

CHAPTER 1

INTRODUCTION

1.1. Background

This 4.0 Industrial Revolution, means that the impact of globalization will be very important for human life. Most people can hardly be separated from technological things. People slowly feel comfortable with their technology. Say smartphones, people cannot be separated from their smartphones. Instead, they use it for daily activities in their workplaces, families and communities. And the partner of the smartphone is the Internet itself. Without the internet, smartphones are useless for several reasons.

The internet is one of the most important things that people need. In this modern era, most people can access the internet easily. Because the number of internet users continues to increase, it makes many business people want to increase their business sales by expanding their markets in various ways. Can be through the internet or their smartphone as a mediation to offer their products. And that makes the growth of Online Stores continue to grow every day. People who own their business and have a physical store, will see this opportunity and take it by opening their digital store in the online marketplace, E-Commerce.

Day after day, people are increasingly fond of buying on their smartphones, which means using an application called e-commerce. E-commerce is very profitable for many parties, be it sellers, buyers, or the government itself. For sellers, this gives them the opportunity to increase or expand their product marketing globally, and it's also free. For buyers or consumers, this gives them the opportunity to get the best product or service they cannot find in some physical stores. This also benefits the government, so it can reduce unemployment in a country because of the small amount of capital needed to build a store in e-commerce.

Also, most people in Indonesia prefer to buy their items on their cellphones or desktops to go to shops or malls, because it's easier and faster. The rapid growth of the e-commerce market in Indonesia is already large. This growth was supported

by data from the Minister of Communication and Information which stated that the value of e-commerce transactions in 2013 reached Rp130 trillion. And now it continues to rise, knowing the development of smartphone and internet users in Indonesia, users of Debit and credit cards, and the desire to buy through e-commerce.

Especially in big cities like Jakarta where traffic jams are everywhere. People are lazy to go to the mall or shop first to buy their items, while they can get it faster and easier on their gadgets. And in our country, Indonesia, which has a large population, internet users and e-commerce continues to increase every year. That can be seen from Table 1.1.

Table 1.1
The Growth of Internet Users in Indonesia

Year	Internet Users (in millions)	E-commerce Users (in millions)
2013	82	6.2
2014	88.1	7.2
2015	110.2	9.5
2016	132.7	17.8
2017	143.3	25.9

Source : katadata.co.id (2018)

From that table we know that from many populations in Indonesia, e-commerce companies will exert all their strength to make e-commerce users buy on their website or application. They will use any strategy to defeat their competitors no matter how hard the struggle. As we can see, from 2015 to 2016, the number of e-commerce users doubled that year. E-commerce companies can see opportunities in the Indonesian market, where consumer behavior is more interested in these kinds of things. And that is why, the e-commerce market in Indonesia is becoming a big gold mine for many people who can see its potential in the future.

The competition of many e-commerce in Indonesia will be very strict. This can be seen from the table of the users of e-commerce in Indonesia at Table 1.2

Table 1.2
Top Performing Online Consumer Goods E-Commerce Retailers in
Indonesia in June 2017

	Retailers	Total Digital Population (000)	Mobile (000)	Desktop(000)
1	Lazada	21,235	15,864	8,107
2	Blibli	15,556	13,837	2,651
3	Tokopedia	14,401	13,006	2,217
4	Elevania	12,872	9,535	5,130
5	Shopee	11,301	10,872	763

Source: IDN Times (2017)

With this data, we can assume that of all the population in Indonesia, there are many people who use e-commerce to buy their goods in June 2017. And along with technological developments, the e-commerce user population will be increasingly rapid. Knowing all e-commerce user data, it will bring competition between them e-commerce to get customer loyalty. According to Zeithaml (1996; in Gefen, 2002), Customer loyalty is related to consumer intentions to continue to make transactions in the future, and recommend vendors to other consumers. Shankar (2000, in Gefen, 2002) found about a way of increasing loyalty of customers, by having superior service quality and in this case called electronic service quality. Because in this digital era, people like to use programs that are easier and simpler so that they will be more effective and efficient for them. Because Service Quality is something that customers usually want and value, providing high-quality services should increase their willingness to go back and do more business with vendors / e-commerce, or e-Loyalty.. Reichheld and Sasser (1990, in Gefen, 2002) said that one of the factors that caused some customers to move to other e-commerce was because they experienced poor e-Service Quality and they didn't get what they expected.

