

CHAPTER I

INTRODUCTION

1.1 Background of the study

Technologies have been developing rapidly through the years and it has become one of the essential parts of human's lives. The emergence of technology has changed the way society behave and operate. Gadgets and internet devices such as mobile phones, desktop computers, and tablets have helped ease society's day to day life activities, and people can't seem to live without these technologies. The growth of technology has affected many sectors including education, industrial, and trades, as well as the social interactions among the society since the internet enables people from all sides of the globe to connect with each other.

During this era of globalization, the use of technology has been a very common thing in the society, and it enhances the value of life. According to George E. Belch and Michael A. Belch (2017), the wide use of technology has stimulated the development of social media, to the point it can be used as a place for people to open online businesses. Due to the rapid growth of technology, various kinds of innovations in mobile phone applications have been made, which supported almost every human activity to be completed through these applications. This has, thus, changed consumer's buying behavior.

In Indonesia, internet has become an important tool for people in accessing information, communicating, doing business, and finding entertainment. According to the data collected by Databoks (2022), Indonesia is one of the countries that has the largest populations of internet users in the world. The number of internet users have been increasing over the past five years. As of January 2022, Indonesia has accumulated a total of 204,7 million internet users. Compared to 2018, the number has increased by 54,25%, which was initially 132,7 million.

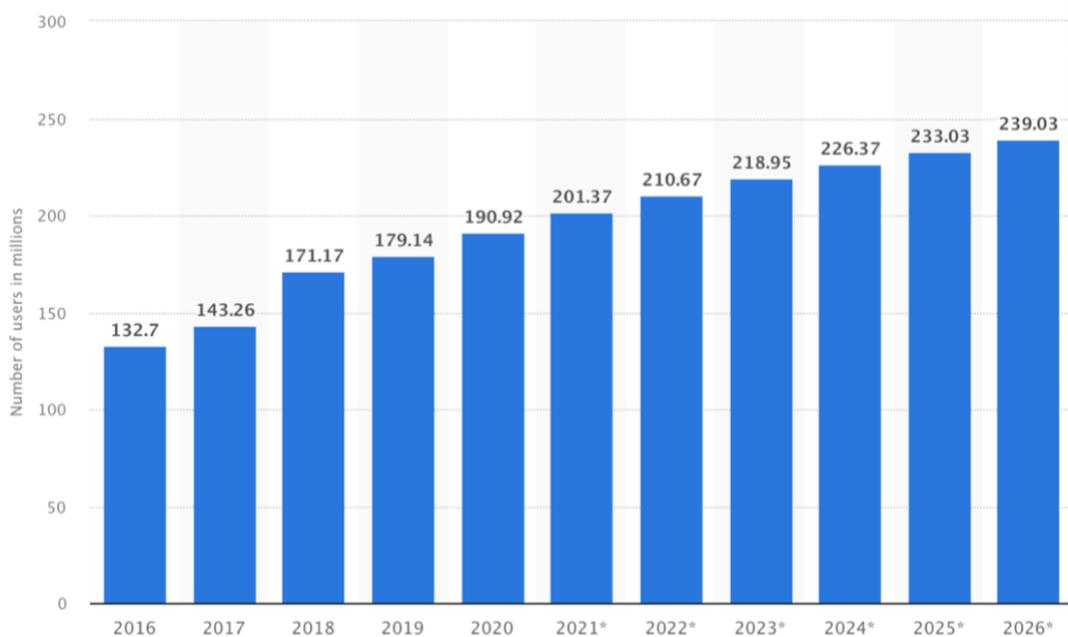


Figure 1.1 Number of internet users in Indonesia from 2016 to 2020 with forecasts until 2026 (in millions)

Source: Statista (2021)

Based on the data from Figure 1.1, it can be seen that the number of internet users in Indonesia has increased by 30,49% since 2016 until 2020, where in 2020, the number has reached a total of 190,92 million users. The data above also shows that the internet users in Indonesia will keep increasing, where the number is forecasted to reach

239,03 million users by 2026. The increasing number of internet users have caused some activities that humans do daily to shift to online, which one of them includes shopping.

