`

CHAPTER I

INTRODUCTION

1.1. General Description of the Object Research

Shopee is one of the most well-known and well-developed E-commerce applications in Indonesia. It has its head office and originates in Singapore under the auspices of SEA Group (formerly known as Garena), led by Chris Feng. Shopee was first launched in 2015, which was carried out simultaneously expanding its reach in 7 countries in Southeast Asia, namely Malaysia, Thailand, Philippines, Indonesia, Taiwan, and Vietnam. As of 2021, Shopee already serves consumers and sellers throughout Southeast Asia, East Asia, and several countries in Latin America. Based on Tech in Asia, Shopee was called one of the "*5 disruptive e-commerce startups we saw in 2015*" because of their growth of technological advancement and mass scale; due to technological advances and the use of mobile phones that have increased (since the COVID-19 pandemic).

Shopee launched for the first time as a consumer-to-consumer (C2C) marketplace, which has now switched to C2C and business-to-business (B2B) models after launching Shopee Mall, an online store platform for well-known brands that had previously developed. Shopee provides convenience for both sellers and buyers, especially in this pandemic era. For sellers, Shopee makes it easy to market their products, provides delivery guarantees, and offers a free shipping program for product delivery. Moreover, for customers, Shopee provides an easy, affordable, safe, and fast online shopping experience in their payment system, namely ShopeePay/ ShopeePay Later.

In the application, Shopee offers a wide selection of products and services categories required by the customers. It can be searched and accessed by everyone. The following are the products offered by Shopee through their application and website.

`

Table 1.1 Shopee Products and Services

No.	Types of Products and Services
1.	Electronic
2.	Food and Beverages
3.	Computer and Accessories
4.	Care and Beauty
5.	Handphone and Accessories
6.	Household Goods
7.	Men's wear
8.	Women's wear
9.	Men's shoes
10.	Women's shoes
11.	Muslim Fashion
12.	Baby and Kids Fashion
13.	Men's bags
14.	Women's bags
15.	Fashion Accessories
16.	Mom and Baby
17.	Watches
18.	Health
19.	Hobby and Collection
20.	Automotive
21.	Sports and Outdoor
22.	Souvenirs and Parties
23.	Books and Stationary
24.	Photography
25.	Voucher – Ticket Event, Data Package and Credit, Tour & Travel, Voucher Bills).
26.	Deals – Voucher ShopeePay, Voucher Deals

Source: Shopee Application, accessed on October 11th, 2021

In April 2020, Shopee Indonesia began to promote the sale of fast food on its platform. It became the third player to compete with other large companies, namely Gojek – Gofood and Grab – GrabFood. This program is called ShopeeFOOD, which initially operated in Jakarta and has expanded to several major cities and regions in Indonesia.

In October 2017, Shopee's parent company, SEA Group, made their initial public offering on New York Stock Exchange (NYSE) and raised ofr US$ 1 Billion in funds. With their main shareholder being, Tecent at 39%, followed by Blue

Dolphins Venture, and organization formed by the founder of the SEA Group himself, Forrest Li holding in 15%. With Forrest Li alone holding for 20%, and Chief Technology Officer, Gang Ye owning for 10%.

1.1.1. Company Logo

Figure 1.1 Shopee Company Logo

Source: Tentang Shopee, Shopee Indonesia*, accessed on October 11th, 2021*

1.1.2. Company Vision, Mission, Goal, Personality and Value

According to the CEO of Shopee, Chris Feng, "Understanding other people is the key to successful leadership. At Shopee, it is very important for us to understand how to deliver the best experience for employees, partners, and users." Shopee explained that their position is to offer an online shopping experience with a wide selection of products, social communities, and practical fulfilment services.

1.1.2.1. Company Vision

"Become number 1 mobile marketplace in Indonesia. We believe online shopping should be accessible, easy, and enjoyable."

1.1.2.2. Company Mission

"Developing an entrepreneurial spirit for sellers in Indonesia."

1.1.2.3. Goals

"We believe in transformative power of technology and want to change the world for the better by providing a platform to connect buyers and sellers within on community".

