

CHAPTER 1

INTRODUCTION

1.1. Background

The Internet and Web development have been the most exciting developments in the field of information and communications technology in recent years. With increasing Internet access, the use of e-commerce services by the population is booming globally and locally in Indonesia. Internet is one form of digital marketing. Digital marketing is one type of marketing being widely used to promote products or services and to reach consumers using digital channels. Digital marketing extends beyond internet marketing including channels that do not require the use of Internet. It includes mobile phones (both SMS and MMS), social media marketing, display advertising, search engine marketing and many other forms of digital media. Further, the benefits for consumers with this form of marketing are saving time, fun, and comfortable, while benefit for manufacturers is they can introduce new products rapidly, cost-effectively and also can build a personal relationship time by time with each customer.

Many countries in Asia are opening up to ecommerce in order to take advantage of the opportunities for promoting competition and diffusion of Internet technologies. Wigde and Bahl (2012) found that currently, shoppers in metropolitan India are being driven by e-commerce: these consumers are booking travels, buying consumer electronics and books online. Although spending per online buyer remains low, some 59% of online consumers in metropolitan India already make purchases online at least once in a month. *Badan Pusat Statistik* (BPS) in collaboration with *Asosiasi Penyelenggara Jasa Internet Indonesia* (APJII) recorded a growth rate of Internet users in

Indonesia by the end of 2013 reaching 71.19 million people (HarianTI.com). The pattern of Internet usage in Indonesia showed that the first position is almost 95.75% of users use the Internet for electronic mail, shifting the position of access to social media services, which reached 61.23%. In the next rank highest utilization of the internet is to search for news / information (78.49%), look for the goods / services (77.81%), information governance institutions (65.07%) and social media (61.23%).

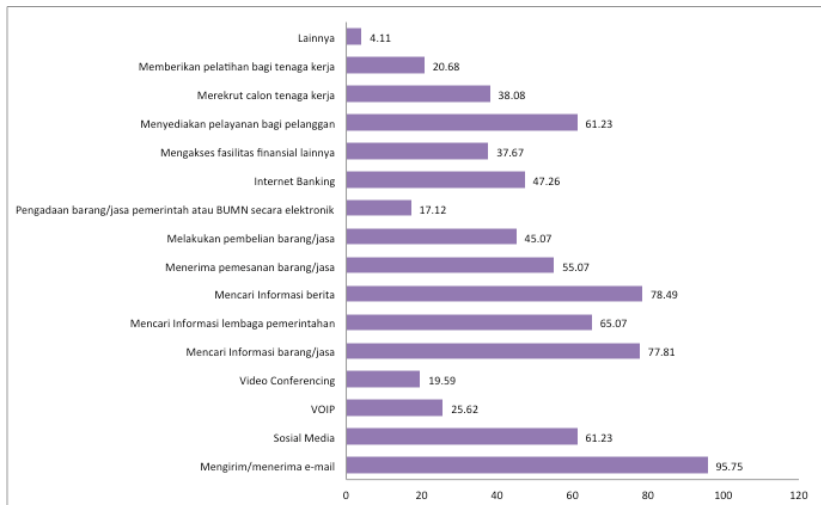


Figure 1.1: The Pattern of Internet Usage in Indonesia

Source: www.apjii.or.id

Internet users has prompted a huge potential for the creation of online shopping, as seen from the data the total use of the Internet, Internet users who do online shopping reached 45.07%. Therefore, the opportunity to run an online business is increasingly open for business people in Indonesia.

Online shopping makes consumers shop more easily without spending time and effort. Because of this online shopping becomes more attractive.

With the presence of online shopping, consumer's shopping trend that needs physical attendance, eventually is able to shop practically through internet. Shopping by online like this can be well received because considered more effective and efficient.

There are various benefits of online shopping which encourage people to participate in online transaction. Those benefits are: the global reach of the internet, whereby consumers can buy goods and services with a wide range of categories anywhere, any time and at any location. Besides, online sellers deliver the goods to the buyer's home, and customers can order as many items as they can afford.

Nowadays consumers consider their requirements more than usual and they are highly expecting the spectacular standards of service (Chen and Mau, 2009). Pratminingsih *et al* (2013) reported that the existence of e-loyalty emerged from experience which was gained during the first transaction increases the possibility of purchasing in the same online store again.

Customer loyalty will be a critical asset for e-retailers. Reichheld and Schefer (2000) found that the high cost of acquiring new online customers could lead to unprofitable customer relationships for up to three years. Consequently, it is very useful to determine the key antecedents or factors that influence customer loyalty.

