

CHAPTER I

INTRODUCTION

1.1 Object Overview

Tokopedia is an Indonesian technology company with a mission to democratize commerce through technology which was founded by William Tanuwijaya and Leontinus Alpha Edison on August 17, 2009. Tokopedia provides technological solutions that empower millions of merchants and support consumers to participate in the future of commerce including e-commerce, logistics & fulfilment and marketing and advertising technology. Tokopedia's e-commerce services available through mobile and desktop applications include Marketplace, Official Stores, Instant Commerce, Interactive Commerce and Rural Commerce. Through Logistics & Fulfilment, delivery becomes easier with an integrated logistics and fulfilment system. Advertising technology platform to help sellers increase sales and attract more consumers (Tokopedia, 2023). Tokopedia's strategy focuses on developing its platform as a "department store" marketplace that helps bring sellers and buyers together. Tokopedia is an online marketplace that allows individuals and business owners in Indonesia to open and manage their business online, easily, and free of charge. Consumers can also compare prices from various shops in Tokopedia.



Figure 1. 1 Tokopedia's Logo

Source: Tokopedia (2023)

Tokopedia has become an e-commerce start-up company with unicorn status (valued at over US\$1 billion). Tokopedia carried out business strategies both organically and inorganically. Organically, Tokopedia

synergized with the Gojek superapp to become the GoTo Group, resulting in an increase in valuation reaching US\$32 billion according to Reuters. Meanwhile, Tokopedia continues to expand its penetration through merchant acquisitions. As an online shopping platform, merchants are the main key driver of growth. During the pandemic, the number of Tokopedia merchants increased by 2.5 million to almost 10 million, around 90% of which were micro, small and medium enterprises (MSMEs) (CNBC, 2021). Tokopedia has won many awards since its establishment. In 2014 Tokopedia was selected as the Marketeers of the Year for the e-commerce sector at the Markplus Conference held by Markplus Inc. This award was obtained because of Tokopedia's significant role in developing online business in Indonesia. In 2019, Tokopedia was recognized as a brand with 'Fastest Value Growth' in the BrandZ Top 50 Most Valuable Brand Indonesia, based on the research from WPP and Kantar. Entering the Top 10 list for the first time, Tokopedia was recognized as the fastest-growing brand, rising its brand value by 487%. As a technology company that lives by the customer-centric culture, customers are always on top priority. At the CX Asia Excellence Awards 2020, Tokopedia managed to bring home 3 golds in the Best Social Media Experience, Best Use Of CX Technology, and Best Omni-Channel Experience categories, as well as 2 bronzes in the Best Brand Experience and Best CX Personality categories. Being consistent in providing the best service for the customers has led the Tokopedia Customer Excellence team to the next Contact Center World competition in 2020. Competing at the Asia-Pacific level, Tokopedia has successfully acquired 15 awards, namely 6 golds, 4 silvers, and 5 bronzes across several categories (Tokopedia, 2023).

1.2 Background

As time goes by, technology continues to develop with all the innovations created in such a way as to simplify and streamline human life. Technology has also been widely used in various fields including

business/trade, corporate, banking, education and health which will be more efficient and saving costs. In business activities, changes in the use of information media cause a shift and change from the traditional business system to an electronic business and commerce system. This form of electronic commerce leads to online buying and selling of goods and services known as e-Commerce (Nasution et al., 2020). E-commerce is a broad scope of online business activities including marketing of buying and selling activities of goods and services through electronic systems (Kompasiana, 2018).