`

1.1.2.4. Personality

"To define who we are – how we talk, behave or react to any given situation – in essence, we are Simple, Happy, Together. These key attributes are visible at every step of the Shopee journey."

1.1.2.5. Value

a. We Serve

The customer is always right. Here, customers have an important role in the context of product assessment and the services provided by Shopee. With this, Shopee strives to exceed customer expectations giving by more than expected.

b. We Adapt

By anticipating the changes that exist, Shopee plans in advance and is sure to accept unexpected changes in the future.

c. We Run

Without the need to be helped or encouraged by other people, Shopee have their own strong drive to solve a problem and believe that good things will happen in the future.

d. We Commit

Shopee believes in being a company that can be relied upon, by doing what is promised, by upholding the high standards. With a proactive attitude, is a way to make the company better.

e. We Stay Humble

Having a mentality, with the intention that we are underdogs who still need to and must learn from market conditions as well as competitors. Work hard first, then celebrate later.

1.2. Research Background

Starting with the changing times and eras accompanied by technological developments that are increasingly sophisticated and developing very rapidly,

almost all people around the world are very dependent and need technology in their daily lives. As well as people in Indonesia. Since the COVID-19 pandemic that has hit all parts of the world, all activities that were initially carried out face-to-face, such as buying and selling, bargaining, and payment transactions, have been carried out digitally through e-commerce and e-money applications, which have been offered anywhere. Since the pandemic COVID-19, the development of online shopping applications is also going rapidly in Indonesia. Customers are also more comfortable and accustomed to shopping through online applications compared to shopping directly at stores. The customers just can sit and relax at their home, open their preferred e-commerce applications, order products or services, pay via debit/credit card or e-money application, then wait for the products or services they ordered will be delivered to their home (Rita et al., 2019).

The development of internet technology in Indonesia has positively impacted many people who already understand and are familiar with digital things, especially in urban society. However, many people still do not want to use or do not understand digital equipment, usually parents who are old enough, because it is considered new technology for them. According to them, they are still new to it and think it is too complicated to use.

Table 1.2 Number of mobile internet users in Indonesia from 2017 to 2020, with forecast until 2026

Characteristic	Number of mobile internet users in millions
2026*	233.53
2025*	226.47
2024*	218.57
2023*	209.7
2022*	199.76
2021*	188.59
2020	176.09
2019	162.13
2018	151.34
2017	123.07

Source: Indonesia Mobile Internet Users 2026, Statista, *accessed on October 13th,2021*

`

According to Table 1.2, in 2020 more than 176 million people in Indonesia accessed the internet through their mobile phone. In 2021, was estimated to be around 188.59 million and by 2026, the projected figure will be 233.53 million mobile internet users. And it will increase its users in the following years.
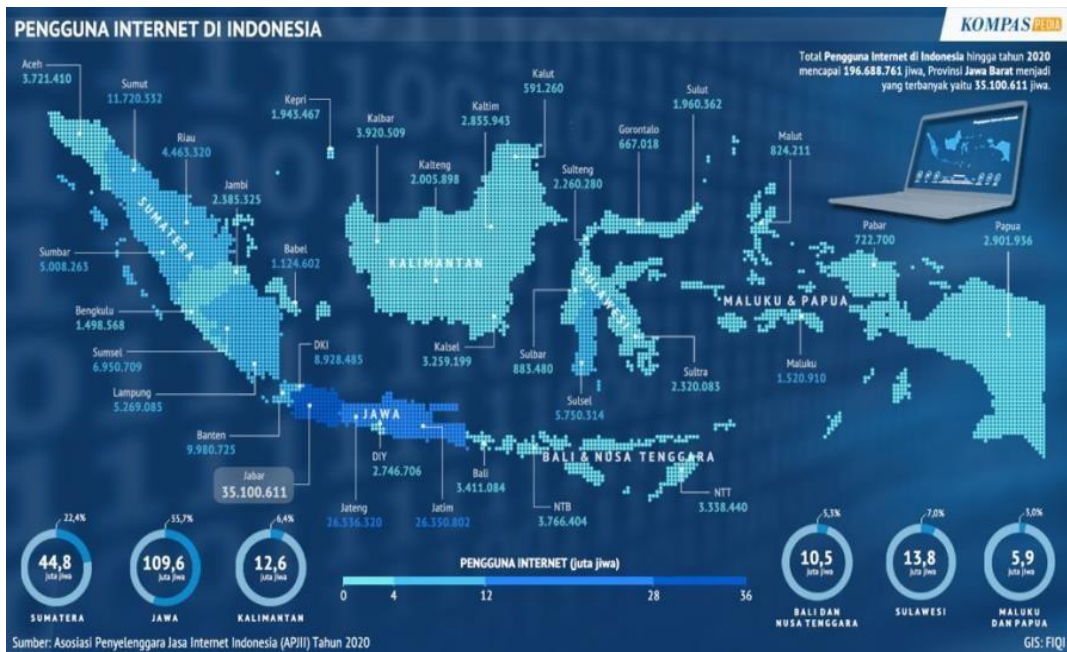

