonesia. As previously said, GoFood was recognized to be the leading food delivery app from 2019 to 2021, but unexpectedly, in 2022, the app's ratings and reviews fell behind GrabFood and ShopeeFood. GoFood has a 4.4 rating on the App Store and a 4.3 rating on the Play Store; GrabFood has a 4.9 rating on the App Store and a 4.7 rating on the Play Store; ShopeeFood has a 4.6 rating on the App Store and a 4.7 rating on the Play Store. Referring to this, GoFood might have tremendous prospects as the first food delivery service in Indonesia and its acceleration of food delivery service in this pandemic, but

GoFood must always be aware of the tough rivalry that has developed, where not only GoFood but other food delivery services are also pursuing this opportunity.

Reasons of why this research is conducted is backed by the reason that GoFood is the first food delivery app in Indonesia and was discovered as the first favorable food delivery app in Indonesia (Gojek.com, 2019). Further, it is because the awareness of the growing trend of food delivery applications and the competition arising in Indonesia. For example, based on Table 1.1, it can be seen the emergence of the ShopeeFood and the existing of GrabFood as GoFood's strong competitor. Thus, making the competition become fiercer and becoming a more crucial matter for company such as GoFood to be able to further urge the intention to continuously use.

The growth of GoFood and competition with other food delivery apps demonstrates that online food delivery has caught the market's interest, which is a fascinating phenomenon to study. There are a variety of customer preferences that GoFood can consider. When it comes to food, customers tend to have varying priorities and preferences. Every customer also has varied expectations regarding the level of service and quality expected from a food delivery application. Furthermore, consumers hold varied views on the perceived value of food delivery apps (Cho et al., 2019).

Hence, the Intention to Continuously Use the GoFood application is necessary for GoFood to stay relevant and face the intense competition in the industry. According to Hung and Hsu (2011), the reasons for the relevance of

studying the intention to continuously use may be observed in the dimensions of the intention to continuously use, namely:

1. The potential for repurchase, which refers to the possibility of repeated usage of the website.
2. Times of repurchase, which relates to the desire to utilize an online service system and the ability to make purchases straight from the website if one is accessible.

According to Santhanamery and Ramayah (2013), as cited in Bahruni et al. (2013), the intention to continuously use or better known as continuance intention is described as the intention to keep using or long-term usage of technology in order to ensure that the technology is superior to the former one. The presence of a sense of intention to continuously use can be seen in the data reported by GoFood, which shows that as of the fourth quarter of 2019, the number of consumers has surpassed 20 million, an increase of two times over the same period in 2018. Moreover, GoFood's completed orders have climbed 30 times in the last four years, with an average of 50 million per month completed orders at the end of 2019 (Safitri, 2020).

Furthermore, another critical aspect is perceived value. According to Zeithaml (1988), as cited in Boksberger and Melsen (2011), perceived value is defined as the cornerstone of a consumer's evaluation which strives to balance the benefits received from the service provider and the sacrifices made to obtain the service. Perceived value and intention to continuously use were established to have a significant relationship (Cho et al., 2019). It can be said that perceived

value is the total benefits that a person gets from buying a particular thing. As a result, it might be considered a major factor influencing people's perceptions and repurchase intentions (Chen & Hu, 2010). The presence of perceived value in GoFood is demonstrated by a Nielsen survey, which found that users' perceived value of about GoFood is significantly higher than those of competitors (Lee, 2019). This indicator is based on popularity, speed, ease of use, reliability, and various food choices (Lee, 2019).

When it comes to defining the quality attributes of mobile applications, academics and practitioners generally agree that the attributes should be entirely determined by a person's perceptions (Cho et al., 2019). According to Al-Dmour et al. (2014), as cited in Cho et al. (2019), mobile application quality attributes have two types. First, on the basis of technology-related attributes (mobile features, convenience, guarantees, and technical adequacy); and second, on the basis of product/service-related attributes (reasonable pricing, trustworthiness, the options available to choose certain products). According to Cho et al. (2019), another recent study emphasized the importance of convenience, design, and trustworthiness in mobile applications. Further assessment, because this study will be focusing on a food delivery application, which is fundamentally a service-oriented business, service-oriented quality attributes will be adopted. Thus, the variables of Convenience, Design, Trustworthiness, Price, and Various Food Choices will be employed in this research to establish the GoFood application's quality attributes.

