

## **CHAPTER 1**

### **INTRODUCTION**

#### **1.1 Background of The study**

In the era of globalization, the development of information technology is growing rapidly. This is proven by the ease in finding, studying and getting any information easily, anywhere, anytime, and from anyone. Information technology has been widely applied in various fields in Indonesia, one of which is in business. With the existence of good information and communication technology, the business field can penetrate into various business models such as online shopping, online trading and so on. It is easier for sellers and buyers to communicate and carry out transactions with the help of transactions through information and communication technology in Indonesia. The concrete manifestation of the application of information technology in the business sector is the increasing number of online shops offering a variety of superior products and competing with each other by showing service excellence and so on. Without an information technology system, this certainly would have not been possible.

It is undeniable, at this time the shopping style of Indonesian people began to shift. From conventional transactions, now our society prefers shopping through online. The Head of the Central Statistics Agency (BPS) Suhariyanto also acknowledged that the phenomenon of online shopping is happening in Indonesia, and one of the factors is the rapid growth of e-commerce. According to Vermaat (2007:83), e-commerce is a business transaction that occurs within electronic networks such as the internet. Anyone who has a device are able to access the internet network can participate in e-commerce activities. E-Commerce sales in Indonesia will grow 133.5% to US \$ 16.5 billion or around Rp 219 trillion in 2022 from the position in 2017 (Statista, 2018). This growth is supported by the rapid advances in technology that provides convenience to shopping for customer. This shows that the presence of e-commerce has high development in Indonesia so that e-commerce sites continue to grow and sprung up.

Laudon (2003:45) divides the nature of e-commerce users into 3 types, namely: (1) Business-to-Consumer (B2C) e-commerce, (2) Business-to-Business (B2B) e-commerce, (3) Customer-to-Customer (C2C) e-commerce. Of the three types, the most frequently used in Indonesia is B2C. Business to customer or B2C refers to the process of selling products and services directly between customers who are the end-users of its products or services. Most companies that sell directly to customers can be referred to as B2C companies. In Indonesia, one of a company that implementing form B2C is tiket.com. Tiket.com is a website that provides hotel booking services, airline tickets, train tickets, car rentals based in Jakarta, Indonesia. PT Global Tiket Network is a company that focus on Tiket.com's website with online booking include ticket, hotel and car reservation services.

Nusaresearch (2015) recently conducted a survey of 612 internet users about hotel room and flight ticket booking services in Indonesia. From all points of view, Traveloka is the most popular site in this segment in Indonesia. Tiket.com and Agoda take second and third place. Outside of Traveloka's dominant position, Tiket.com is the runner up in all metrics presented by Nusa research. Traveloka and Tiket.com are the two most popular local sites for the travel segment. If the top ranked players are drawn, then it refers to the two big players - incidentally both were established by local developers - namely Tiket.com and Traveloka. Tiket.com is currently under the auspices of the Djarum Group through the Blibli business unit. While Traveloka is included in the unicorn ranks in Indonesia, the current valuation is estimated to exceed \$ 2 billion. Tiket.com ranks 293 in Indonesia as a website that is frequently visited (Peringkat Situs di Indonesia, 2018), because until now customers don't know much about online ticket sales at Tiket.com. Compare with 2016, the number of visitors in 2017 and 2018 is decrease.

Based on Google Play Store's review, there are still complaint by customers to tiket.com, like the ordering stages are too long and inefficient, live features chat that is not real time so customers must wait through the notification contained in the email because of the live chat direct to email, no guidance on

how to order and pay at Tiket.com website, when booking tickets still occur delays / errors in the process, and refund problem are made of time. Peringkat Situs di Indonesia (2018) examines the things that are often searched by Tiket.com customers. Train tickets are in the first place of 43.78%. In the second place is ticket for events and attractions which is 8.71%. Flight tickets are in third place with only 4.28%. For ticket sales at Tiket.com are still below Traveloka. Train tickets provide many benefits for customers as well as for company because until now Tiket.com is developing an online travel business through cooperation with PT Kereta Api Indonesia (75% of revenue comes from train ticket sales). But customers still rarely look for plane tickets, or events & attractions on Tiket.com.