Online shopping is the buying behavior where consumers purchase products or services from the internet. According to Ahmad et al (2016) as cited in Widianingrum et al (2019), apart from being a medium for communication, internet can also be used as a platform to market products or services that a company or a brand offer. Buying and selling transactions that was once done with in-person engagement and face-to-face interactions have shifted to online and remote selling as it can be done through mobile phone applications. Hidayat et al (2021) stated that the shift from conventional and traditional shopping to online shopping is due to the ease, convenience, time and cost saving, and fast shipment services that the online shopping platforms provide.

According to Athapaththu et al (2018), internet has increased consumer's ability to shop anywhere, anytime, and purchase items with ease as they can compare the features, value, and prices from one store to another before making a purchase. Time and place limit are no longer an issue for sellers and consumers to do buying and selling transactions. Moreover, since technology has been developing rapidly, there is an application or platform available to make it easier for people to purchase things online. These online buying and selling transactions can be done through electronic commerce, or mostly known as e-commerce.

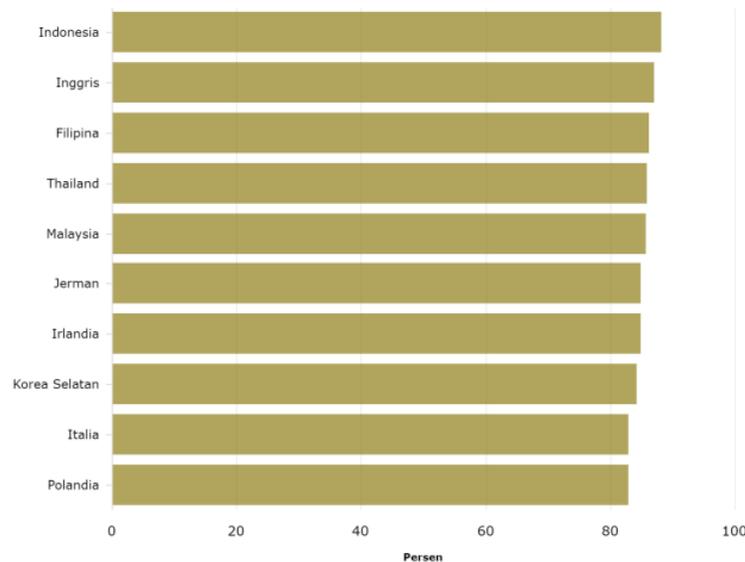


Figure 1.2 10 countries with the highest numbers of e-commerce users in the world (April 2021)
 Source: We Are Social as cited in Databoks (2021)

E-commerce refers to the act of buying and selling products or services through an electronic network, particularly the internet. According to the research done by We Are Social, 88,1% of internet users in Indonesia utilize the e-commerce service to purchase and fulfill their wants and needs. In fact, according to the data from Figure 1.2, Indonesia has the highest number of e-commerce users in the world, followed by England and Philippines on the second and third place.

Indonesia's e-commerce sector is predicted to be one of the biggest contributors to the growth in the Asia-Pacific region. Based on the analysis done by RedSeer as cited in Pahlevi (2022), the e-commerce market in Indonesia is projected to increase to \$137,5 billion in 2025. The number is calculated from the total income in 2020, which was US\$44,6 billion, with the country's compound annual growth rate (CAGR) as much as 25,3%. RedSeer also predicted Indonesia's e-commerce transaction to reach

US\$67,4 billion in 2021. In 2022, the number is predicted to increase to US\$86 billion. Then in 2023 and 2024, it will increase respectively to US\$104 billion and US\$121 billion. RedSeer, as cited in Pahlevi (2022), stated that the growth in Indonesia's e-commerce sector is supported by its consumption-based economy, young demographics, growing digital economics, and consumers' desire to do everything in an easy way.