Figure 1.2 Internet Users in Indonesia until 2020

Source : Pengguna Internet Di Indonesia, Kompaspedia*, accessed on October 13th, 2021*

Based on Figure 1.2, explained that the use of the internet in Indonesia since the COVID-19 pandemic has increased, with most activities being carried out online. Access to information is also easier and can be reached personally via smartphone. It is noted that internet development is growing rapidly in each region with Java Island occupying the largest population using the internet at 35.7%, also Maluku and Papua Island having 5.9% internet users (Kompaspedia, 2021).

`

Figure 1.3 Mobile Internet Use in Indonesia 2022

Source : Mobile Internet Use in Indoneisa 2022, DataReportal*, accessed on*

August 22, 2022

Based on Figure 1.3, platform Hootsuite and marketing agency We Are Social (2022), re-launch the results of their latest report on internet users globally, including Indonesia as of early 2022, from around 277.7 of the total population of Indonesia, 191.4 million of whom are active internet users and social media, with a percentage rate of 68.9%.

The number of people who are active in social media in Indonesia has grown by 21.4 million or around 8.1% compared to last January 2021. The enormous increase in the use of social media and the internet since the COVID-19 pandemic, has a positive side that being one of a great opportunities for sellers who want to offer their products from offline stores to digital online shops (DataReportal, 2021).

2020, Indonesia marketplace[1] Gross Merchandise Value (GMV)

Total size: US$ 40.1 B

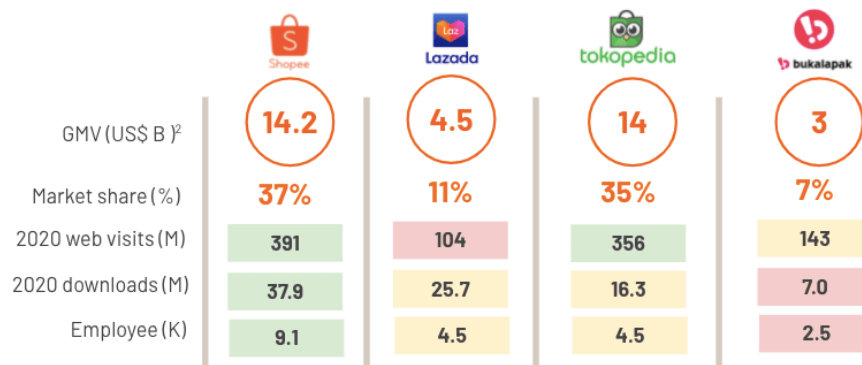|	Shopee	Lazada	tokopedia	bukalapak
GMV (US$ B)[2]	14.2	4.5	14	3
Market share (%)	37%	11%	35%	7%
2020 web visits (M)	391	104	356	143
2020 downloads (M)	37.9	25.7	16.3	7.0
Employee (K)	9.1	4.5	4.5	2.5