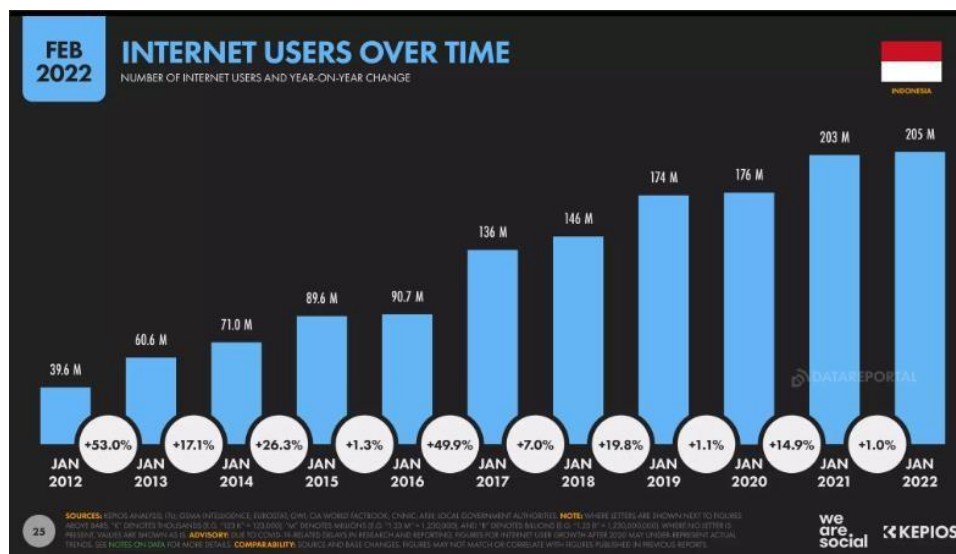


Figure 1. 2 Internet Users Over Time in Indonesia

Sources: DataReportal (2022)

According to the data in Figure 1.2, internet users in Indonesia continue to increase from year to year, reaching 205 million users as of January 2022. There is significant growth of internet user in Indonesia because in 2019 before Covid-19 pandemic there were only 174 million internet users, which means there were additional and increased users of around 31 million internet users in Indonesia (DataReportal, 2022). The effect of this pandemic had significant impact on internet usage in Indonesia. This large number of internet users allows people to take

advantage of digital innovation products. During the pandemic, many people used video conferencing, e-learning, video streaming, e-commerce and others (CNBC Indonesia, 2022). The use of e-commerce as a way of more efficient to communicate with buyers. Consumers prefer a more flexible way of shopping to meet their daily needs to minimize activities outside. Online businesses offer more convenience for customers compared with physical stores. Customers can just sit at their home, place their orders, pay through many payment options and wait until their orders are delivered to their home (Rita et al., 2019). E-commerce itself is a means for sellers and buyers to carry out shopping or selling activities by utilizing digital sophistication through applications. This activity is carried out via the internet or the web. This has the meaning of using advertising services to market products in a strategy to increase sales and support systems and services that are superior on the website shop so that it can operate 24 hours a day for all customers (Malang Posco Media, 2022).

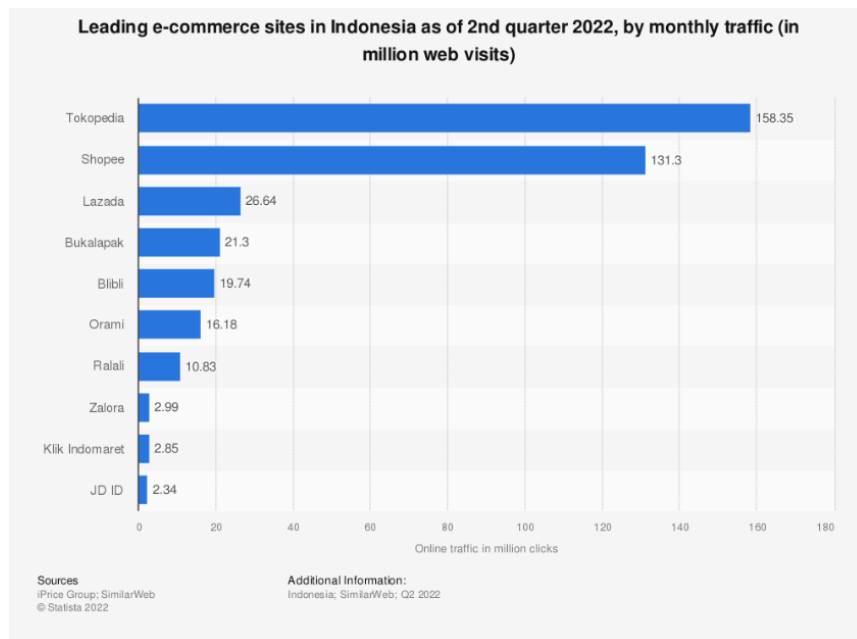


Figure 1. 3 Leading e-commerce sites in Indonesia as on 2nd quarter 2022, by monthly traffic