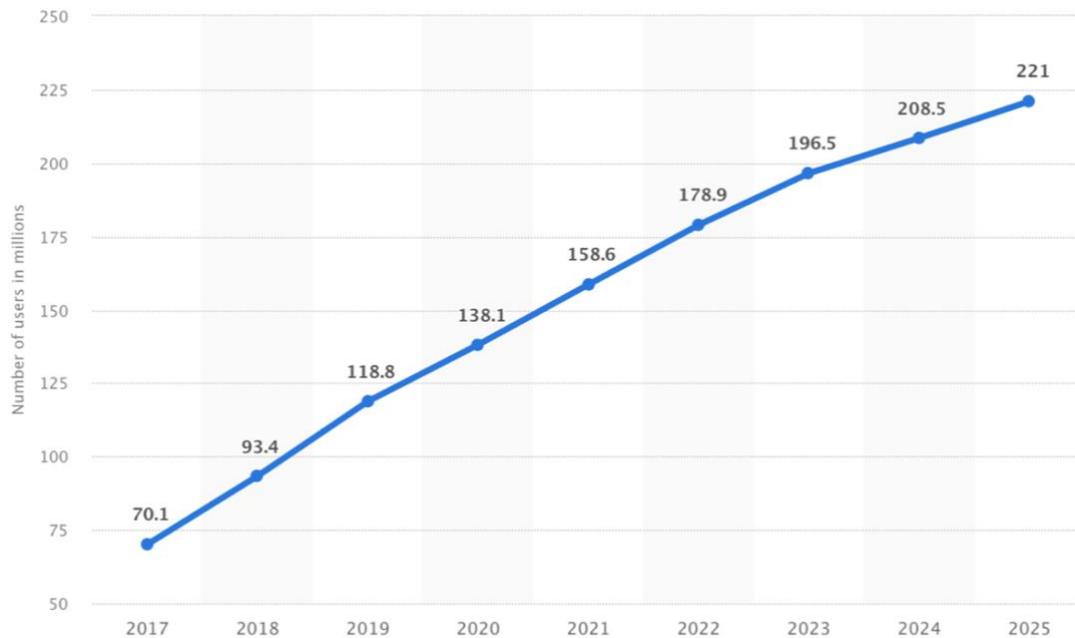


Figure 1.3 Number of e-commerce users in Indonesia from 2017-2025

Source: <https://www.statista.com/statistics/254456/number-of-internet-users-in-indonesia/>

Indonesians have also start shifting their buying behavior from traditional face-to-face interaction in offline stores to modern remote engagement through mobile phones. This can be proven from the data shown on Figure 1.3, where the number of e-commerce users have been increasing significantly through the years since 2017. The

current amount of e-commerce users in 2022 is 178,9 million and it will continue to increase in the following years. It can be proven from the data above, where the numbers are projected to increase to 196,5 million, 208,5 million, and 221 million users in 2023, 2024, and 2025 respectively. Not only that, the increase in e-commerce transactions that is mentioned in the previous paragraph can also be an indicator to prove the rising in Indonesia's e-commerce market.

Due to the rising number in the e-commerce market population, many entrepreneurs are trying to penetrate into the market by establishing new e-commerce platforms. Thus, this has created a strong and fierce competition among the e-commerce sector in Indonesia. They tried to attract customers' attention by implementing various types of strategies, like offering free delivery service, discount and cashback vouchers, flash sale events, a user-friendly website design, and so on. Moreover, the Covid-19 pandemic that has been occurring since early 2020 has caused the competition in the industry to become fiercer. During the pandemic, the government has implemented social distancing, or mostly known in Indonesia as PSBB (*Pembatasan Sosial Berskala Besar*), to minimize the spread of the virus. Hernikawati (2021) stated that the current condition has forced people to adapt to the new way of living. Due to the social distancing regulations, human's daily activities, like work, school, shopping, and social activity have been limited. People are not allowed to go out without urgent matters, and the operational hour in several public places, such as mall and restaurants, are reduced.

