CHAPTER 1

INTRODUCTION

1.1 Background

It cannot be denied that the role of technology today has advanced to a certain point. Due to the Industrial Revolution 4.0 (Vaidya, et al., 2018), technology is now widely used by companies to further develop their business strategies. Especially with the appearance of Internet of Things and Emotional Internet of Things, myriad of people depends more on the expertise of technology. Nowadays, the industrial revolution has fundamentally disrupted the way we live, work, and relate to one another. The revolution itself has been thriving in terms of Internet of Things, Robotics and Automation, and Digital Analytics (Big Data). A simple epitome can be seen through the invention of Sophia, a socially-adapting robot constructed by Hongkong-based company called Hanson Robotics.

Developed with visual data processing, facial recognition, and artificial intelligence, Sophia can imitate human gestures and facial expressions, answer certain questions and make simple conversations on banal topics such as the weather. Using the voice recognition technology from Google, Sophia is built to progressively be more knowledgeable overtime. Also, her intelligence software is built by SingularityNET, which equips Sophia with the ability to elaborate responses, extract data, and improve conversations (Hanson et al., 2005). The terms Internet of Things (Irniger, 2018) can be seen from the use of Google Home, a device that is complemented by quick-response systems based on Google proprietary technology. Last but not least, Digital Analytics popularizes the use of practical application by popularizing the data usage in marketing, leading to the widespread availability of data visuals in the digital space. This obviously will lead to

companies having the urge to innovate, in terms of information systems and computing technology that combines computer network with communication channels which carry a large amount of data (Hanson, et al., 2005).

With the progression of technology due to Industrial Revolution 4.0, businesses have to dwell with competitiveness between corporations that arise. Conventional transportation businesses such as *ojek* or taxi have to keep up with the wave of technological modernization, whether they want it or not. Based on the mass media in Indonesia, there used to be controversies regarding the disruption of transportation technology. Certain traditional vehicles refused to compete with online-based technology platform, thus they managed to go berserk. This kind of fight has been happening over such a long period of time, to the point that famous taxi brands, such as Bluebird and Grab, in Indonesia decided to join the internet platforms (as of this day, Bluebird has its own application-based platform called MyBluebird, while Orenz has joined the application of Grab). On the other hand, drivers of conventional ojek have decided to alter their own platforms by joining the biggest *ojek* company in Indonesia, which is Gojek Indonesia, LLC. Ineffectiveness of conventional transportations has created an opportunity for Gojek to innovate, by creating information systems collecting massive data for the purpose of benefiting the mass. Since 2010, Gojek has been developed and continuously upgraded to offer customers with the right services.

Online transportation itself is heavily assumed to be one of the newest service innovations. According to Wallsten (2015) in Silalahi et al. (2017), online transportation service enables customers to order a ride by vehicles such as cars and motorcycles, through mobile applications. Several advantages can be achieved—drivers and customers can acknowledge each other's location in an accurate way, in addition to the ability of knowing driver's information and travelling anywhere more effectively. Even though online transportation services have been popularized within developed

countries such as Europe and United States, Gojek was only introduced to the citizens of Indonesia approximately 4 years ago, in 2015. To increase people's satisfaction and loyalty of online transportation service in Indonesia, Gojek has maintained its electronic service quality and service quality to gain competitive advantage among the mass.

Broadly defined, electronic service quality is one of the most relevant components of the mainstream business industry. This is due to the fact that they offer great success opportunities for the companies, since they have the ability to collect, process, distribute, and share data in a short period of time. Pertaining to this fact, information system has helped narrow geographical gaps, assist workers to be more efficient, and thus result a positive impact on the overall productivity and competitiveness of the company itself (Ynzunza & Izar, 2011). In the scope of business, the advancement of information system has been proven by recognizing the quality dimensions of the information system as distinctive characteristics of the perception in the utilization of new technologies (Peter, DeLone, & McLean, 2013). Without a doubt, the advancement of information system is a vital technological tool for any institution in this period of globalization, where the efficient accumulation of data and information yields a business advantage. Nonetheless, what is the use of advanced electronic service quality, when they are not accompanied by great conventional service quality. Service quality, alongside with an advanced e-service quality, is perceived by customers based on certain aspects such as tangibility, reliability, responsiveness, assurance, and empathy. These dimensions aggregate criteria to fulfill customer's commuting needs through online transportation application (Silalahi, et al., 2017).