Source: Statista (2022)

Based on the data in Figure 1.3, as of the second quarter of 2022 among the most clicked e-commerce platforms in Indonesia, Tokopedia ranked the first with more than 158 million clicks followed by Shopee with more than 131 million clicks and Lazada with more than 26 million clicks (Statista, 2022). The rapid growth of the e-commerce business has led to the emergence of many e-commerce-based companies that compete strictly. Companies are increasingly careful and creative in building and determining their competitive strategy. E-commerce companies are now competing in providing promotional offers that can attract customers, starting from free shipping promos, discounts, and so on. However, if company only focus on the promotion strategy it will not make consumers loyal to the company because once the company does not apply anymore promotions, the customers would likely to switch to another company that can provide more profitable offers. If the company only focuses on promotions strategies, the company would likely to lose customers and will not have loyal customers to the company (Tobagus, 2018).

In facing the competition in the e-commerce industry, the internet has a big role in attracting consumers as well as building e-wom, repurchase intention, and site revisit. Reported from CNBC (2022), Tokopedia Co-founder & CEO Wiliam Tanuwijaya said the Covid-19 pandemic gave rise to a hyperlocal trend, where consumers want the product ordered to arrive quickly and if possible, arrive on the same day. Tokopedia's smart warehouse innovation offers a more consistent hyperlocal experience by placing goods in Tokopedia's smart warehouse so that delivery will be faster at affordable prices. This indicates the achievement of customer satisfaction which indirectly makes customers have the intention to repurchase. According to Kotler & Keller (2006) in Rita et al. (2019), customer satisfaction is the result of the buying process, and it has a significant impact on future consumer behaviour, including online repurchases. Repurchase intention represents a person's willingness to purchase from the same company again based on their previous experiences.

The achievement of customer satisfaction makes customers express their satisfaction through word of mouth. According to Pereira et al. in Rita et al. (2019), a satisfied online customer would likely to shop again and recommend online retailers to others. This behaviour can make customers have repurchase intentions which also direct them to site revisit. The following is some data related to e-WOM from customers who have experience buying a product at Tokopedia which indicates their satisfaction with Tokopedia.

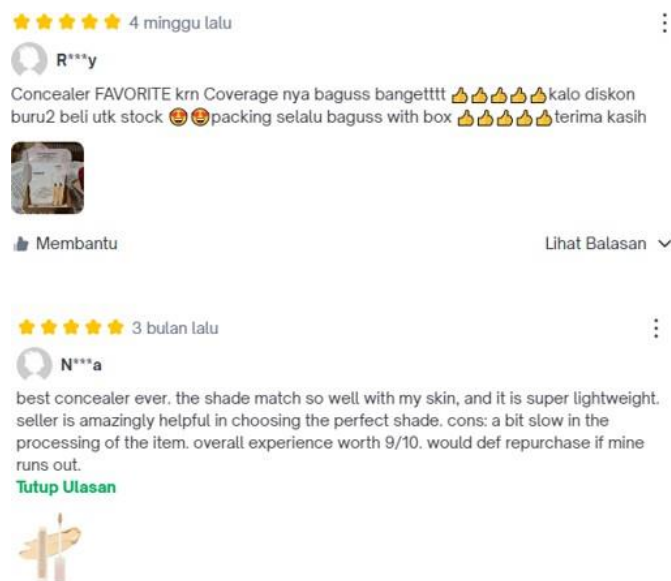


Figure 1. 4 Customer Review on Tokopedia

Source: Tokopedia (2023)

Based on Figures 1.4, the consumer indicated their satisfaction with the products they bought through Tokopedia and indicated their interest in repurchasing the product in the future. Their interest in repurchase intentions will indirectly make these consumers make a site revisit to Tokopedia again in their next purchase. Through word of mouth, it can also indirectly attract other customers to buy products at Tokopedia. According to Wu et al. (2018), customers often use WOM when they seek information about brands, products, services, and organizations. Online customers are

more likely to rely on recommendations from experienced customers before they purchase because online services are more intangible and harder to evaluate.