According to Hernikawati (2021), this new policy made by the government has affected some major fields, including the economics, social, education, culture, health, and so on. In terms of economics, one of the impacts that are happening is the change in consumer's buying behavior, where the buying and selling transactions during the pandemic have shifted to online. The ones that are impacted the most due to this change are the sellers who are still implementing the conventional way of selling as they have to shift and adapt to online system for their businesses to survive. The strategies that they could do is to join the online marketplace and register their stores in e-commerce platforms, promoting their products or services through social medias, collaborating with online food delivery application, like Grab or Go-Jek, or create their own website.

Tokopedia, one of the e-commerce platforms in Indonesia, was founded and established back in 2009 by William Tanuwijaya and Leontinus Alpha Edison, with a mission to democratize commerce through technology (Tokopedia Our Stories, n.d.). Their journey started with their desire to minimize the gap between big and small cities. With a mission to democratize commerce through technology, Tokopedia was first founded back in 2009 as a C2C marketplace. They have been creating new innovations through the years, offering good deals for their users, and merging with Go-Jek under the name GoTo. And because of their promising business plan, they have received fundings from several big companies from home country as well as foreign countries, such as Alibaba Group, Softbank Vision Fund, Sequoia Capital, East Ventures, Cyber Agent Ventures, and many more (Ranti, 2022).

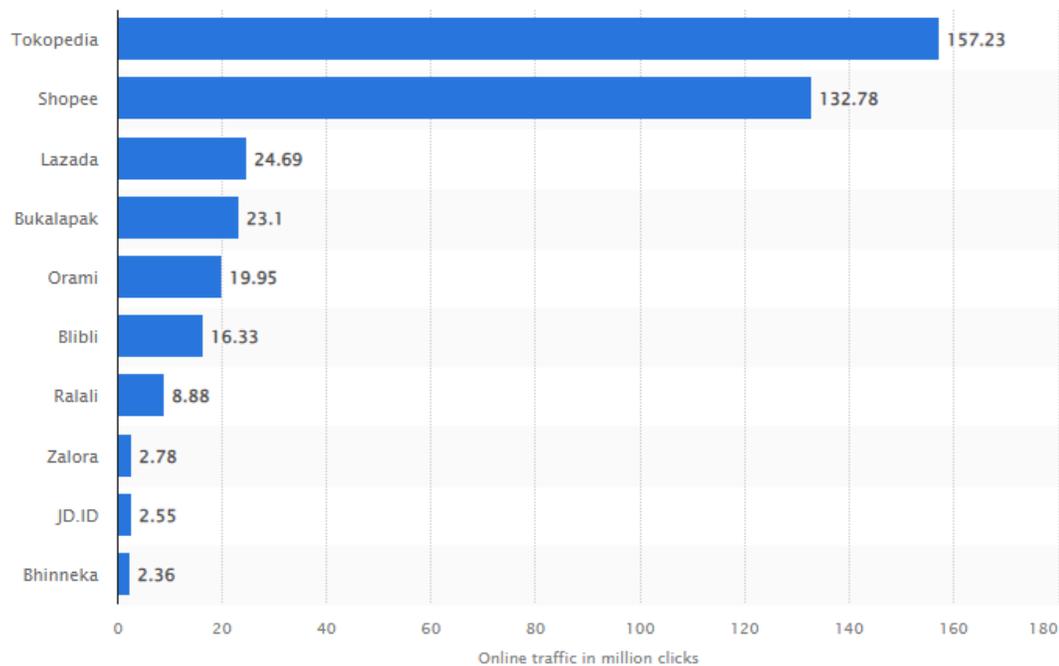


Figure 1.4 Leading e-commerce sites in Indonesia as of 1st quarter of 2022, by monthly traffic (in million web visits)

Source: <https://www.statista.com/statistics/869700/indonesia-top-10-e-commerce-sites/>

The data from Figure 1.4 shows that on the 1st quarter of 2022, Tokopedia has accumulated a total of 157,23 million site visits, which makes them the e-commerce with the highest number of online traffics in Indonesia. Shopee is in the 2nd place, with a total of 132,78 million online traffics, followed by Lazada in the 3rd place, with a total of 24,69 million site visits during the 1st quarter of 2022. Despite operating in Indonesia only, Tokopedia has managed to become the only local e-commerce site that has the most local website visitors in Southeast Asia, surpassing Shopee and Lazada (CNBCIndonesia, 2022).