Therefore, the quality of electronic services is very important, because this is what e-commerce users will see first. Because online comparisons of product technical features are basically cost-free, feasible, and easier than comparison of products through traditional channels, service quality is the main determinant of successful e-commerce. E-Service Quality consists of Maintenance, Reliability, Product Portfolio, Ease of Use, and Security. From here we can realize, if one of them is very bad at e-commerce, then it will collapse and they will be lost from

their competitors. From the quality of their e-commerce services, it will have an impact on buyers or users of e-commerce, which will affect the buyer's trust in e-commerce.

In addition to the quality of e-service, e-WOM also plays an important role in e-commerce. When people search for e-commerce they want to use, they will see the first electronic word of mouth, or online reviews provided by e-commerce users. Thureau (2003, in Yoo, Sanders, & Moon, 2013) defines e-WOM as any negative or positive reviews made by actual, potential, or former consumers about a product or company, available to many people and institutions through the internet. This means that e-WOM has a strong impact on purchasing decisions and to gain trust from customers. Customers now use blogs, search engines, internet communities, social media, instant messenger, consumer review systems to collect and disseminate product information. And after all that, good e-service quality and good e-WOM will get the trust of customers.

Trust is another important thing to get electronic loyalty. People will enjoy using and recommending e-commerce to others, if they already trust e-commerce. Because they use e-commerce, get experience, feel satisfied and want to recommend it to others. But back again, that trust cannot come by itself. In this study, Consumer Confidence will require Service Quality and E-WOM to emerge. Morgan and Hunt (1994, p.23, in Giovanis, 2014) assert that customer trust represents “the belief that a party’s word or promise is reliable and that the party will fulfil his or her obligations in an exchange relationship”, while Garbarino and Johnson (1999, p.71, in Giovanis, 2014) define trust as “customer confidence in the quality and reliability of the service offered”. So it’s clear that Trust from the customer plays a very important role in the e-commerce.

This study uses Tokopedia as an object, since Tokopedia has been known and most people use it as their marketplace. *Tokopedia* is an online marketplace that allows individuals and business owners in Indonesia to open and maintain their stores for free. Many people uses Tokopedia to buy their stuffs, and to do research about the product they want to buy. Because we can see the lowest price of the

product, so we will know the market price of that product, and give us knowledge about it before buy stuffs. Tokopedia so far has a good e-service quality and get so many good reviews from customers, so that people trust Tokopedia as their e-commerce. Tokopedia, known as most popular e-commerce in Indonesia lately has increased in the number of users in 2017. This can be seen from the table of the development in Tokopedia at Table 1.3.

Table 1.3
The Development of Tokopedia

Quarterly Data	Number of Visitors (each month)	Ranking in Playstore	Social Media	Number of Employees
Q1-2017	46,534,000	#2	2,968,000	885
Q2-2017	50,667,000	#3	3,864,021	1,076
Q3-2017	93,783,000	#3	4,270,000	1,270
Q4-2017	115,270,000	#2	5,123,000	1,341
Q1-2018	117,297,000	#2	5,634,000	1,611
Q2-2018	111,484,100	#3	6,469,500	1,800

Source : Iprice (2018 Oct)

Tokopedia really focuses on this e-service quality strategy. For the example, one of the attribute of Tokopedia that already good is that which includes :

- The user's requests can be received in accordance with the agreement or time that has been sent.
- Reliable Information
- Users can easily find the items they are looking for in Tokopedia
- Protect all information provided by users
- Able to finish the payment quickly

There are many more examples to give from Tokopedia to ensure their e-service quality are good enough. Not only e-service quality, other influence is electronic word of mouth (e-WOM). Electronic Word of Mouth (e-WOM) came from Word of Mouth (WOM). As early as 1955, Katz and Lazarsfeld believed that

word-of-mouth was seven times more effective than newspaper ads, four times more effective than direct sales, and twice as effective as radio advertising. Later, Day (1971, in Goyette, Ricard, & Bergeron, 2010) estimates that word of mouth was nine times more effective than the other advertising in changing customer attitudes. While Morin (1983, in Goyette, Ricard, & Bergeron, 2010) says that people's recommendations were three times more effective in terms of purchasing of over 60 different products than other advertising.