One of the main factors for survival in the market depends on maintaining a long term relationship with the buyers. The challenge that all marketers are facing right now is finding ways to increase customer loyalty. Transforming indifferent customers into more royal and building long term relationship with customers is essential to the success of an organization. Loyalty itself is a customer commitment to a company or brand based on a positive attitude that can be seen with a consistent repetition of purchases. According to Giddens (2002: 63) customer loyalty is one of the variables that is very important because the customer loyalty positively influences the company's profits through securities cost reduction and additional customer income. The attitude of the loyal customer will provide many benefits for the company, such as customers will make a repurchase and will also recommend to his friends. Customers loyalty is not formed in a short time but through a learning process and based on the results of the experience of customers themselves from consistent purchases over time. Loyalty arises when satisfaction also arises continuously. Companies need to pay attention to any factors that affect customer loyalty.

The factor influencing customer loyalty is the customer's satisfaction comes from the company's offers. Customer satisfaction is one of the important factors that must be considered by the company because customers are the reason why a company exists, and without customers, the company cannot survive. According to Kotler (2002), satisfaction is a feeling of pleasure or disappointment

that arises after comparing between the perception or impression of the performance (or results) of a product and the hopes. Many entrepreneurs nowadays are aware about how to make customers feel satisfying. They prioritize the level of customer satisfaction as a benchmark for business development. From here, companies are increasingly competing to provide the benefits of products and services that fit the needs of customers. If the benefits provided exceed customer expectations, customers will feel satisfied, otherwise if less than expectations, they will be disappointed. With a high level of satisfaction will further increase customer loyalty. There are several factors that affect customer satisfaction are website design, security, e-service quality, and information quality. Barnes and Vidgen (2002), prove this statement. They stated that service quality affects satisfaction. When customers feel satisfaction with a website, customers loyalty will arise to the website, in a study (Moriuchi and Takahashi, 2016) also revealed that there is a positive relationship between customers satisfaction with customer loyalty.

Online shopping itself began to develop and become a trend since 2010. The development that occurs in the online shopping business is very fast, because it suits the needs of modern people who want everything to be very fast and practical. There have been many progress in business, one of the example is a website that can make it easier for customers to make transactions through online. In this digital era, customers can access anything through their gadget or smartphone, therefore companies need to see the importance of web design for convenience. Website design refers to the design of websites that are displayed on the internet, including the content, the way it looks, and the way it works - is determined by the website design. It usually refers to the user experience aspects of website development rather than software development. Web design is a process of conceptualizing, planning, and building a collection of electronic files that determine the layout, colors, text styles, structure, graphics, images, and use of interactive features that deliver pages to the website's visitors. Professional Web design helps to make your business appear credible online. Web design used to be focused on designing websites for desktop browsers; however, since the

mid-2010s, design for mobile and tablet browsers has become ever-increasingly important.

Before deciding to shop through online, one of the things that is considered by the customer is security. Security in e-commerce is how information from each customer can be protected and free from viruses on the website. Laudon and Traver (2014) dimensioned security into 6 dimensions, namely integrity where information on the website has not been changed or transmitted by unauthorized parties, nonrepudiation ability to ensure data from each customer is genuine, authenticity of the ability to know the identity with whom customers transactions, confidentiality, the ability to ensure that not all of the messages can be seen by anyone who is not interested, privacy, the ability to process customers data privately by customers themselves and not others, availability of capabilities to ensure that e-commerce sites function as they should. (Laudon and Traver, 2014).

In the context of e-commerce, service quality is often called e-service quality. The quality of service in e-commerce is quite different from the quality of service conventionally because it considers the technological aspects. Evidence from empirical studies suggests that improved service quality increases profitability and long term economic competitiveness. Improvements to service quality may be achieved by improving operational processes; identifying problems quickly and systematically; establishing valid and reliable service performance measures and measuring customer satisfaction and other performance outcomes. E-Service quality was developed to evaluate a service provided on an Internet network. E-Service Quality is defined as an extension of the ability of a site to facilitate shopping, purchasing and distribution activities effectively and efficiently (Chase, Jacobs, and Aquilano, 2006).