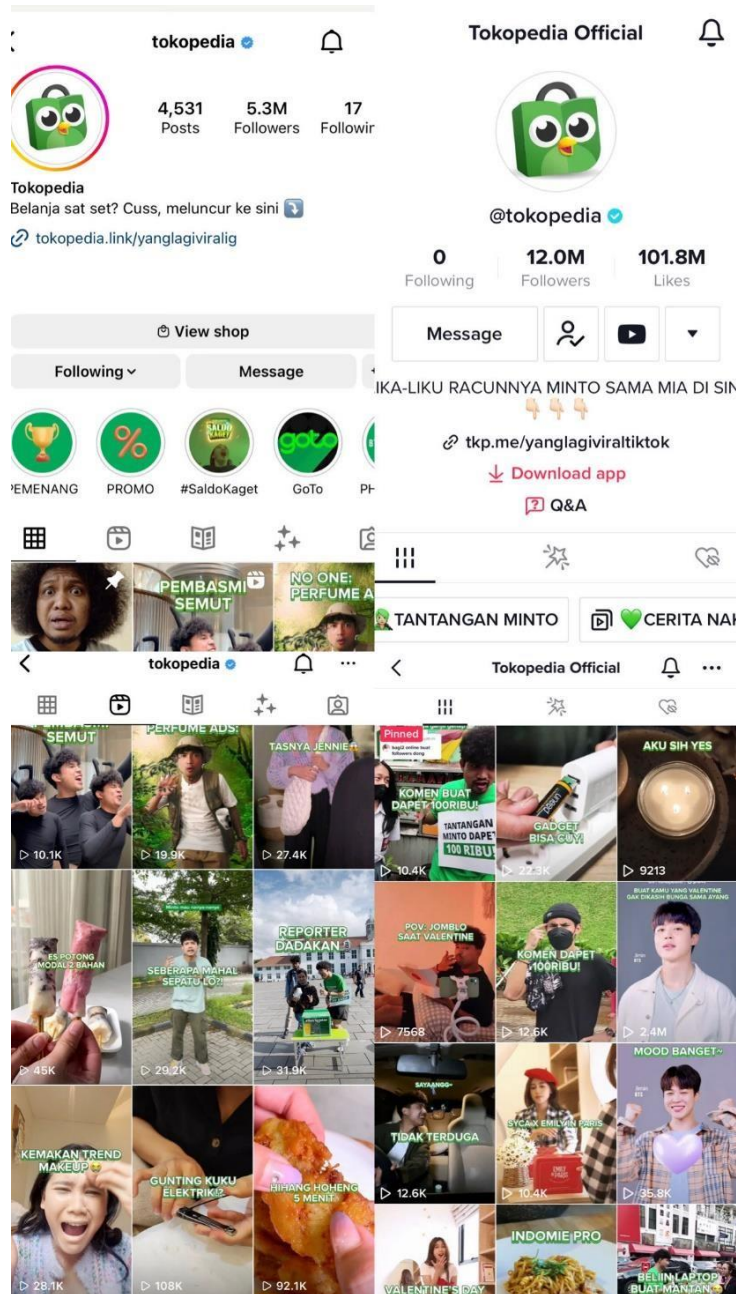


Figure 1. 5 Tokopedia Instagram and TikTok

Source: Tokopedia Official Social Media (2023)

In relation to site revisit, based on Figure 1.5, it can be seen from the information and content uploaded by Tokopedia in their social media that it has attracted a large audience. The large number of Tokopedia followers on social media can be seen as an opportunity for Tokopedia to attract their customers, even new customers, to conduct site revisits. Tokopedia can use its social media to promote the products from online stores that are sold on the Tokopedia platform which in turn will attract consumers to do site revisits. Besides that, customer satisfaction can also influence visitors in conducting site visits. Gounaris et al. (2010) stated that the more positive the customer feels about a particular site after an interaction, the more likely the customer is to return to that site. Consumers usually make choices based on their prior experiences with retail services to develop repeat behaviour, in this case site revisit (Gounaris et al., 2010).