Figure 1.4 Indonesia Marketplace Gross Merchandise Value (GMV)

Source : Shopee GMV 2020, The Lowdown Momentum Asia*, accessed on 6th February 2022*

Based on reports on The Low Down Momentum Asia (2021) in Figure 1.4, Indonesia has several E-commerce companies competing with each other more fiercely since the COVID-19 pandemic to provide a safer alternative to buying offline. According to Karolina Domagala in the follow-up report above, Indonesia, which is the largest E-commerce market in Southeast Asia, in 2020 has a total GMV (*Gross Merchandise Value*) reaching US$40.1 billion or growing 91% from the previous year. Mentioned with the top players are Shopee and Tokopedia, with each GMW of around US$14 billion. Making Shopee the number 1 player in Indonesia by slightly overtaking Tokopedia.

Shopee leads with US$14.2 billion GMV in 2020, with a focus on mobile usage, with 37.9 million downloads in Indonesia in the same year which includes more features such as digital payments or finance, food delivery, groceries and also daily needs (The Low Down Momentum Asia, 2021).
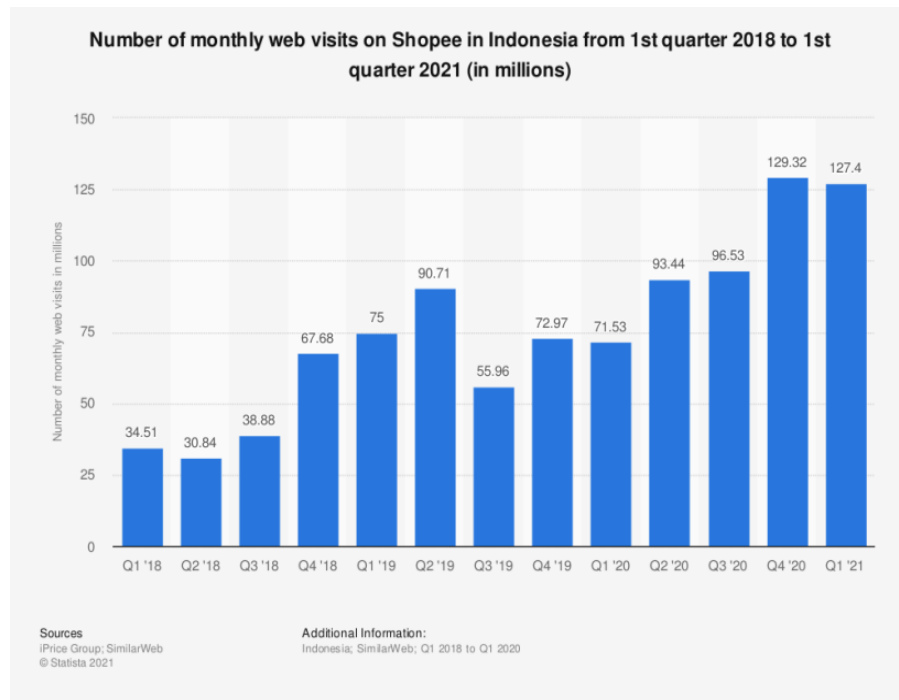
`

Figure 1.5 Number of Monthly web visits on Shopee in Indonesia from 1st quarter 2018 to 1st 2021 (in millions)

Sources : Number of Monthly Web Visits on Shopee 2021, Statista, *were accessed on October 11th, 2021*

Judging from Figure 1.5, there was a significant increase and decrease in the second quarter, from 90.71 million clicks to 55.96 million clicks in the third quarter of 2019. Then, in the first quarter of 2020 with 71.53 million clicks, an increase of more than 20 million in the second quarter of 2020 to 93.44 million clicks. The increase in the second quarter can be seen since the emergence and widespread of the COVID-19 pandemic in Indonesia. Then in the first quarter of 2021, Shopee's monthly visitor usage figures in Indonesia amounted to approximately 127.4 million clicks, showing a decline in the last previous quarter in 2020.