In online purchases, buyers do not meet directly with sellers, so the information contained in a website must be complete and clear to facilitate buyers in understanding the products offered. Information quality is defined as the customer's perception of the quality of information about the product or service provided by a website, the information should be useful and relevant in predicting

the quality and usefulness of a product or service. Loo (2011) said that product information on online shopping includes information on product attributes, recommendations from customers, and evaluation reports. Accurate quality information can provide a direct picture for customers of products that are marketed. Up-to-date information can create convenience for customers who want to continue to exist in products and goods in marketing. The base theory of information quality was taken from The DeLone and McLean Model of Information System Success (2003). This theory stated that the quality of the system has a positive effect on the intensity of system use. The better quality of a system will increase the intensity of its use. Web content should be personalized, complete, relevant, easy to understand, and secure if we expect potential buyers or suppliers to initiate transactions via internet and return to a site on a regular basis.

According to research conducted by Ludin and Cheng (2014) prove that only e-service quality and information quality that have effects on customer's satisfaction. It was also found that customer's satisfaction does positively impact e-loyalty. On the other hand, website design and security were insignificant towards customer's satisfaction. But there are differences results with research conducted by Hendraningtiyas and Soediono (2015). The result of that research shows that website design and security have positive influence to customer's satisfaction.

Based on the description of the background that has been described, the writer interested in taking up research with the title "The Impact of Web Design, Security, E-service Quality, and Information Quality to E-loyalty through Customer Satisfaction as mediation variable at Tiket.com in Surabaya" in order to know the things that need to be fixed or change by Tiket.com in to compete with competitors.

## **1.2 Research Questions**

Customers are the target to be achieved by the company and an important factor in turning the wheels of the company, therefore the company must be smart in developing products, prices, brand awareness and customer satisfaction in order

to build customer loyalty. Based on the background of the problem described, the problem is formulated as follows:

1. Does website design has influence on customer satisfaction at tiket.com?
2. Does security has influence on customer satisfaction at tiket.com?
3. Does the quality of e-service has influence on customer satisfaction at tiket.com?
4. Does the quality of information has influence on customer satisfaction at tiket.com?
5. Does customer satisfaction has influence on customer e-loyalty at tiket.com?

### **1.3 Objective of the Study**

The purpose of this study is to look for data or information related to web design, trust, e-service quality, and information quality towards e-loyalty through customer satisfaction, which later the data is managed for the preparation of the author's thesis:

1. To analyze the impact of website design on customer satisfaction at Tiket.com.
2. To analyze the impact of security on customer satisfaction at Tiket.com.
3. To analyze the impact of e-service quality on customer satisfaction at Tiket.com.
4. To analyze the impact of information quality on customer satisfaction at Tiket.com.
5. To analyze the impact of customer satisfaction on customer e-loyalty at Tiket.com.

#### **1.4 Benefit of the Study**

With this research, it is expected to be able to provide input to the following parties:

1. For Academics

From the results of this test, it is expected to add insight and knowledge about marketing management, especially about web design, security, e-service quality, information quality, and customer satisfaction and the influence of these variables on e-loyalty and can use theories that have been expressed in this study in the world of work and business.

2. For the company

The results of this study are expected to be useful as a correction material for the company and to become the basis for decision making in the marketing field, especially regarding the effect of prices, product innovation, brand awareness and customer satisfaction on customer loyalty.

#### **1.5 Systematic of Writing**

The systematic of this research are arranged as the following:

Chapter 1. Introduction

This chapter describes the background, research questions, research objectives, significance and the systematic of this study. The aim of this chapter is introduce a shifting phenomenon on customer's preferences and factors affecting green purchase intention.

Chapter 2. Literature Review

This chapter includes theories for each variable, the previous study, relationship between each variable, hypothesis, also the research framework of recent study.

Chapter 3. Research Methodology

This chapter is describing the process of analyzing the data including the research design, identification of



variable, operational definition, variables measurement, type and source of data, data collection method, population, sample and sampling technique, data analysis technique, validity and reliability also hypothesis testing.

Chapter 4. Data Analysis and Discussion

This is the chapter that will discuss about respondents' characteristics, research data description, data analyzing and discussion.

Chapter 5. Conclusion and Suggestion

This chapter is the closing of this study that will conclude the research results, explain all the limitations and to state suggestions for the research object, for the customer and/or researchers for the next research.