

## CHAPTER 1

### INTRODUCTION

#### 1.1 Background

The use of smart phones today has become one of the daily necessities of life that can support and simplify doing a job. until Indonesia became one of the countries with the largest growth using smart phones under India and China. Seen in the Table 1.1 below which states that until 2017 smartphone users in Indonesia are increasing every year significantly.

**Table 1.1**

#### **The Increasing Use of Smartphone**

YEAR	AMOUNT OF SMARTPHONE USERS
2014	38,3 MILLION
2015	52,2 MILLION
2016	69,4 MILLION
2017	86,6 MILLION
2018	103 MILLION

Source : Emarketer (2018)

The increasing of smartphone users in Indonesia make many business people see this opportunity to make one of the services that makes it easier for smartphone users to pay various types of payments digitally without having to bring a lot of cash which also adds a lot of risk to losing money brought. This technology also not only can make payments digitally but also can transfer money quickly and precisely the same as the use of card cards to normal banks. The use of financial technology can also pay for all types of mobile commerce in the smartphone application. M-commerce (mobile commerce) is the buying and selling of goods and services through wireless handheld devices such as cellular telephone and personal digital assistants (PDAs). Known as next-generation e-commerce, m-commerce enables users to access the Internet without needing to find a place

to plug in, it is include the mobile web and app based sales of tangible and intangible goods and services and use of mobile payments (Chong, 2013). And now the increasing integration of computers and networks into society has profoundly affected our lives and people will spend a lot of time for using internet.

**Table 1.2**

**The Increasing Use of Internet**

YEAR	AMOUNT OF INTERNET USERS
2014	88,1 MILLION
2015	110,2 MILLION
2016	132,7 MILLION
2017	143,26 MILLION

Source : Teknopreneur & Asosiasi Penyelenggara Jasa Internet Indonesia (2017)

From Table 1.2, described that the internet users in 2017 double times bigger than in 2014, strong smartphone penetration in Indonesia bodes well for the growth of e-commerce, which is mostly accessed through gadgets.. This proves that the people in Indonesia today are very dependent on the internet for daily use. The helps in the use of digital payment applications that have recently been used extensively. Because of that, all the digital business can develop faster than the offline store.

**Table 1.3**

**Mobile Payment User Base**

MOBILE PAYMENT USER	AMOUNT OF USERS
GO-PAY	10 MILLION
LINKAJA (T-CASH)	10 MILLION
PAYPRO	7,5 MILLION
OVO	7 MILLION

MANDIRI E-CASH	5 MILLION
XL TUNAI	1,9 MILLION
SAKUKU	0,1 MILLION

Source : MDI Ventures & Mandiri Sekuritas Research (2017)

There are so many digital business in this field so they have big competition to attract their customer to using their services. From that case, everyone at this time must have been using digital payment applications to facilitate payment without carrying cash. and an example of the application is OVO, a newcomer to the digital payment business that began to rise due to the many promos and cashback that was given to its users. There are other business competitors that make users use digital payment services more than one application in other words the users also use the services of competitors alternately according to the time needed. For this thesis the author using OVO mobile payment application to be the object of the thesis.

OVO application is available in Indonesia in 2016 which was initially only used for payment of a supermarket. OVO is also called smart financial apps under the auspices of the digital payment company LippoX owned by the Lippo group. this application strives to help various needs with cashless or mobile payments. ovo uses a reward system called the OVO Point, which is why many users are interested because of the many cashbacks and vouchers available. OVO is a smart application that provides online payment and transaction services (OVO Cash). Users can also have the opportunity to collect points every time they make a payment transaction through OVO. In general, OVO Cash can be used for various types of payments which have been cooperating with OVO faster. Whereas OVO Points are loyalty rewards for those who make transactions using OVO Cash at OVO partner merchants. For OVO Points, you can exchange them for various attractive offers to be exchanged for transactions at OVO partner merchants. OVO offers easy transactions without requiring customers to bring too much cash. One of them is enough to show the OVO application in which there are cash and point balances.

Because many service providers that offer various types of mobile payments make some OVO users interested in using other service providers that are suitable for their needs or according to the required promos and cashback. therefore, this thesis examines the effects of promos and cashback and other things that can change the intention of application users to switch to using other service providers besides the OVO mobile payment application.