`

Table 1.3 Top Brand Index Phase 2, 2022

ONLINE BUYING AND SELLING SITE

Brand	TBI 2020	
Shopee	59.9%	TOP
Lazada	21.8%	TOP
Tokopedia	10.2%	TOP
Blibli	5.1%	
Bukalapak	2.5%	

*the categories in online and offline

Source: Top Brand Index Beserta Kategori Lengkap, Top Brand Award, *accessed on August 22nd, 2022*

In the table 1.3, based on Top Brand Index Phase for online shopping in 2022, Shopee ranks in 1st place for online buying and selling sites with a value of 59.9%. Shopee was able to maintain its position in first place, and even experienced an increase in brand value from 41.8% to 59.9%. Shopee can surpass their rivals such as Tokopedia, Lazada, Blibli, and Bukalapak by a large enough ratio.

Characteristic	Share of respondents
Free delivery	18.4%
Cheaper product price	18%
More product selection	13%
Good reputation	10.9%
Good customer service	7.7%
Fast delivery	7.6%
Better mobile app	6.8%
More payment options	5.3%
Easy return policy	4.5%
Authentic products	4.2%
Easy navigation on site	3.5%
More promo	0.2%
Loyalty program	0.1%

Figure 1.6 Reason to prefer Shopee over other online platforms

*Sources :*Reasons to Prefer Shopee over Others 2018, Statista, *accessed on October 11th, 2021*

`

Based on Figure 1.6 there are several general characteristics that make Shopee's comparison with other e-commerce platforms. Free delivery of products and services occupies the first choice with a percentage 18.4%, followed by offering cheap product price with 18%, having a wide selection of products with 13%, a good reputation of the company with 10.9%, and followed by other characteristics.

One of the biggest challenges for online shopping applications since this pandemic is how to provide customer expectations and to maintain customer satisfaction. Surviving in the competitive environment of E-commerce applications that is getting stronger and tighter, focusing on service, and providing the best to customers, is one of the key factors for the success of each company. Companies must provide a superior service experience to their customers, so that they can make repeat purchases and be loyal to the company (Nextren, 2021).
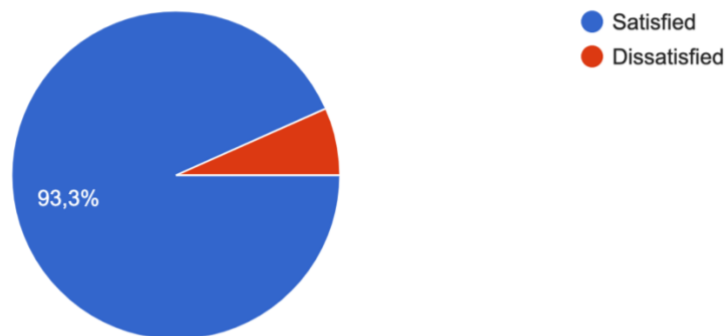

Figure 1.7 The Proportion of Shopee's Customer Satisfaction

Source : Data Processed by Author using Google Form, 2021

Based on figure 1.7, the author distributed questions by using Google form to 30 respondents consist of University Students around Bandung, Jakarta, and Medan. From 30 respondents, 28 of them is satisfied when and after they are shopping in Shopee application, and 2 of them are dissatisfied when and after they are shopping in Shopee application. The list of questions can be seen in Table 1.5.

Table 1.5 List of Questionnaires and Responses Using Google Form

No.	Question	Responses	Conclusion

`

1.	Are you satisfied or dissatisfied when shopping on the Shopee application?	Satisfied/ Dissatisfied	28 respondents are satisfied, 2 respondents are dissatisfied
2.	What indicators make you feel satisfied or dissatisfied when shopping on the Shopee application?	Short Answer	The most answer consists of easy to operate, various features and items/ products, discount voucher offered, product quality and e-service quality and user interface in the application
3.	Do E-Service quality greatly affect your satisfaction when shopping on the Shopee application? Why?	Short Reason	Most of them agree, e-service quality is affecting their satisfaction when shopping in the Shopee application

Source : Data Processed by Author using Google Form, 2021

In the table 1.5, there are three questions that author distributed to the respondents. Focusing on whether respondents are satisfied or dissatisfied when shopping on the Shopee application; then what indicators make them satisfied or dissatisfied when shopping on the Shopee application, here respondents can answer with short answers; and whether according to the respondent, the quality of electronic services greatly affects their satisfaction when shopping on the Shopee application, can be answered with a brief reason.