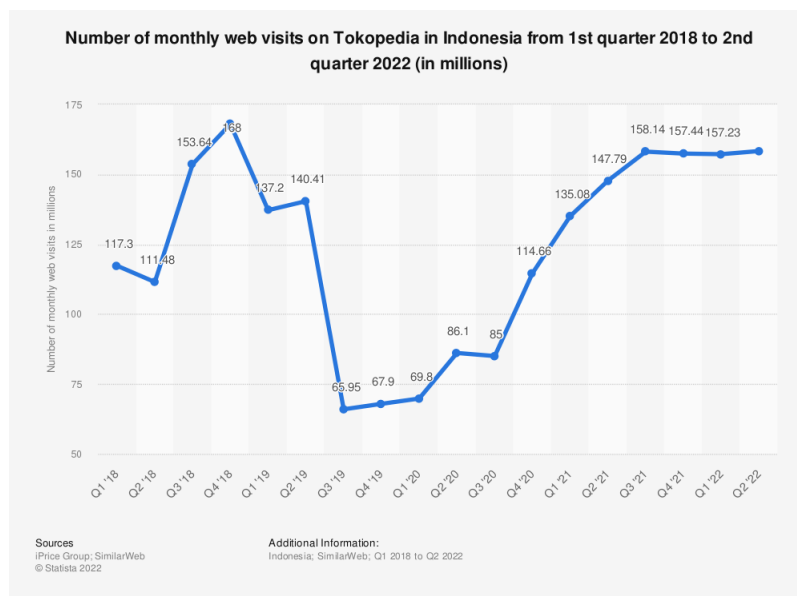


Figure 1. 6 Number of Monthly Web Visit on Tokopedia in Indonesia from 1st quarter 2018 to 2nd quarter 2022

Source: Statista (2022)

According to the data of Figure 1.6, there was significant increase of the number of monthly web visits on Tokopedia platforms from the third

quarter of 2019 until the third quarter of 2021 and remains stable until 2022. This significant increase was triggered by the Covid-19 pandemic which started to enter Indonesia in the second quarter of 2020, from previously there were more than 69.8 million visits in the first quarter of 2020 to 86.1 million visits in the second quarter of 2020 which can be seen since its emergence and widespread of the COVID-19 pandemic in Indonesia, this was an increase compared to the previous quarter and continues to increase significantly to 158.14 million clicks in the third quarter of 2021 and remain stable afterwards (Statista, 2022).

As the e-commerce that has significant increase in the number of monthly web visits, it has the possibility of Tokopedia will still provide unsatisfactory services for its users because there are still many complaints directed at Tokopedia e-commerce. This was supported by the General for Consumer Protection and Commerce Order (PKTN) who reported that 95.3% or 8,949 consumers had complaints related to e-commerce. Complaints in this sector include the food and beverage sector, transportation services, refunds, purchases of goods that are not in accordance with the agreement or damaged, goods not received by consumers, unilateral cancellations by business actors, arrival time not as promised, shopping fraud online and others (Antara, 2022). Complaints against Tokopedia always occur in every year, even in 2023, Tokopedia is still experiencing problems with e-service quality. The following is data regarding the phenomena that occur in Tokopedia.

Table 1. 1 Tokopedia’s Consumer Complaints on Mediakonsumen (2023) and AppStore (2023)

Date	Complaints	Indicators
19 Januari 2023 (Amelia, 2023)	The user as a seller gets a notification on the Sales Balance that there is a withdrawal of the	Suboptimal Service Quality.

	Shipping Subsidy because it does not comply with the T&C. The Free Shipping Promo Fee is Not Paid by Tokopedia.	
19 Januari 2023 (Helmi, 2023)	The seller and Tokopedia are detrimental, the buyer cannot get the returned item instead of paying the shipping fee.	Suboptimal Service Quality.
22 Januari 2023 (Arman, 2023)	Applications that are getting crowded and not simple. Slow app until the app exits itself.	Features does not properly work.
23 Januari 2023 (Kerui, 2023)	Losses because the seller sends products that don't match the order and Tokopedia only makes refunds according to the nominal purchase of the goods so that the buyer paid the shipping costs.	Suboptimal Service Quality.
23 Januari 2023 (Muhamad Rsd, 2023)	Orders that are always cancelled by the system.	Features does not properly work.
23 Januari 2023 (Hendrickpras, 2023)	Buyers make transactions using CC Cards but there is no list of transactions on Tokopedia, and Tokopedia Care does not respond to the complaints.	Features does not properly work and unresponsive customer services.