Chang and Polonsky (2012) stated that convenience is the capacity to cut down on people's non-monetary costs when buying or using things or services. This non-monetary cost includes things like time, energy, and effort. Thus, convenience refers to "consumers' perceptions of time and effort related to using or purchasing a service" (Berry et al., 2012). The dimensions of time and effort are incorporated into this concept of convenience. In their study, Cho et al. (2019) discovered that convenience is a significant factor influencing the intention to continuously use food delivery apps through perceived value. Ngoc Thuy (2019) reported in a similar study that convenience is also one of the factors affecting customers' perceived value. The presence of convenience can be seen in Figure 1.5 below. Every time customers open the GoFood application, the application will present menu options that can make it easier to order food based on their preferences. Furthermore, customers were also allowed to order food anytime and anywhere (<https://travel.kompas.com>, retrieved in 2021, December 22).

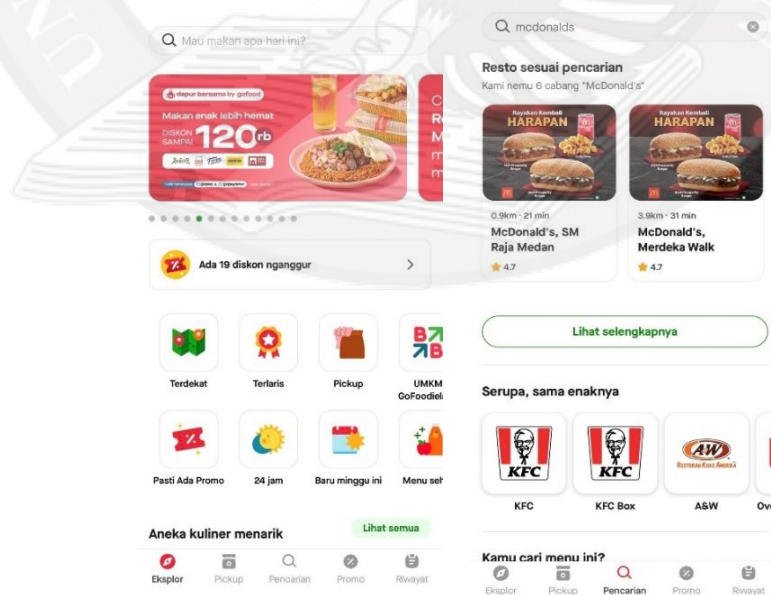


Figure 1. 6 Search options in the GoFood application

Source: Gojek app, retrieved in 2021, December 23

A study conducted by Albattat et al. (2019) and Cho et al. (2019) proved that design contributes to perceived value. According to Yang et al. (2004), design refers to the logical structure of mobile apps, which includes operability, usability, and understandability that requires users to exert effort to operate. The design of mobile applications was inextricably linked to the user interface. The user interface is a design that serves to bring data into the system (Mulyanto, 2009, as cited in Ghiffary, 2018). Various factors must be considered when designing a user interface, including sequence, emphasis, balance, and unity. According to Sasmito (2018), GoFood users are satisfied with the design of the GoFood user interface design.

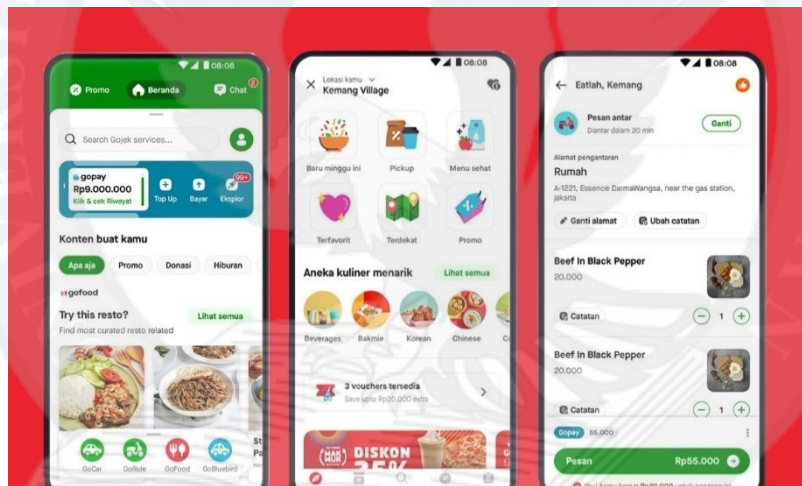


Figure 1. 7 GoFood's User Interface Design

Source: <https://www.gojek.com/gofood/>, retrieved in 2022, April 28

Looking at the interface of the GoFood application, as referred to the Figure 1.6, could indicate that the design of the GoFood application can be considered structured and easy to follow; concise and easy to understand (e.g., logo, symbol); and all the terms and conditions (e.g., payment, warranty) are easy to read and understand.