Loyal customers are more profitable because they likely buy more over time if they are satisfied. It costs less for the enterprise to serve retained customers over time because transactions with repeat customers become more routine (Peppers and Rogers, 2011:47). A buyer's satisfaction is a

function of the product's perceived performance and the buyer's expectations. Recognizing that high satisfaction leads to high customer loyalty, companies must ensure that they meet and exceed customer expectations (Kotler and Ketler, 2016:175). He, who is satisfied, is loyal and communicates the positive about the product or services more or less nine others (Gul, 2014). Most customers want to deal with businesses and use brands that they can trust and rely on, organizations with which they feel comfortable (Peppers and Rogers, 2011: 73). As with loyalty, trust is a special psychological state that can only occur in certain relationships. When a customer trusts a service provider, he or she has the confidence in service quality and product quality of the service provider (Mosavi and Ghaedi, 2012). Customers may tend to stay on the online shopping malls if they trust the service provider because online transaction does not allow customers to see the goods before they purchase (Pratminingsih *et al*, 2013). Loyalty develops as customer visit the website more often than other website and become committed to the website. Even if they are presented with new alternatives, they intend to maintain their relationship with this particular website. If somebody criticizes the current website, they would rather emphasize the website positive feature (Pratminingsih *et al*, 2013).

Now Indonesia is becoming one of many countries using online shopping as the new trend. This can be seen from many emerging Web e-commerce like Kaskus, Lazada.co.id, Olx.co.id, Blibli.com, Bukalapak.com, Zalora.co.id and many more can be found easily by category of merchandise that will be searched or purchased. One of other e-commerce web is Tokopedia.com. Tokopedia is one of Indonesia's biggest online marketplaces. Launched in 2009, Tokopedia provides a customer to

customer (C2C) retail by providing a platform for individual entrepreneurs and small/medium businesses to open online stores.

Seeing from its popularity, Tokopedia.com ranks 8 of the most popular sites in Indonesia and 252 of the most popular sites in the world. It can be seen from the following statistics:

Figure 1.2: The Statistic Data of Tokopedia.com in 2017



Source: www.alexa.com

From the data in Figure 1.2, we can see a dramatic increase of popularity, which means the users, sellers and visitors, have so many activities and more active. It shows that the popularity of Tokopedia.com is the best compared with the other e-commerce websites, like Kaskus, Bukapal.com, Lazada.co.id, and olx.com, as shown in Figure 1.3. It can be said that this could happen because the consumers are very satisfied and trust toward Tokopedia.com and prefer to commit to it compared to the other ecommerce web.

How popular is bukalapak.com?

Alexa Traffic Ranks

How is this site ranked relative to other sites?



How popular is lazada.co.id?

Alexa Traffic Ranks

How is this site ranked relative to other sites?



How popular is kaskus.co.id?

Alexa Traffic Ranks

How is this site ranked relative to other sites?



How popular is olx.co.id?

Alexa Traffic Ranks

How is this site ranked relative to other sites?



Figure 1.3: The Statistic Data of Other E-commerce in 2017

Source: www.alexa.com

From the trend indicated by the Tokopedia graph, it seems that the business has been running well. To sustain the positive trend, Tokopedia has to keep good effort. In this case, therefore, the researcher is interested in conducting research concerning the factors affecting customer loyalty.

Based on the above background, this study is intended to analyze whether satisfaction, trust, and commitment affect their loyalty at Tokopedia. Therefore, I do a research with the title "The Influence of Satisfaction, Trust, and Commitment on Customer Loyalty in Tokopedia Website".

1.2. Research Question

Based on the background of the research, the following research questions can be proposed:

1. Does satisfaction affect customer loyalty in Tokopedia?
2. Does trust affect customer loyalty in Tokopedia?
3. Does commitment affect customer loyalty in Tokopedia?
4. Does satisfaction affect trust in Tokopedia?
5. Does satisfaction affect commitment in Tokopedia?
6. Does trust affect commitment in Tokopedia?

1.3. Research Objective

Based on the research question, the following objective could be concluded:

1. To analyze the effect of satisfaction on customer loyalty in Tokopedia
2. To analyze the effect of trust on customer loyalty in Tokopedia
3. To analyze the effect of commitment on customer loyalty in Tokopedia
4. To analyze the effect of satisfaction on trust in Tokopedia
5. To analyze the effect of satisfaction on commitment in Tokopedia
6. To analyze the effect of trust on commitment in Tokopedia

1.4. Significance of Study

1.4.1. Theoretical Benefit

This research is hopefully be able to spread out the information to many people who have online shops about how to maintain their service

quality, so their customers can be loyal. It also can be used for basis of further research.

1.4.2. Practical Benefit

This research is hopefully able to make the online sellers better understand how to treat their customer. The knowledge can inform the sellers about how to act, so they can make the customers loyal to their shops.

1.5 Systematic of Research

Systematic that is used in this scientific research are in the following:

CHAPTER 1: INTRODUCTION

This chapter provides the background, research questions, research objectives, significance of study, and systematic of thesis writing.

CHAPTER 2: LITERATURE REVIEW

This chapter will explain the previous research, theoretical basis, research framework and research hypothesis.

CHAPTER 3: RESEARCH METHOD

This chapter contains the way how to do the research, such as research design, variable identification, operational definition, type and sources of data, data gathering techniques, population, sample, sampling technique, data analyze technique, and hypothesis testing procedure.

CHAPTER 4: ANALYSIS AND DISCUSSION

This chapter shows the result of data obtained which are presented with statistical table and the analysis based on the result.

CHAPTER 5: CONCLUSION AND RECOMMENDATION

This chapter consists of the conclusion of the research and recommendation for company to help them in improving the performance.