CHAPTER I

INTRODUCTION

1.1. Background of the Study

With the increasing development of globalization and technology, people's lives are being affected. One of the influences is the need of life that supports the mobility of the global community that needs delivery services. The need to deliver goods carried out by the community, among others is to meet personal needs and business needs so that the existence of these delivery services is increasingly important. Logistics company are becoming more and more attractive to entrepreneurs as online businesses grow globally, especially in Indonesia. There is no need to be confused anymore when wanting domestic and foreign goods. Because in Medan there are quite a lot of logistics company that provide such services. One of the logistics company that many consumers choose is JNE (Prihandoyo, 2021).

JNE is a logistics company that is the most widely used by consumers, especially in Medan. Founded on November 1990, JNE started its business activities which focused on handling import activities of goods or documents. Compared to J&T Express, JNE has a network and coverage area of more than 83,000 destination points including sub-districts, villages and outer islands, with sales outlets totaling more than 8,000 points and employing more than 50,000 employees throughout Indonesia. Whereas J&T Express only has 100 gate centers with professional equipment, and has more than 4,000 operating points, and has

more than 30,000 human resources to train. From the data, it can be proven that JNE has a larger scope compared to J&T Express.

In 2024, JNE succeeded in winning the "Indonesia Digital Popular Brand Award (IDPBA) 2024" in the Delivery Services category. IDPBA is a prestigious appreciation and recognition for brands in Indonesia that have succeeded in building popularity and improving their brand image through Digital Media (Internet), so that they are superior and popular compared to other brands in the same category. IDPBA research and assessment was carried out in March – May 2024. More than 1,500 brands with 250 product categories were carried out using 3 assessment parameters, namely Search Engine Based, Social Media Based and Website Based. This award is a driving force for motivation for the company to continue to improve service quality.

JNE also won the 2024 MSME Summit award. This award is a form of appreciation for the support and encouragement from companies that are present as encouraging and supporting partners for Micro, Small and Medium Enterprises (MSMEs) to be able to move up in class.

However, in fact, JNE has actually experienced a slight decline in demand for delivery from consumers. This is indicated by the fact that in 2023, JNE will no longer be the main top brand in goods delivery services via courier. The following is data on the top brands of goods delivery services from 2022 to 2024:

Table 1.1. Top Brand Delivery Service Via Courier

Brand	Top Brand Index		
	2022	**2023**	**2024 (June)**
JNE Express	-	29.10%	11.50%
J & T Express	-	33.30%	50.90%
Tiki	11.10%	10.60%	10.20%
Pos Indonesia	8.50%	7.30%	9.40%
DHL	6.00%	6.90%	4.10%

Sources: Top Brand Index (2024)

Table 1.1. shows that JNE Express in 2022 did not get the Top Brand index. Then in 2024, the highest decline was seen from 29.10% to 11.50%. This is an indication that JNE Express is no longer the public's first choice to fulfill their need for delivery services.

High service quality can determine customer satisfaction. If the quality of service received or felt is as expected, then consumers will feel satisfied. Conversely, if the quality of service received is lower than expected, the consumer will be dissatisfied. Therefore, good service quality has an important role in shaping customer satisfaction (Rumiyati and Syafarudin, 2021).

In this case, one of the important factors affecting customer satisfaction of JNE is service quality. Service quality is an important element in maintaining customer loyalty in the logistics sector. Aspects such as delivery speed, timeliness, reliability and responsiveness of customer service are the main factors that can influence JNE customer satisfaction. Service quality is the quality of service provided to consumers, both internal customers and external customers based on standard service procedures. If consumers feel satisfied with the services, the greater the likelihood the person will make a purchase again. High competition with other companies such as J&T Express, TIKI, DHL and Pos Indonesia, encourages JNE to continue to improve service quality to remain

competitive. In this case, some customers argued that JNE has a negative service quality, which is seen through their review in Google Play Store, as stated in figure below:

Figure 1.1 Bad Service Quality on JNE Service Quality
Source : Playstore.com, (JNE Express, 2024)

Based on the customer reviews shown above, customers feel that JNE customer service is difficult to reach, JNE customer service can't solve the customers problem, slow responsiveness of the customer service. The JNE application and website provides an Ask Joni feature that can be used by customers who need help. This feature gives customers the option to choose whether to call directly or via email. When you pressed the telephone section, no one answered the call from customer service. When the customer service answered it, JNE always delayed it and were directed to another operator, which was a huge waste of time. Meanwhile, for the email section, when a customer sent an email regarding their problem, the email did not receive a reply even though it had been more than 24 hours since the email was sent, even though JNE had promised to answer the customer's problem within 24 hours. Some of these things make customers feel that JNE cannot solve their problems so they choose to use other delivery services. This indicate negative service quality of JNE.

