

# **CHAPTER I**

## **INTRODUCTION**

### **1.1 Background of the Study**

In May 2018, GrabFood was launched as part of the company's strategy to expand beyond transportation services. GrabFood is a platform that connects people with area restaurants and delivery services. The app lets users view a variety of cuisines and easily place orders while also making restaurants more visible and giving them more chances to make sales.

According to Snapcart (2024), the surveys found that merchants made an average of Rp 750,000 daily from GrabFood, which is 13% more than the Rp 670,000 they made from GoFood. When this result was broken down by city, it showed that daily sales on GrabFood were 10% higher than on GoFood in big cities like Jabodetabek. There were 16% more GrabFood sales than GoFood in smaller towns like Medan, Lampung, Jambi, Purwokerto, Banjarsamin, Samarinda, and Makassar. According to Sheng (2023), Grab and Gojek each control approximately 50% of Indonesia's ride-hailing market by order volume as of January 2023, suggesting a well-balanced duopoly. However, market share has fluctuated over time, resulting in Grab leading the market with a 54% share in February 2022, while Gojek held a 46% share (Romero, 2024). ShopeeFood held a 12% market share in Indonesia's online food

delivery sector as of 2023. This represents a substantial increase from 2022, when ShopeeFood's market share was 7% (Setyowati, 2024).

Medan, the capital and largest city of North Sumatra, Indonesia, has recently experienced significant population growth (*Medan, Indonesia Population 2024*, 2024). In 2024, the city's population reached approximately 2,479,070, reflecting an annual growth rate of 1.64%. Over the past year, Medan has added 40,020 new residents, signifying an upward trend that is expected to continue. By 2025, the population will #increase further, reaching an estimated 2,521,590. This consistent growth underscores Medan's ongoing expansion and development.

**Table 1.1 GrabFood Dominates Online Food Sales in Indonesia Until 2024**

<b>Year</b>	<b>GrabFood</b>
2021	49%
2022	49%
2023	50%
2024	47%

GrabFood's market share in Indonesia's online meal delivery industry from 2021 to 2024 is presented in Table 1.1. The research reveals that GrabFood maintained a dominant position in the industry, holding a 49% market share in 2021 and 2022. In 2023, GrabFood experienced a slight increase in its market share, reaching a peak of 50%. This surge could be attributed to enhanced digital services, intensive marketing campaigns, or a growing preference among consumers for meal delivery services.

However, by 2024, GrabFood's market share slightly decreased to 47%, indicating an intensifying rivalry from competitors such as ShopeeFood and GoFood. This trend underscores the evolving landscape of Indonesia's online meal delivery sector, where consumer preferences and competitive strategies primarily determine market leadership.

According to Tech in Asia, Grab had approximately 43 million users in Indonesia. This implies that a substantial portion of Grab's user base is in Indonesia. Determining the exact number of Grab users in Medan is challenging due to the lack of publicly available data specific to the city. Therefore, the population of Grab and GrabFood users in Medan is unknown. However, we can provide a well-informed estimate by utilizing the currently available information. Grab was one of the leading platforms in Indonesia, with approximately 21 million consumers of online transportation services as of 2023 (Indonesia UNFPA, 2023).

In the book *Consumer Behavior* by Leon G (2014), consumer behavior encompasses the actions customers take while searching for, purchasing, using, evaluating, and disposing of products and services that they believe will fulfill their needs. Consumer behavior examines how individual consumers, families, or households allocate resources (time, money, effort) toward consumption-related goods and services. This encompasses their purchasing decisions, motivations for buying, timing of purchases, locations of purchases, frequency of purchases, usage frequency, post-purchase assessments, the influence of these evaluations on further purchases, and disposal methods.

New technologies and changing customer tastes have altered the food delivery business in the past few years. According to Drozdov (2024), technologies that optimize routes for delivery drivers (e.g., GPS and route optimization algorithms) influence delivery speed and reliability, which impacts the overall customer experience. GPS and route optimization algorithms greatly influence GrabFood's overall efficacy, user experience, and efficiency. In addition, to increase delivery efficiency, these technologies help lower operating costs, increase customer happiness, and facilitate service scalability. Giving consumers more precise delivery time estimates is one of the key advantages of GPS and route optimization. The expected time of arrival (ETA) is continually adjusted depending on real-time data, allowing GrabFood users to track their delivery in real time (Sekhar Veluru, 2023). Thus, customer satisfaction is raised, and ambiguity is decreased.

GrabFood has changed how people in Medan use and receive food delivery services. With the help of GPS and route optimization algorithms, GrabFood's platform has not only made buying and delivery easier but also changed how customers experience the company. With the fast-paced rise of technology, online platforms have changed how customers interact with businesses in many fields. Discounts, free delivery deals, and promotional codes appeal to GrabFood users in Medan.