Every business' key goal is to focus on its customers as they are the key to the success of a business. Therefore, it is very important to provide good services for

customers to have the best experience in using the products or services that a business offer. Tokopedia is an e-commerce application that focuses on its consumers, which is why customer's loyalty is Tokopedia's top priority in running business. With an aim to maintain customer's loyalty, Tokopedia has further escalate customer experience and maximize consumers' needs by providing services, such as call center services, e-mail, social medias, and other similar platforms that utilized digital-based technology. This has significantly increased customer's satisfaction, which then lead Tokopedia to further improve its customer service by creating the "Tokopedia Care" service.



Figure 1.5 Tokopedia Care's logo

Source: Tokopedia Care's Twitter Account (<https://twitter.com/TokopediaCare>)

Tokopedia has created a new service named "Tokopedia Care", which is a feature that provides all the information regarding where customers can find and ask for solutions to their problems in using Tokopedia. The service uses Artificial

Intelligence (AI) to provide the online live chat features for customers, where they can ask questions to Tokopedia regarding the issues that they are facing, and there will be chat bots to reply to the texts from customers. Apart from that, Tokopedia Care also opened its offline services in three different cities in Indonesia, which includes Puri Kembangan, which is located West Jakarta, Yogyakarta, and Semarang (CXSense Admin, 2021). This allows customers to visit the place directly to experience the customers services provided by Tokopedia Care.

According to Juwaini et al (2022), it is important for an e-commerce business to provide the best quality of electronic service, or e-service quality, because it can affect customer's satisfaction and trust towards the business, which will also influence these customers to become loyal to the company. According to Tjiptono (2008) as cited in Juwaini et al (2022), service quality is one of the main factors in the success and failure of a business. Chingang and Lukong (2010) as cited in Joudeh and Dandis (2018) defined service quality as customer's assessment of the services provided by a company. The theory was supported by Kotler (2007) as cited in Izzudin et al (2020), which stated the quality provided will only be considered good through a consumer's perception, not the companies. According to Kotler (2007) as cited in Izzudin et al (2020), a good customer service can lead to an increase in customer satisfaction as well as customer loyalty, and it also gives a competitive advantage for the company in competing with its competitors. If a company pays less attention in maximizing its service quality, then customer will experience dissatisfaction, which will lead to a decrease in the number of sales.

The purpose of all the services provided by Tokopedia is to increase customers' satisfaction, or in terms of e-commerce, is referred as e-customer satisfaction. The importance of customer satisfaction as defined by Zeithami et al (1996) as cited in Ahmad et al (2020) is an attempt to achieve constant success for the company in the long run. In other words, satisfaction can only be achieved if the services provided by the company exceeded consumers' expectations. Amin and Isa (2008) as cited in Ahmad et al (2020) stated that service quality is an important factor in terms of establishing customer satisfaction and developing the relationship between the company and the customers. Therefore, it can be concluded that the service quality that a company offered has an impact on customer's satisfaction in using the company's products or services.

Anderson & Srinivasan et al (2002) as cited in Juwaini et al (2022) defined e-customer loyalty as customer's positive attitude towards an e-commerce site, which will result in repurchase behavior. In other words, customer loyalty refers to the behavior developed by customers, which is the repurchase behavior, by measuring from the experiences that customers have encountered upon using the products or services provided by the company. The ability to increase customer's loyalty is one of the competitive advantages for a company to compete with strong and fierce competitors, and it applies not only for short term, but also in the long run. According to Stan et al (2013) as cited in Ahmad et al (2020), loyalty strategy is proven to increase customer retention level and reduce the costs needed for marketing. Retaining customers costs less than acquiring new ones, which is why it is important to create

strategy for customer retention. According to Lau and Cheng (2013) as cited in Ahmad et al (2020), the attempt to meet customer's expectations will not only provide customer satisfaction, but it will also develop customer loyalty, which will reduce the customer loss rates and increase the customer retention rate. In other words, satisfaction plays an important role in retaining customer's loyalty towards a company.