OVO Management must learn the factors that making OVO users have intention to switch to other financial technology service providers. In this thesis there are several factors that are used as variables in determining the intention to switch for OVO users, namely, quality / performance value, emotional value, social value, social influence, direct incentives. The reason for the variable was chosen because the quality / performance value can also influence the user's desire to switch to another service provider if the user feels dissatisfied by using one of the digital payment applications. Emotional value is chosen because it involves the feelings of users with satisfaction to use the application continuously without having to move to another service provider. Social value is the personal behavior of users to use a digital payment service provider that makes it a lifestyle. Social influence is an important variable in determining the user will intention to switch or not, because of the many encouragement from many parties who say in accordance with the perceptions of each, even though it is a positive or negative thing about a service provider. Direct incentives are chosen because each service provider will provide many promos for user satisfaction.

So in this thesis it can be concluded that there is an intention to switch only temporarily because of the different needs of each user and the difference between the types of promos and casback provided is also one of the reasons why users have the intention to move to service providers other than OVO. Switching inttention more wider in this field because there is another mobile payment that they provide the better services, so the previous user will stop using the previous mobile paymnet and start to using the other mobile payment that give the best offer and sometimes they consistent with that promotions. Using the mobile payments actually is more beneficial for the user because there is no need to

bother carrying a large amount of cash to buy the desired item or product, only by using existing payment applications, such as OVO, can you easily get users with give users a lot of discounted prices at several merchants and also a lot of cashback that pleases the users. There are also some people who do not use the latest technology to use financial technology. And also the different types of services they provide also affect the switching intentions of the application users themselves. There are some application users using Go-Pay because sometimes many promos and vouchers offered more cheaper than the others, there are also those who prefer OVO because the complete service is available so that application users don't have to bother to get what they want to do and they have many merchant that they have partnership to satisfy their users. Moreover, there are also some users who have both applications whether they use both equally or only use one of the two applications.

## **1.2 Research Question**

1. Does the quality value of OVO users is different as perceived by other digital payment application users has a influence on the intention to switch users?
2. Does the emotional value of OVO's users as perceived by other digital payment application users has a influence on such users' switching intentions?
3. Does the social value of OVO's users as perceived other digital payment application users has a influence on such users' switching intentions?
4. Does the social influence of OVO's users is associated with switching intentions to other digital payment application users?
5. Does the direct incentives of OVO's users is associated with switching intentions to other digital payment application users ?

### **1.3 Objective Study**

1. To determine the quality/performance value of OVO's users is different as perceived by other digital payment application users has a positive influence on such users' switching intentions.
2. To determine the emotional value of OVO's users as perceived by other digital payment application users has a positive influence on such users' switching intentions.
3. To determine the social value of OVO's users as perceived by other digital payment application users has a positive influence on such users' switching intentions.
4. To determine the social influence of OVO's users is positively associated with switching intentions to other digital payment application users.
5. To determine the direct incentives is positively associated with switching intentions to other digital payment application users.

### **1.4 Significance of Study**

In this study, the researcher expected the result can be input for some parties:

#### **1.4.1 Academic Significance**

- a) The result of this thesis can be used for other researchers as a references to understand about the effect of Quality/Performance Value, Emotional Value, Social Influence, Social Value, Direct Incentive toward intention to switch for OVO users.
- b) It is expected that the thesis can be understanding for readers the effect of Quality/Performance Value, Emotional Value, Social

Value, Social Influence, Direct Incentives toward intention to switch for OVO users in Surabaya.

#### 1.4.2 Practical Significance

a) The result of this thesis useful for OVO to preparing their new strategy and plan for their future to evaluate their customer that know using OVO also have other financial technology provider by understanding Performance Value, Emotional Value, Social Value, Social Influence, Direct Incentive toward intention to switch for OVO users in Surabaya.

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

The systematic used in the preparation of the thesis is as follows:

#### **CHAPTER 1 INTRODUCTION**

This chapter discuss about the background, research question, objective study, research purpose and thesis systematic.

#### **CHAPTER 2 LITERATURE REVIEW**

This chapter explanation of the theoretical basis: Performance Value, Emotional Value, Social Value, Social Influence, Direct Incentives toward intention to switch for OVO users in Surabaya, development of hypothesis, research model, and hypothesis.

#### **CHAPTER 3 RESEARCH METHODOLOGY**

This chapter explained ways to conduct research activities: research design, identification of variables, operational definition, variable measurement, types of and source data, tools and data collection method, population, samples, sampling techniques, and hypothesis testing procedures.

#### CHAPTER 4 ANALYSIS AND DISCUSSION

This chapter explained the result of respondents characteristics, description for each variables, validity test, reliability test, hypothesis testing,

#### CHAPTER 5 CONCLUSION AND SUGGESTIONS

The last chapter will be discussed about the conclusion and give some suggestion from the researcher for the company.