Apart from service quality, JNE's brand image is also a crucial factor in building customer trust and loyalty. A brand image is an impression that is formed

from a person's knowledge and understanding of something, the image is formed from the way in which the company operates, which has its primary basis in terms of service (Jayanti, et al., 2022). JNE is widely known throughout Indonesia as a reliable delivery service provider. However, to maintain and improve this image, JNE needs to ensure that all interactions with customers support the reputation that has been built over the years. In this case, some customers argued that JNE has a negative brand image, which is seen through their review in Google Play Store, as stated in figure below:
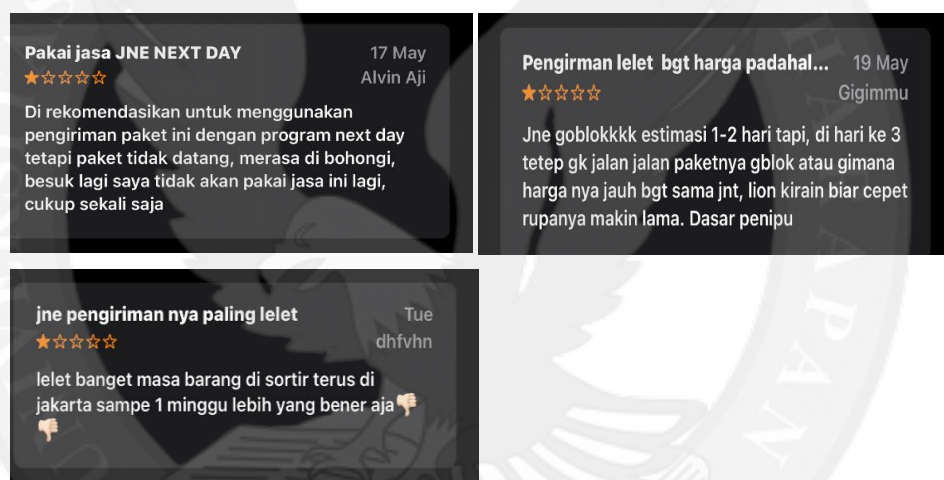

Figure 1.2. Customer Review About Brand Image
Source : Playstore.com, (JNE Express, 2024)

Based on the customer reviews shown above, customers experience delays in delivery of goods, when consumers know that their package or goods will arrive in 2 days, but in reality the consumer does not receive the goods at the right time and feels disappointed. There were even customers who commented that when the goods arrived at the recipient's place, the goods were already damaged. This makes JNE's brand image worse, plus the many negative comments on social media make customers unwilling to use JNE's services

JNE application design also plays an important role in this digital era (Sakabukunze and Arakaza, 2021), state that application design can improve service quality and increase customer satisfaction by implementing user experience. As a delivery service provider that utilizes technology, JNE offers a mobile application that allows customers to order services, track packages and access other information easily. A user-friendly, intuitive, and attractive application design will provide a positive experience to customers, which in turn can increase their satisfaction.

Figure 1.3. My JNE
Source : Playstore.com (JNE Express, 2024)