According to Colquitt and Rodell (2011), trustworthiness is an assessment process based on the service provider's competence, character, or perception of someone worthy of trust. When defined in a consumer context, trustworthiness encompasses all customer-owned knowledge and all consumer-derived conclusions regarding objects, attributes, and benefits (Mowen & Minor, 2002, as cited in Maulana, 2019). The presence and proof of trustworthiness of the GoFood application may be shown in the fact that GoFood is the market leader in food delivery services, with a 75% market share in Indonesia. (<https://industri.kontan.co.id/>, retrieved in 2021, December 25).

Price is one of the elements of mixed marketing that requires special attention since it is a variable element that can change at any time. According to Kotler and Armstrong (2013), price refers to the amount of money charged for a product or service or the amount of money people trade for the benefits of owning or utilizing a product or service. Go-Food has an e-wallet called GoPay, which is a feature of the app that enables customers to pay for their meals with a single click. Sometimes, customers who pay with Go-Pay will pay less than users who pay with cash. The distance also determines the pricing traveled for delivery. The greater the distance, the higher the delivery cost (<https://gojek.com/>, retrieved in 2021, December 27).

According to Fereidouni (2019), the choice theory provides a framework for analyzing and modeling social and economic behavior. The fundamental premise of rational choice theory is that all social action is caused by each individual's decision-making. Albattat et al. (2019) noted that various food

choices are a wide selection of products that caterers have chosen and displayed for their visual features to capture customers' attention. In terms of food choices, GoFood now has 500.000 merchants (<https://money.kompas.com/>, retrieved in 2021, December 27). This massive amount of merchant partners enables GoFood to offer customers up to 16 million menu items (<https://money.kompas.com/>, retrieved in 2021, December 27). With these huge numbers, GoFood is widely regarded as Indonesia's largest online food delivery platform (Lutfiah, 2019).

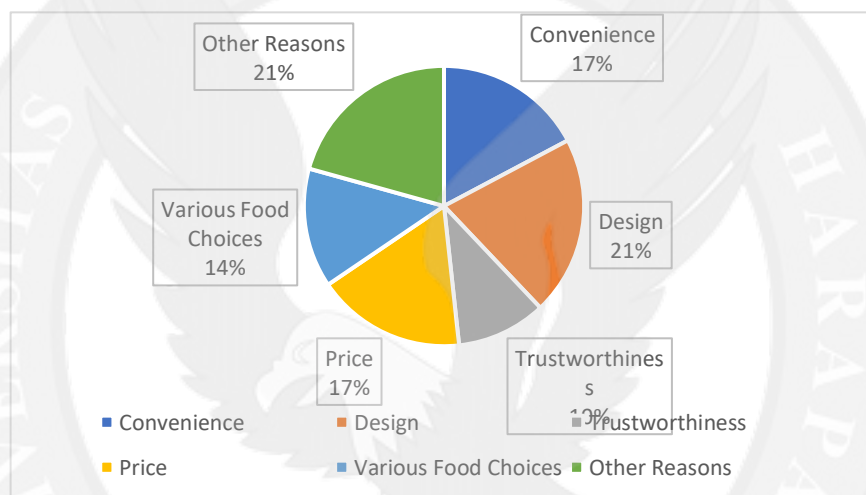


Figure 1. 8 Pre-Test Respondent Data

Source: Prepared by the writer (2022)

A pre-test is administered to 30 respondents to highlight why convenience, design, trustworthiness, price, and various food choices are the subject of this research. This pre-test is being conducted to bolster and validate the research's variable. According to the pre-test results, respondents had been using GoFood on average for 3.83 years, which is quite a lengthy period. Respondents were questioned about their motivations for using GoFood and whether there was an intention to use it again in the future. From the result, there were 25 out of 30 respondents shared their responses regarding their intention to use the app again.

The results are dominated by Convenience (5), design (6), trustworthiness (3), price (5), and various food choices (4). Additionally, there are other reasons for future use, including promotions (2), quick delivery (1), time efficiency (1), precise tracking (1), and culinary recommendations (1). The total number of reasons gathered is 29 since some responders provided multiple reasons to back their answers.