Like other places, consumers in Medan have numerous technological obstacles when utilizing platforms such as GrabFood for food ordering. GPS and location services may occasionally malfunction, resulting in inaccurate address identification or postponed delivery. Tracking someone's location may not work well in some places,

which can be confusing. Sometimes, the food items mentioned on the GrabFood app may not be the same ones available at a restaurant. People may also find wrong or out-of-date information about things like prices, portions, or supply. The application may encounter difficulties with specific address formatting types. If the system fails to recognize your address accurately (e.g., a newly developed region or a complicated address), its functionality may be compromised. The technology issues might profoundly affect user satisfaction and the overall efficiency of the GrabFood service in Medan.

Just as online consumers compare the prices of products across different e-commerce platforms, GrabFood users compare the prices of menu items across various restaurants. They may also consider additional expenses, such as delivery fees, and select restaurants that provide better value. This comparison-driven behavior greatly influences where clients put their orders (Bare et al., n.d.).

Consumers in Medan often face various challenges related to free delivery promotions when ordering meals through GrabFood. Offering free delivery with a minimum order value (for example, “Get free delivery on orders over IDR 100,000.”) effectively encourages customers to place larger orders than they otherwise might. This arrangement benefits the restaurant, which receives higher order values, and the customer, who enjoys a better deal. However, free delivery promotions may be restricted to specific locations, restaurants, or timeframes, meaning not all consumers in Medan can take advantage of these offers. Those in more isolated or poorly serviced areas may be excluded. Additionally, not all restaurants on GrabFood offer free

delivery, and those that do may have specific limits and conditions. Consequently, consumers may feel dissatisfied if their favorite restaurant is not included in the promotion. These factors often influence their decisions, leading them to select restaurants or order more frequently.

## **1.2 Problem Limitation**

Limiting the problem helps to define what the research will and will not cover clearly. This guarantees that the investigation remains focused and manageable, enabling the researcher to explore specific aspects in depth rather than superficially covering a broad area. The problem of this current study is being narrowed down, as indicated by the research title. The objective of this problem's limitation is to redirect attention to research to derive precise and comprehensive conclusions about the subjects under investigation. This study specifically investigates the impacts of three different independent variables, especially Technology (GPS and route optimization algorithms), Online Behavior (price comparison), Free Deliveries (free deliveries with minimum order) on customer experience of GrabFood in Medan.

## **1.3 Problem Formulation**

The problem formulation contained in this research:

1. Do GPS and route optimization algorithms technology partially influence customer experience of “GrabFood” food services?

2. Does price comparison online behavior partially influence the customer experience of “GrabFood” food services?
3. Does free deliveries with minimum order partially influence the customer experience of “GrabFood” food services?
4. Do GPS and route optimization algorithms technology, price comparison online behavior and free deliveries with minimum order simultaneously influence customer experience of “GrabFood” food services?
5. Which variables among technology, online behavior and free deliveries has the most significant influence on customer experience of “GrabFood” food services?

#### **1.4 Objective of the Research**

1. This objective aims to evaluate whether promotional offers like free deliveries improve customer satisfaction, loyalty, and repeat usage of GrabFood in Medan.
2. This objective seeks to determine how GPS and route optimization algorithms technology, price comparison online behavior, and promotions like free deliveries with minimum orders interact to influence customer satisfaction and experience with GrabFood. The populations and samples of this study are chosen based on the customers who typically purchase food from GrabFood.



3. The study's goals are to investigate how these technological changes affect various parts of the customer experience, identify important areas that can be improved, and provide useful information for improving the service.
4. This research will help to understand how different parts of online behavior affect the experience of GrabFood users in Medan. By figuring out the specific factors that affect satisfaction and finding areas for improvement, GrabFood can improve its free delivery offers to meet customer wants. The results will help make choices that will improve customer experience, user satisfaction, and loyalty.

## **1.5 Benefit of the Research**

### **1.5.1 Theoretical Benefit**

The research can potentially improve consumers' theoretical comprehension of the decision-making process in online food delivery services. This can provide a more comprehensive understanding of the factors that influence consumer satisfaction and loyalty. The study can contribute to theories on digital consumer behavior by analyzing online behavior and identifying patterns and trends in how customers interact with food delivery platforms.



### **1.5.2 Practical Benefit**

#### **1. For Company**

The results of this study can be employed to assist GrabFood in improving its service offering, increasing customer satisfaction, and ultimately driving business growth in the competition's online food delivery market by making data-driven decisions.

#### **2. For Customers**

This research has the potential to lead to innovations and policies that directly address consumer pain points, thereby enhancing the value and enjoyment of GrabFood. Additionally, this research will help develop analytical and critical thinking skills by examining how various factors affect the customer experience. GrabFood has created a food delivery experience that offers practical benefits to consumers, including convenience, personalization, and overall satisfaction.