Sources: MediaKonsumen (2023) and Appstore (2023)

The number of cases of these complaints can indicate that the quality of electronic services is still lacking and needs to be improved. This can affect the sustainability of the company's operations if not corrected.

Therefore, the quality of electronic services needs to be improved in order to achieve consumer satisfaction (Mediti, 2020).

Quoted from CNBC (2020), Tokopedia was overshadowed by a crisis of consumer trust due to leaks of user data being traded on the dark web. User data leakage caused by this hack will reduce consumer trust because data leakage can be detrimental to consumers. This indicates that the quality of e-service from Tokopedia still needs to be improved, Tokopedia must continue to maintain the security of its account system on a regular basis to minimize this from happening again. It is emphasized that the storage of personal data of e-commerce consumers is carried out based on the principles of eligibility for electronic systems used by digital platforms. This is implied in Article 2 of Minister of Communication and Informatics Regulation No. 20 of 2016 that the storing party must have an appropriate security system to prevent leakage or processing or unlawful use of personal data. In addition, every party who obtains the data, including but not limited to digital platforms and merchants, is obliged to maintain, and protect personal data from any attempts to misuse data that can harm consumers (Kompas.com, 2021).

Merchant	Monthly Web Visits	AppStore Rank	PlayStore Rank	Twitter	Instagram	Facebook	Number of Employees
1 Tokopedia	157.233.300	#2	#3	1.000.000	5.194.660	6.518.940	7.409
2 Shopee	132.776.700	#1	#1	778.100	8.518.710	25.087.130	6.232
3 Lazada	24.686.700	#3	#2	464.000	3.132.270	31.833.880	1.447
4 Bukalapak	23.096.700	#7	#7	239.300	1.857.790	2.511.780	2.915
5 Orami	19.953.300	n/a	n/a	5.690	16.200	350.680	247
6 Blibli	16.326.700	#6	#5	573.600	2.152.230	8.676.930	2.768
7 Ralali.com Ralali	8.883.300	#22	n/a	3.830	53.190	90.740	196
8 Zalora	2.776.700	#4	#8	7.460	756.890	8.012.210	271

Figure 1. 7 The Map of E-Commerce ranks Indonesia in 1st quarter 2022

Source: iprice.co.id (2022)

Merchant	Monthly Web Visits	AppStore Rank	PlayStore Rank	Twitter	Instagram	Facebook	Number of Employees
1 Tokopedia	158.346.667	#2	#5	1.000.000	5.263.104	6.517.950	7.976
2 Shopee	131.296.667	#1	#1	842.900	8.727.742	25.778.184	6.781
3 Lazada	26.640.000	#3	#2	475.900	3.156.231	32.137.440	1.506
4 BL Bukalapak	21.303.333	#7	#6	252.500	2.110.525	2.505.675	2.962
5 Blibli	19.736.667	#5	#3	613.700	2.258.064	8.689.266	2.952
6 ORORI Orami	16.176.667	#NA	#NA	5.685	20.085	350.042	251
7 Ralali.com Ralali	10.830.000	#24	#NA	3.736	50.778	90.396	204
8 Zalora	2.990.000	#4	#9	69.400	772.558	8.021.418	258

Figure 1. 8 The Map of E-Commerce rank Indonesia in 2nd quarter 2022

Source: iprice.co.id (2022)

Based on Figures 1.7 and 1.8, Tokopedia is ranked first as an e-commerce with the highest number of web visitors among its competitors in the first and second quarters of 2022. Despite Tokopedia can maintain its position in first place as the e-commerce with the highest number of web visitors, it is possible that the position will be replaced by its competitors, one of which is Shopee. Because Shopee is an e-commerce that is ranked first in terms of ranking on the AppStore, PlayStore and has a greater number of followers than Tokopedia. Therefore, Tokopedia must be able to maintain its position by increasing its E-Service Quality so that it can increase the level of satisfaction. There is one obstacle faced by customers in using the services provided by Tokopedia, including the occurrence of system / error problems when Top-Up E-Money balances through Tokopedia. The E-Money balance that has been topped up by the user is not updated while a disturbance notification appears, but a successful Top-Up notification appears via email and Tokopedia history on January 2, 2023. Meanwhile, kompas.com also tried to top up the E-Money balance Money through the Tokopedia application on January 23, 2023, but apparently there are still problems with system disturbances and errors. Responding to this, Tokopedia's Head of Sales and Operation Development (Digital Goods)