But today in the virtual era, there are very few studies targeting WOM focusing on WOM measurements themselves. Especially in the context of electronic services, this is not word of mouth anymore, but e-WOM (electronic word of mouth). E-WOM is a form of marketing buzz and can be viral if the message is persuasive or quite funny. In e-WOM, they focus on person-to-person contact that occurs on the internet. Blogs, online reviews, and social networking websites are examples of e-WOM, which allows customers to interact virtually and share information, opinions, and knowledge about products, services, or brands.

With the advancement of technology, consumers will be busy looking for the information needed about a product before they make a decision about purchasing, it is part of e-WOM activities. If e-WOM has been carried out effectively, it can increase consumer trust and loyalty. After all of the above factors, such as the quality of electronic services, e-WOM, all factors will affect customer loyalty through perceived value. E-Loyalty refers to customer loyalty in the internet market, e-commerce. In general, customer loyalty represents the attitudes and preferences of customers for certain companies and products.

In Tokopedia, they are also very focused on their e-WOM. For example, if we open the Tokopedia application in Playstore, we can see reviews of many people who have tried using Tokopedia as a Marketplace and other services. The reviews in e-WOM are really noticed by Tokopedia. There are so many positive reviews about it, but there are also some negative reviews. Some of them say that Tokopedia is a very helpful application, one of the best online shopping, user friendly, easy to use, etc. But there are also people who write their disappointment because of services or products on Tokopedia. Tokopedia showed their attention to this review

or e-WOM. They do it by replying to negative reviews by giving them a solution. Somehow, like helping disappointed reviewers by telling them how to contact Customer Service, or how to use the Help Center on Tokopedia. The e-WOM strategy used by Tokopedia is very meaningful, because people who will download or use Tokopedia will see the review first. If they see good reviews, it will get them interested and feel safe. If they see a negative comment, it will still be fine because Tokopedia is there to help them until the problem is over.

On the basis of that background, then this study takes the title “The Influence of *e-Service Quality* and *e-WOM* on *Customer Loyalty* through *Consumer Trust* at Tokopedia”

1.2. Research Questions

Based on that background above, here are the research questions :

1. Does E-Service Quality have an influence on Consumer Trust at Tokopedia ?
2. Does E-Service Quality have an influence on Customer Loyalty through Consumer Trust at Tokopedia ?
3. Does E-WOM have an influence on Consumer Trust at Tokopedia ?
4. Does E-WOM have an influence on Customer Loyalty through Consumer Trust at Tokopedia ?
5. Does Consumer Trust have an influence on Customer Loyalty at Tokopedia ?

1.3. Objective of the Study

The Objective of this study are to analyze :

1. Influence of E-Service Quality on Consumer Trust at Tokopedia
2. Influence of E-Service Quality on Customer Loyalty through Consumer Trust at Tokopedia
3. Influence of E-WOM on Consumer Trust at Tokopedia
4. Influence of E-WOM on Customer Loyalty through Consumer Trust at Tokopedia

5. Influence of Consumer Trust on Customer Loyalty at Tokopedia

1.4. Research Contribution

Based on the Objective of the study above, then the contribution of this study are as follows :

1. Practical Significance

The Practical benefits of this study, is to make it as a reference material for an e-commerce users, especial on Tokopedia to knows the factors that build the Consumer Trust and Customer Loyalty at Tokopedia

2. Academic Significance

It is expected that the results of this study can be a reference for other researchers who want to understand the Influence of e-Service Quality and e-WOM on E-Loyalty through Consumer Trust at Tokopedia.

1.5. Writing Structure

Systematics of this writing is divided into five chapters that will be arranged systematically as follows:

CHAPTER 1. INTRODUCTION

Explain the background of the problem, the formulation of the problem, the purpose of the study, the importance of systematic research and writing.

CHAPTER 2. LITERATURE REVIEW

This section contains the theoretical basis, previous research that is relevant to the problems discussed in the study, the development of hypotheses and analytical models.

CHAPTER 3. RESEARCH METHODS

Describe research design, identification of variables, operational definitions, measurement of variables, types of data and sources,

tools and methods of data collection, population, samples and sampling techniques, and data analysis techniques.

CHAPTER 4. ANALYSIS AND DISCUSSION

Regarding the characteristics of the study, descriptive statistics of research variables, results of data analysis, hypothesis testing, and discussion

CHAPTER 5. CONCLUSIONS AND SUGGESTIONS

Contains conclusions from the results of testing hypotheses and discussing the findings of the research conducted. To provide advice in the form of problem solving ideas that come from discussing research findings that are beneficial to the company and further research.