In this case, customer feel the features in the MY JNE application do not make it easy for customers who want to send goods. The MY JNE application does not have a feature that allows customers to deliver goods directly from home. Means that customers cannot order delivery services via pick up services, customers still have to go directly to the JNE store and make their deliveries directly from there, this makes customers don't want using JNE delivery services because customers feel like they are wasting time going directly to the store.
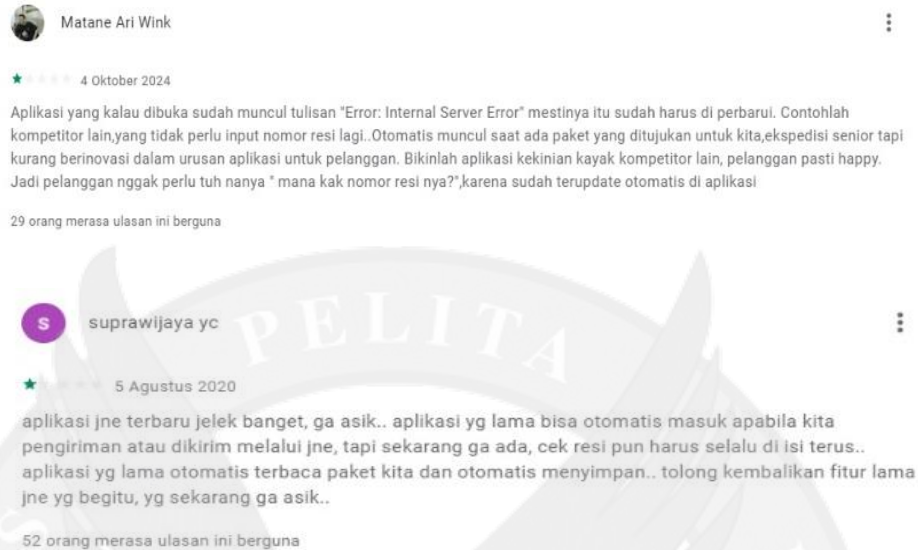
Figure 1.4. Negative Review of My JNE Application
Source : Playstore.com (JNE Express, 2024)

In the application there is also a JNE Nearby feature, but this feature always cannot be used. When the customer presses the JNE Nearby feature, this is always directed to a white page which does not provide any information. JNE tracking features that cannot be used to track packages that are in process because the application always experience lagging.

Factors such as service quality, brand image and application design are the three main reasons why consumers decide to use JNE delivery services. Therefore, the author is motivated to undertake a study on this subject, which are titled **"The Influence of Service Quality, Brand Image, and Application Design on Customer Satisfaction at JNE in Medan."**

1.2.   Problem Limitation

After determining the background and identification of the problems, the problem limitation to be addressed in this research are as follows.

1. This study examines only the four variables consisting of three independent variables, namely Service Quality (SQ), Brand Image (BI), and Application Design (AD) along with a dependent variable which is Customer Satisfaction (SQ).

2. This research was only conducted on people in the city of Medan who had used JNE goods delivery services at least twice.

3. This research will be conducted using a questionnaire sent to customer in Medan as references with the characteristics of male and female between the ages of 18 to 40 years.

4. The questionnaire are limited to customers JNE in Medan.

1.3.   Problem Formulation

According to the background stated above, the problem formulation in this research is as follows:

1. Does Service Quality (SQ) significantly influence Customer Satisfaction (CS) of JNE in Medan?

2. Does Brand Image (BI) significantly influence Customer Satisfaction (CS) of JNE in Medan?

3. Does Application Design (AD) significantly influence Customer Satisfaction (CS) of JNE in Medan?

4. Does Service Quality (SQ), Brand Image (BI), and Application Design (AD) significantly influence Customer Satisfaction (CS) of JNE in Medan?

1.4. Objective of the Research

Based on the problem formulation that has been outlined, the research objectives are as follows:

1. To identify whether Service Quality (SQ) has significant influence on Customer Satisfaction (CS) of JNE in Medan

2. To identify whether Brand Image (BI) has significant influence on Customer Satisfaction (CS) of JNE in Medan

3. To identify whether Application Design (AD) has significant influence on Customer Satisfaction (CS) of JNE in Medan

4. To identify whether Service Quality (SQ), Brand Image (BI), and Application Design (AD) has significant influence on Customer Satisfaction (CS) of JNE in Medan

1.5. Benefits of the Research

1.5.1. Theoretical Benefit

The following are the theoretical benefits of this research.

1. For readers, the result from this research can be proof for readers to know Service Quality, Application Design, and Brand Image affecting Customer Satisfaction at JNE.

2. For writer, the result from this research provides insight and experience as well as observations in a real-life situation which is very useful for writer.

3. For other researcher, the result from this study can be used for reference for those who are interested in studying the same problem in the future

1.5.2. Practical Benefit

The following are the practical benefit of this research:

1. For JNE, the researcher expects result from this study could benefit the business to evaluate, and take the result as suggestion to know the effect of Service Quality, Application Design, and Brand Image towards Customer Satisfaction at JNE.

2. For writer, the result from this research makes the writer gain new experience and more knowledge about the important of Service Quality, Application Design, and Brand Image toward Customer Satisfaction at JNE.

3. For future research, the researcher expects the result from this study could become a comparison for the future researchers who are interested of studying the same topic which is the influence of Service Quality, Application Design, and Brand Image toward Customer Satisfaction at JNE.