The main object that will be used in this research is Tokopedia. As what have been mentioned, Tokopedia is the e-commerce with the highest number of online traffics in Indonesia and has become the only local e-commerce site that has the most local website visitors in Southeast Asia, surpassing Shopee and Lazada. However, despite being the number one e-commerce in Indonesia with the highest number of online traffics, Tokopedia still received lots of complaints about their services.

Table 1.1 Complaints from Tokopedia's users (in 2022)

No	Reviews	Problems	Date	Source
1	Tokopedia's customer service is terrible (useless bot-answers mostly), account verification sucks (totally relying on SMS which Telkomsel users can't receive) and there is no screening of product providers it seems (with at least half of all offerings being either re-sellers, inactive shops, or duplications).	Customer Service & Security System	Jun 9, 2022	App Store
2	I've purchased 1(one) unit of Macbook Pro from one of the sellers in Tokopedia, but the seller sent me the wrong color. I've reached the seller and they've responded me but didn't give any solutions. I paid as much as Rp6x.xxx.xxx for the laptop but the money is still detained by Tokopedia, and I cannot withdraw the money. I've also sent	Customer Service & Security System	Jun 1, 2022	App Store

	complaints to Tokopedia. But as a diamond member, who is guaranteed a “first class” service, I thought I will be treated as a “priority”. But instead, I didn’t get any response from Tokopedia’s customer service. I am very disappointed in Tokopedia.			
3	I am disappointed in Tokopedia. I’ve claimed for a refund, but Tokopedia hasn’t sent me the money. I’ve reached Tokopedia Care but their responses are always the same, and the solutions are not helpful at all. Their services are slow.	Customer Service	Aug 4, 2022	App Store
4	My money is taken by Tokopedia, and I have yet to receive my package. I’ve filed a complaint to the courier service and Tokopedia’s customer support but got no response from both sides. The estimated time arrival that Tokopedia gave me is July 17 th , but I haven’t received by package until today (July 23 rd). Even though the price of my orders is not that expensive, but I hope they will keep their professionalism.	Fulfilment & Customer Service	Jul 23, 2022	App Store
5	Out of all e-commerce site, Tokopedia is the marketplace with the worst customer service. They don’t provide contact person for customer support, responses are very slow, the process for complaints are long and slow, and the web design is very complicated and confusing	Customer Service & Web Design	Jul 25, 2022	App Store
6	I can’t stand the cancellation, order checking, and refund process, it took a very long time. The web design is also not pleasing to the eyes	Security system, Fulfilment & Website Design	Aug 1, 2022	App Store
7	I used Tokopedia’s service for my business. During the shipping, they broke 6 pieces	Customer Service,	Jul 20, 2022	App Store

	of my products, which cost nearly Rp1.000.000. Tokopedia did not investigate the problem and take responsibility of their own action but still deduct seller's money. They do not understand how to solve a problem, let alone professionalism. I think deactivating my Tokopedia account is the best choice. Taking away somebody's money without owner consent is considered stealing!	Fulfilment & Security System		
8	The money I topped up in the app cannot be used. The site took a long time to load, and the texts and images did not appear when I was trying to make a payment with my credit card. Please fix this.	Security system & Website Design	Jun 29, 2022	App Store
9	The application took a long time to load. Please reduce the some of the features shown on the home page like Sh****'s (competitor's name) or provide options to turn off the some of the heavy features.	Website Design	Jul 14, 2022	App Store
10	I can't withdraw my money. Contacted Tokopedia Care but did not receive any response from them.	Customer Service & Security System	Aug 5, 2022	App Store

Source: the reviews under Tokopedia's app in App Store (2022)

According to Baker et al (2015) as cited in Salim et al (2018), customers who encountered negative experiences with a company's services, they do not usually respond verbally, they will submit complaints through third parties. In other words, if a company's services are bad, customers will not verbally confront the customer support. They will go to the app and leave a bad review instead. According to Salim et al (2018) if the customer is satisfied with a company's response, then they may be loyal. On the other hand, responses that are ineffective will make customers feel

disappointed, or worse, it will encourage them to leave the company and move to their competitors. Therefore, despite being the top e-commerce in Indonesia, Tokopedia should handle the complaints from its users in order to retain the existing customers.