Jonathan Gilbert Tricahyo said that until now, topping up e-money balances through Tokopedia could not be used due to system problems. Based on this problem, it can be seen that the Tokopedia application is still experiencing problems regarding e-service quality so that the Tokopedia application must continue to be improved so that this does not happen again in the future (kompas.com, 2023). In e-commerce-based companies, it is important to pay attention to the e-service quality that will be provided to consumers so that they feel comfortable and satisfied in using the platform as the media for transactions (Tobagus, 2018). Moreover, customer satisfaction is an e-commerce company's most challenging task to achieve and retain. To chart the level of service quality according to consumer assessment is a major challenge for e-commerce companies trying to understand their market (Sari et al., 2018)

According to Kotler & Keller (2016) satisfaction is a person's feelings of pleasure or disappointment that result from comparing a product or service's perceived performance or outcome to expectations. It can be concluded that if customers experience a good and positive experience from the service provided, the customers obtained satisfaction. Vice versa, if the customers have a bad experience from the service provided, there will be a sense of disappointment and dissatisfaction. According to Parasuraman et al. (2005) E-Service Quality is the effectiveness of an electronic service, or a website is measured by how well it enables users to shop, buy, and get their orders in efficient and effective way. The impact experienced from the quality of electronic services is a sense of satisfaction or dissatisfaction from the services provided. The biggest challenge for an e-commerce company is to provide and maintain customer satisfaction and the strategy that focuses on service is the key factor in the competitive environment. High service quality is needed in order to obtain high level of customer satisfaction. A website with good system quality, information quality, and electronic service quality is a key to success in e-commerce. (Rita et al., 2019). According to Lai et al. (2007) in Lin & Sun (2009) suggested that when customers perceive better website service quality, they will have more e-satisfaction and when customers feel e-satisfaction with the website, they

will feel more e-loyalty and when the website is responsive, it will directly influence the customers' e-loyalty. It can be concluded that when customers

remember a pleasurable shopping experience on an online shopping website or e-commerce, it increases their willingness to visit the website again.

This research will analyzed Tokopedia as one of the e-commerce companies in Indonesia. Tokopedia is the leading e-commerce company in Indonesia and has the most monthly visits during the first and second quarters of 2022. However, this position could be displaced by its competitors because even though it has the highest number of monthly web visits among its competitors, the ranking of Tokopedia applications in Appstore and Playstore is not in the first position and the number of followers is still below its competitor, Shopee. Therefore, in relation to e-service quality, Tokopedia still has to improve its e-service quality in order to increase customer satisfaction and trust, because there are still some customers who are dissatisfied with the service provided and complaints addressed to Tokopedia. One of the complaints from MediaKonsumen (2023) is that one consumer feels dissatisfied with services from Tokopedia. One of Tokopedia's consumers, as a seller feels disadvantaged because the cost of the free shipping promo is not paid by Tokopedia so that the shipping costs that should be borne by Tokopedia are instead borne by the seller, where the shipping costs are deducted directly from the product sales proceeds. However, Tokopedia did not solve this problem completely.

In general, studies that discuss e-service quality have differences both in object, methodology and results (Khan et al., 2019; Rita et al., 2019; Tran & Vu, 2019; Tobagus, 2018). The research from Rita et al. (2019) only discussed online business in general, different from previous studies, this research specifically discussed Tokopedia as one of the online shopping platforms in Indonesia. This study will test whether the results of the variables used are generally the same as research that discusses online business in general, since this research discussed one of the online shopping specifically. Based on the phenomenon and background that has been described, this study will focus on analyzing the dimensions of e-service quality developed by (Rita et al., 2019) namely the dimensions of website design, customer service, security/privacy, and fulfilment towards customer satisfaction and Customer Trust and the effect on customer

behaviour includes repurchase intention, word of mouth and site revisit. Therefore, researchers will conduct the research with the title “The Influence of Overall E-Service Quality Towards Customer Satisfaction and Customer Trust of Tokopedia Users in Indonesia”.