The success of any business system depends on the satisfaction of customers, especially to businesses which mainly focus on technology. It is accurate that the customer satisfaction can be gained from reduction of cost, insensitivity of price, and word-of-mouth. Moreover, customer satisfaction can also mean the satisfactory relationship maintained between a customer

and a range of product/services after the first transaction. Accordingly, customer loyalty itself is broadly defined as a convincement to repeatedly buy a favored product or service, in a consistent manner, despite the potential causes that can alter buying behaviors (Oliver, 1999). It cannot be denied that customer loyalty leads to an increase profit in business operations. The main consequence of customer satisfaction, which is customer loyalty, has been broadly defined in various ways over the past years. The general feeling of loyalty felt by customer is a result of purchase encounters, although it does not need to be based on previous transactional encounters. Nevertheless, customer satisfaction and loyalty are not the only aspects in building relationship strength, but service qualities can also affect the longevity between a customer and, in this case, transportation applications. The service management literature shows increasing interest in relationship strategies in the area expertise of transportation applications, where the focus is visibly on building customer satisfaction and loyalty. An epitome of brand loyalty affected by innovation within the application itself, Gojek has attracted the attention of many people by successfully providing value and satisfaction to the buyer or consumer market. Customers being wholly satisfied and intentionally loyal can be shown through the high amount of Gojek's application downloads and the rating services, which is visible from the reviews of both the Gojek applications on Google Play and Apple Store.

Specifically, in Indonesia, the role of transportation is highly impactful on the development of highway traffic, especially in large cities that do have a highly substantial level of activity every day. The requirement for individuals to perform in an efficient and dynamic mobility is also high, even though there might be some factors that can hinder the continuity of it. The urge and desire of wanting to do the activity easily and quickly push people to keep on going with their activity. Individuals who do not own private vehicles eventually plunge to the convenience of online

transportation platforms, thus making their loyalty to be immensely impactful.

1.2 Research Question

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

1. Does E-Service Quality have an influence on Customer Satisfaction?
2. Does Service Quality have an influence on Customer Satisfaction?
3. Do both E-Service Quality and Service Quality have an influence on Customer Satisfaction?
4. Does Customer Satisfaction have an influence on Customer Loyalty?

1.3 Research Objective

Based on the research, the following objectives can be concluded:

1. To examine the effect of Electronic Service Quality towards customer's loyalty on online transportation applications such as Gojek.
2. To analyze the impact of both E-Service Quality and Service Quality towards customer satisfaction on online transportation applications such as Gojek.
3. To acknowledge the effect of Service Quality towards customer's loyalty on online transportation applications such as Gojek.
4. To comprehend the effect of customer satisfaction towards customer's loyalty on online transportation applications such as Gojek.

1.4 Significant of the Study

1.4.1 Theoretical Benefit

The result of this research can be used by individuals who conduct the same study case, particularly about the impacts of e-service quality and service quality towards the customer's satisfaction on online transportation applications such as Gojek.

1.4.2 Practical Benefit

The outcomes of this study can offer insights for company or institution that attempts to identify customer's loyalty of online transportation platforms, by acknowledging the impacts of e-service quality and service quality on Gojek users.

1.5 Systematic of Writing

CHAPTER 1: INTRODUCTION

This chapter describes the research topic and the aim of this research. This includes the background, research question, objective, scope of research, significance of research, and the chapter's general outline.

CHAPTER 2: LITERATURE REVIEW

This chapter provides the brief description of previous study that is used and the theoretical framework that has been used throughout the study. Some concepts are used to analyze the results and findings of the study.

CHAPTER 3: RESEARCH METHOD

This chapter provides a brief explanation of how the data was collected and how these data will be analyzed to achieve the objective of this research.

CHAPTER 4: ANALYSIS AND DISCUSSION

This chapter contains data description, data analysis, and discussion. It is also discussing respondent description, research variable statistic description, and hypothesis testing.

CHAPTER 5: CONCLUSION AND SUGGESTION

This chapter is the closing of this study which gives the conclusion and suggestion for the research object, also for the consumer or researcher to do further research.