Based on the explanation and description stated above, the writer is interested in conducting research on the things that affects customer's satisfaction and customer's loyalty in Tokopedia's users, specifically in terms of website design, customer service, security/privacy, and Fulfilment as the indicators of service quality, and writing it in the form of final paper entitled "**The Influence of Website Design, Customer Service, Security/Privacy, and Fulfilment towards Customer Loyalty through Customer Satisfaction at Tokopedia Users in Medan**".

1.2 Problem Limitation

The main purpose of doing problem limitation is for the readers to have a better and clear understanding regarding the existing problems and provide solutions to them as well. To avoid deviation from the topic, the writer will set some problem limitations. In this study, the writer will focus only on conducting research related to website design, customer service, privacy/security, and Fulfilment as the independent variable (x), customer loyalty as the dependent variable (y), and customer satisfaction as the mediating variable. The data to support this research will be collected through questionnaires, and the sample for this research will be limited to the Tokopedia users in Medan who have had made transactions in the year of 2022.

1.3 Problem Formulation

Based on the background of the study written above, there are some questions that could be answered in this research, which are as follows:

- a. Does Tokopedia's website design have a significant influence on the users' customer satisfaction in Medan?
- b. Does Tokopedia's customer service have a significant influence on the users' customer satisfaction in Medan?
- c. Does Tokopedia's privacy/security have a significant influence on the users' customer satisfaction in Medan?
- d. Does Tokopedia's Fulfilment have a significant influence on the users' customer satisfaction in Medan
- e. Does the customer satisfaction in using Tokopedia have a significant influence on customer loyalty?

1.4 Objective of the Research

Based on the problem formulation mentioned previously, the objectives of this research include:

- a. To determine the effect of Tokopedia's website design on the users' customer satisfaction in Medan.
- b. To determine the effect of Tokopedia's customer service on the users' customer satisfaction in Medan.

- c. To determine the effect of Tokopedia's security/privacy on the users' customer satisfaction in Medan.
- d. To determine the effect of Tokopedia's Fulfilment on the users' customer satisfaction in Medan.
- e. To determine the effect of customer satisfaction in using Tokopedia on the users' customer loyalty.

1.5 Benefit of the Research

The benefit of this research is divided into two types, which are:

1.5.1 Theoretical Benefit

The results of the research conducted by the writer of this study are expected to contribute to the existing theories that are relevant with website design, customer service, security/privacy, fulfillment, customer satisfaction, and customer loyalty. This study will show whether website design, customer service, security/privacy, and Fulfilment has influence on customer loyalty with customer satisfaction as the mediating variable at Tokopedia users in Medan. In addition, the writer wishes that this study can be utilized as a reference for both common and educational research in the future.

1.5.2 Practical Benefit

Every research is expected to have the ability to provide benefits to the parties involved and the parties who read it as well. The practical benefits of this research are:

- a. For the writer, the purpose of this research is to provide additional information and application of the knowledge that has been obtained during the lecture period, especially in the topics related to website design, customer service, security/privacy, fulfillment, customer satisfaction, as well as customer loyalty in using e-commerce.
- b. For Tokopedia, the results of this research are hoped to be beneficial for the company and be their guidance in making improvement and provide solutions to the problems. Writer also hopes that the data collected and the analysis that is done through this research regarding website design, customer service, security/privacy, fulfillment, and customer satisfaction that could possibly influence customer loyalty in using Tokopedia will be useful for their future research.
- c. For other researchers, this research is expected to be helpful and to be used as their research references, especially to those who are conducting research with similar topic or variables.
- d. For readers, this research is hoped to be useful for those who are looking for information or reading materials for topics related to the influence of website design, customer service, security/privacy, Fulfilment towards customer loyalty through customer satisfaction in e-commerce.