1.3 Problem Formulation

Based on the background that has been described, Tokopedia is the leading e-commerce site in Indonesia which has the highest number of monthly visits during the first and second quarters of 2022. However, this position could be displaced by its competitors if Tokopedia does not maintain its e-service quality to increase customer satisfaction, customer trust and positive customer behaviour. Although Tokopedia is the leading e-commerce site in Indonesia and has the highest number of monthly web visits among its competitors, in the practice there are still customers who are dissatisfied with the services provided by Tokopedia. In addition, system errors still occur on the Tokopedia platform which indicates that the e-service quality still needs to be improved.

Based on the background and the problem formulation described above, the following is the research question in this study as follow:

1. Does the website design dimension on Tokopedia have a positive and significant influence towards overall e-service quality?
2. Does the customer service dimension on Tokopedia have a positive and significant influence towards overall e-service quality?
3. Does the security/privacy dimension on Tokopedia have a positive and significant influence towards overall e-service quality?
4. Does the fulfillment dimension on Tokopedia have a positive and significant influence towards overall e-service quality?
5. Does overall e-service quality on Tokopedia have a positive and significant influence toward customer satisfaction?
6. Does overall e-service quality on Tokopedia have a positive and significant influence towards customer trust?
7. Does customer satisfaction on Tokopedia have a positive and significant influence towards repurchase intention?
8. Does customer trust on Tokopedia have a positive and significant influence towards repurchase intention?

9. Does customer satisfaction on Tokopedia have a positive and significant influence towards word of mouth?
10. Does customer trust on Tokopedia have a positive and significant influence towards word of mouth?
11. Does customer satisfaction on Tokopedia have a positive and significant influence towards site revisit?

1.4 Research Objective

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

1. To find out whether the website design dimension on Tokopedia shows a positive and significant influence towards overall e-service quality
2. To find out whether the customer service dimension on Tokopedia shows a positive and significant influence towards overall e-service quality
3. To find out whether the security/privacy dimension on Tokopedia shows a positive and significant influence towards overall e-service quality
4. To find out whether the fulfillment dimension on Tokopedia shows a positive and significant influence towards overall e-service quality
5. To find out whether overall e-service quality on Tokopedia shows a positive and significant influence towards customer satisfaction
6. To find out whether overall e-service quality on Tokopedia shows a positive and significant influence towards customer trust
7. To find out whether customer satisfaction on Tokopedia have a positive and significant influence towards repurchase intention
8. To find out whether customer trust on Tokopedia have a positive and significant influence towards repurchase intention
9. To find out whether customer satisfaction on Tokopedia have a positive and significant influence towards word of mouth
10. To find out whether customer trust on Tokopedia have a positive and significant influence towards word of mouth
11. To find out whether customer satisfaction on Tokopedia have a positive and significant influence towards site revisit

1.5 Research Benefit

1. Practical Aspect

As practical benefit, this research is expected to provide useful insights into the theory and practice of this research, not only helping companies to reach customers, but how it also plays an important role in influencing how e-service quality affects customer satisfaction and customer trust.

2. Theoretical Aspect

As theoretical benefit, this research is expected to provide benefits in the field of knowledge regarding e-service quality in e-commerce which is used as a research object. It is also hoped that this research can provide new insights for readers.

1.6 Writing Systematic

This study contains systematics and an explanation of research structured as follow:

a. CHAPTER I INTRODUCTION

This chapter includes the Background, Problem Formulation, Research Objective, Research Benefits, and Writing Systematics.

b. CHAPTER II LITERATURE REVIEW

This chapter includes a review of Research Literature, Previous Research, Theoretical Framework, and Hypothesis.

c. CHAPTER III RESEARCH METHOD

This chapter includes Type of Research, Operationalization of Variables, Research Steps, Population and Sample, Data Collecting, Validity and Reliability, and Data Analyzing Technique.

d. CHAPTER IV FINDINGS AND DISCUSSION

This chapter includes the Characteristics of respondent, Research Result, and Research Result Discussion.

e. CHAPTER V CONCLUSION AND SUGGESTION

This chapter includes the conclusion of the research analysis and the academic and practical recommendations for further research in this field.