Based on the answers, 93,3% of respondents feel satisfied when and after shopping on the Shopee application, and 6,7% of them feel dissatisfied when and after shopping on the Shopee application. The indicators that most influence respondents when shopping on the Shopee application include easy to operate, various features and items/ products, discount voucher offered, also product quality and e-service quality. User interface in the application is also an important point to be considered by respondents when using the application. All of the respondents also agree about *E-service quality* greatly affects their satisfaction when shopping, especially when they expect the company to serve them well, whether it meets their expectations or not. If they don't get what they expect, they will be disappointed and dissatisfied. They also will not make repeat purchases at the store. Some respondents also stated that product quality is based on the seller, not from Shopee directly.

`

According to Wu and Tseng (2014), customer satisfaction is based on experience expectations from pre-purchase to post-purchase. It can be concluded, if the customers get a good and positive experience from the services provided, the customer will make a good and positive response, so that customer satisfaction is obtained. And vice versa, if customers do not get a good and positive services, there will be a sense of disappointment and dissatisfaction. The problem caused by the customer dissatisfaction comes from several factors, two of them will be discussed in this research, there is the quality of the products or services offered and the quality of e-services that provided from the applications.

For the quality of electronic services or E-services quality, according to Parasuraman et al. (2005) , which refers to the extent to which online stores can facilitate efficient and effective shopping, purchasing, and delivery. Whether the services provided can serve and respond to customers well or not. Wolfinbarger and Gilly (2003) state, the quality of electronic services as a beginning to the end of transaction services, including information retrieval, privacy policies, website navigation, ordering processes, customer service interactions, delivery, return policies, and satisfaction with products ordered by customers. These dimensions are what reinforce the experience of the quality of electronic services.

It can be interpreted that, these two reasons are very important and valuable during a pandemic for customers when making purchases on e-commerce applications, especially Shopee. There is a reason the Author chose this topic, because since the emergence and increase of cases in COVID-19 pandemic in Indonesia. From the scientific way, the aspect of application users, revenue value, brand value, and the number of application users from 2020 to the 3rd quarter of 2022, Shopee managed to rank first compared to other E-commerce. Shopee can maintain and improve the company's performance. The use of E-commerce applications is to help sellers of offline stores become online stores, with the intention of preventing customers from coming directly to the store to avoid the increased number of positive cases. Sales on E-commerce applications like Shopee, really help sellers out there to promote and sell their products or service more easily

`

during this pandemic. Shopee also offers many features that are very convenient and profitable for both sellers and customers.

Companies will also get positive feedback from customers if they meet customer satisfaction. By being given more practical and convenient facilities, customers expect the product or service they want is appropriate and can satisfy their shopping experience during this COVID-19 pandemic.

Based on the problem and description that has been explained above, the author is interested in further researching the topic with the title:

"The Influence Of *Overall E-Service Quality* Dimensions Towards Customer Satisfaction In Pandemic Situation (Case Study: Shopee Application)"

1.3. Research Questions

Based on the background described above, the following is the formulation of the problem in this study as follows:

1. What is the perception of respondent's using Shopee applications on *E-service Quality* on *Website Design, Customer Service, Security/Privacy,* and *Fulfillment* variables?

2. What is respondent's perception of the *Website Design* on *Overall E-service Quality* show a positive and significant influence on the Shopee application?

3. What is respondent's perception of the *Customer Service* on *Overall E-service Quality* show a positive and significant influence on the Shopee application?

4. What is respondent's perception of the *Security/ Privacy* on *Overall E-service Quality* show a positive and significant influence on the Shopee application?

5. What is respondent's perception of the *Fulfillment* on *Overall E-service Quality* show a positive and significant influence on the Shopee application?