This pre-test is undertaken in the form of simple qualitative research and aims to highlight the current situation of the FDA market, which is becoming increasingly competitive. The research has brought intention to continuously use as the key question in the pre-test, and it turns out it came up with several answers related to the variables. Further, the outcome is consistent with other earlier studies that serve as references. Hence, this research is designed to examine the food delivery app's quality attributes in terms of their influence on perceived value and intention to continuously use of the GoFood application in Medan. And thereby, the influence of food delivery application quality attributes, perceived value, and intention to intention to continuously use the GoFood app in Medan will be analyzed and studied to generate insights that may aid GoFood in maintaining its leading position in the food delivery sector.

1.2 Problem Limitations

There are some limitations to this research that need to be addressed for it to be more precise. The limitations are as follows:

1. The key focus for this research will be convenience, design, trustworthiness, price, and various food choices (as the variables of food

delivery application quality attributes) and perceived value variable will be used to examine its influence on intention to continuously use, specifically, on the GoFood application as the research object.

2. The data for analyzing the research model will be acquired using questionnaires tailored to the research object.
3. The samples in this study are restricted to specific criteria: male and female, 18 to 60 years old, domiciled in Medan, have installed the Gojek application in the last 12 months, have conducted at least two transactions for foods and drinks in the last three months for personal orders, searched for information related to Gojek and GoFood in the last three months, and still using the GoFood application up until now.

1.3 Problem Formulation

With respect to the information provided in the background of the study, some research problems will be precisely established. To evaluate if the food delivery application quality attributes have a significant influence on the intention to continuously use through perceived value, below will be formulated the research problems of the study:

1. Does convenience significantly influence the perceived value of the GoFood application in Medan?
2. Does design significantly influence the perceived value of the GoFood application in Medan?
3. Does trustworthiness significantly influence the perceived value of the GoFood application in Medan?

4. Does price significantly influence the perceived value of the GoFood application in Medan?
5. Does various food choices significantly influence the perceived value of the GoFood application in Medan?
6. Does perceived value significantly influence the intention to continuously use of the GoFood application in Medan?
7. Does perceived value mediate the influence of convenience on the intention to continuously use of the GoFood application in Medan?
8. Does perceived value mediate the influence of design on the intention to continuously use of the GoFood application in Medan?
9. Does perceived value mediate the influence of trustworthiness on the intention to continuously use of the GoFood application in Medan?
10. Does perceived value mediate the influence of price on the intention to continuously use of the GoFood application in Medan?
11. Does perceived value mediate the influence of various food choices on the intention to continuously use of the GoFood application in Medan?

1.4 Objective of the Research

The objective of the research is for the researcher to acquire answers and conclusions to the developed hypotheses. In the final point, it derived several objectives from the background of the study, which are as follow:

1. To determine whether convenience has a significant influence on perceived value of the GoFood application in Medan

2. To determine whether design has a significant influence on perceived value of the GoFood application in Medan
3. To determine whether trustworthiness has a significant influence on perceived value of the GoFood application in Medan
4. To determine whether price has a significant influence on perceived value of the GoFood application in Medan
5. To determine whether various food choices has a significant influence on perceived value of the GoFood application in Medan
6. To determine whether perceived value has a significant influence on intention to continuously use of the GoFood application in Medan
7. To determine whether perceived value mediates the influence of convenience on the intention to continuously use of the GoFood application in Medan
8. To determine whether perceived value mediates the influence of design on the intention to continuously use of the GoFood application in Medan
9. To determine whether perceived value mediates the influence of trustworthiness on the intention to continuously use of the GoFood application in Medan
10. To determine whether perceived value mediates the influence of price on the intention to continuously use of the GoFood application in Medan
11. To determine whether perceived value mediates the influence of various food choices on the intention to continuously use of the GoFood application in Medan

1.5 Benefit of the Research

It is demanded that this research will benefit any parties interested in this topic, both theoretically and practically, as follows:

1.5.1 Theoretical Benefit

1. This research is meant to give information and look into how food delivery application quality attributes, such as convenience, design, trustworthiness, price, and various food choices, affect intention to continuously use through perceived value.
2. The research findings can also be utilized to reinforce preceding theories about the relationship between the variables.
3. This research can be a potential source for the next academic research in constructing a related research topic or studying the relationship between particular variables.

1.5.2 Practical Benefit

1. The findings of this research can provide insightful information and a framework for readers and potential researchers to understand how food delivery application quality attributes influence intention to continuously use through perceived value.
2. This research intends to provide appropriate data and evaluation on the quality attributes of food delivery applications; convenience, design, trustworthiness, price, and varied food choices that may impact the intention to continuously use through perceived value. Hence, the GoFood

team will be able to formulate appropriate strategies to boost application improvement.