6. What is respondent's perception of the *Overall E-service Quality* on *Customer Satisfaction* show a positive and significant influence on the Shopee application?

7. What is respondent's perception of the *Customer Satisfaction* on *Repurchase Intention* show a positive and significant influence on the Shopee application?

8. What is respondent's perception of the *Customer Satisfaction* on *Word of Mouth* show a positive and significant influence on the Shopee application?

9. What is respondent's perception of the *Customer Satisfaction* on *Site Revisit* show a positive and significant influence on the Shopee application?

10. How big is the influence of *Overall E-services Quality* towards *Customer Satisfaction* on Shopee application?

1.4. Research Purpose

This study aims to find out the answers to the analysis of the problem formulation above as follows:

1. To find out how respondent's perception towards E-service Quality which consists of *Website Design, Customer Service, Security/Privacy,* and *Fulfillment* variables on Shopee application;

2. To find out whether the *Website Design* on the Shopee application shows a positive and significant influence on the *Overall E-service Quality* on the Shopee application;

3. To find out whether the *Customer Service* on the Shopee application shows a positive and significant influence on the *Overall E-service Quality* on the Shopee application;

4. To find out whether the *Security/ Privacy* on the Shopee application shows a positive and significant influence on the *Overall E-service Quality* on the Shopee application;

5. To find out whether the *Fulfillment* on the Shopee application shows a positive and significant influence on the *Overall E-service Quality* on the Shopee application;

6. To find out whether the *Overall E-service Quality* on the Shopee application shows a positive and significant influence on the *Customer Satisfaction* on the Shopee application;

7. To find out whether the *Customer Satisfaction* on the Shopee application shows a positive and significant influence on the *Repurchase Intention* on the Shopee application;

8. To find out whether the *Customer Satisfaction* on the Shopee application shows a positive and significant influence on the *Word of Mouth* on the Shopee application;

9. To find out whether the *Customer Satisfaction* on the Shopee application shows a positive and significant influence on the *Site Revisit* on the Shopee application;

10. To find out how big the influence of *E-service quality* towards the Customer Satisfaction on Shopee Application according to the respondents.

1.5. Research Benefit

The research benefits expected from the results of this study are :

1. Theoretical Benefits

   It is expected that the results of this study can add to the knowledge and experience of the author regarding customer satisfaction which affects the value and objectives of the company. Also, to better understand the strategy and better changes for Shopee when serving the customers in their application.

2. Practice Benefits

   It is hoped that the results of this research will become suggestions and input that have been given to improve the quality of electronic services of the Shopee company to be better in the future.

1.6. Systematic Writing

This section contains systematics and an explanation of research consisting of :

CHAPTER I INTRODUCTION

Is a general explanation, which accurately describes the content of the research. The contents of this chapter include General Description of the Object

Research, Research Background, Problem Statement, Research Purpose, Research Benefits and Systematics of Final Project Writing.

CHAPTER II LITERATURE REVIEW

This chapter contains general theories to specific theories, accompanied by previous research and followed by a research framework, and ends with a hypothesis if necessary.

CHAPTER III RESEARCH METHODS

This chapter emphasizes how the approaches, methods, and techniques used when collecting and analyzing findings whose results can answer the problems form the core of the research. Includes: Type of Research, Operational Variables, Population and Sample (quantitative) / Social Situation (qualitative), Data Collection, Validity and Reliability Test, and Data Analysis Techniques.

CHAPTER IV RESEARCH RESULT AND DISCUSSIONS

The results of the research and described systematically in accordance with the formulation of the problem and presented in separate sub-heading. This chapter contains two parts: the first part is presenting the research results and the second part presents the discussion or analysis of the research results. Each aspect starts from the results of data analysis, then interpreted and then followed by drawing conclusions. In the discussion, it should be compared with previous studies or relevant theoretical foundations.

CHAPTER V CONCLUSIONS AND SUGGESTIONS

The conclusions are answer to research questions, then become a suggestion related to the benefits of research.