

CHAPTER 1

INTRODUCTION

1.1. Background

The development of the internet has brought changes in many aspects of human life. The development of the internet which is balanced with the development of technology everything faster and easier. Internet is accessible to all people in the world that makes it easier to find any information. In economy's perspective, internet has a very important role. Internet will enhance the productivity capabilities of the company that based on information technology such as Google; Expedia, inc; Alibaba, eBay, and Amazon. Through internet, those companies could sell their product, provide their service, and market their product by online.

The existence of the internet is followed by the development of various advanced technologies such as smartphones. A smartphone is a phone that is equipped with various convenience features for its users. People who are currently dependent on their smartphone, want to do everything just by clicking button on their smartphone, including shopping.

Online shopping is a popular trend nowadays, because consumers do not need to visiting a store to buy their desired item, but just open an online shopping site and search for desired items using a smartphone or computer connected to the internet, pay and wait until those items delivered. The trend of online shopping triggers the emergence of new businesses called E-commerce. E-commerce is the activity of conducting business transactions online through devices that integrated with the internet. According to Laudon and Laudon (2014) In general, e-commerce means transactions that occur on the internet and the web. Commercial transactions involve the exchange of values (for example money) for goods and services. E-commerce is the impact of changes in people's spending behavior that are turned to a business opportunity.

Consumer behavior affected by the development of the internet. According to Setiadi (2010), consumer behavior is an action that is directly involved in obtaining and consuming a product or service, including the decision process that precedes and follows this action. Consumer behavior is dynamic, so consumer behavior is always changing and moving all the time. Therefore, when the Internet and technology exist, consumer behavior also changes, including in terms of shopping.

This development also happened in Indonesia. Based on Figure 1.1, in the beginning of January 2019 Indonesia's population is 268 million with 150 million of them are internet users.



Figure 1.1 Mobile, Internet, and Social Media Use in Indonesia
Source: Hootsuite (2019)

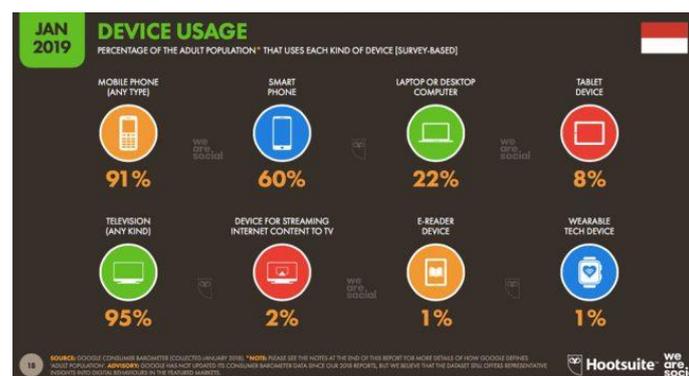


Figure 1.2 Various Kind of Device Usage in Indonesia
Source: Hootsuite (2019)

From Figure 1.2 above, 22% of Indonesian are use computer to access the internet while 60% are use smart phones to access the internet. It can be seen that the majority of Indonesian use smart phones as devices to access the internet.

In the past four years, Indonesia has entered into a new type of online transportation businesses which based on mobile smartphone applications such as Grab, Go-Jek, JegerTaksi, BlueJek and others. This business offers transportation services that ordered via application on smartphones and offer cheaper price compared to conventional taxi (Setiawan, 2016).

One of the companies engaged in online transportation service business is Grab. Grab is the taxi booking mobile application that founded in 2012 by Anthony Tan and Tan Hooi Ling (Chin et al., 2018). Grab offers the most choices of vehicle ordering services in most markets in Southeast Asia, which have been downloaded on more than 17 million devices and 320,000 drivers in 30 cities throughout Singapore, Indonesia, the Philippines, Malaysia, Thailand and Vietnam.

Grab in Indonesia grew more than 250 times from mid-2015 until present. Indonesia has become Grab's largest market based on the number of trips completed across all platforms. Grab specifically focuses its business in Jakarta, which is inhabited by more than 30 million residents. Grab is also expanding its multi-service platform to more than eight megacities outside Jakarta, with a total population of 38 million.

Surabaya is the second largest city in Indonesia. large number of public and private universities in this city attracts students from many regions in Indonesia come to study in Surabaya. Many students from other city usually decide to board because it is not possible for students to travel round-trip in one day.

One of the Surabaya's university that has the many students from other city is Widya Mandala Catholic University. there are many students from other city who live in boarding houses around Widya Mandala Catholic University. Busy activities and social life make them usually want something practical in any terms include eating.

Buy food from food seller is one of solution for students who are unable to prepare their own food. One of the innovations that created by food seller is sending their food to students' boarding house. This innovation offers convenience for student because they did not need to go to the location and queue and only have to wait at home until the food comes.

Food delivery services have recently become popular. Companies that are engaged in this business model usually work together with restaurants in various places. Customer should order food through their site or application then the food that the customer has ordered will be delivered with a courier. Through this opportunity, Grab launch foods delivery service that known as Grab-Food on 2016.

Table 1.1
Grab Food Competitor Based on Download Amount in Google Playstore.

Application	Service	Downloaded
Grab-Food	<i>Food delivery</i>	> 100 M
Go-Food	<i>Food delivery</i>	> 50 M
OpenRice	<i>Food delivery</i>	>1 M
Klik-Eat	<i>Food delivery</i>	>10 K
Foody	<i>Food delivery</i>	>10 K
Raja Makan	<i>Food delivery</i>	>1 K
Kulineran	<i>Food delivery</i>	<1 K

Source: Play Store Android on April 2019

Based on Table 1.1 above, Grab-Food has many competitors in food delivery business. However, from the number of app downloads in the playstore, it can be seen that Grab ranked first with more than 100 million downloads.

Grab-Food is the fastest growing food-delivery message service in Indonesia and Southeast Asia. Grab-Food's gross merchandise value (GMV) has growth tripled in the first half of 2019, making Grab-Food the largest food-delivery service in Indonesia in 2019. Grab-Food's significant expansion in Indonesia is also supported by significant growth in Grab-Food businesses in various cities in Indonesia including Surabaya, Medan and Bandung where gross merchandise value has quadrupled.

Rapid growth of Grab-Food achieved thanks to cooperation with fast-food restaurants and favorite local food shops so that the number of merchants on the Grab-Food platform has doubled since the beginning of 2019, providing more dining options for customers. Because of this growth, Kramadibrata (2018), President of Grab Indonesia revealed that “GrabFood is the main pillar of Grab's growth in Indonesia, beating other grab services.”

Grab-Food classified as a service company. Service according to Kotler (2009) are all actions or performance of one party that can be offered to another party which is essentially intangible and cannot generate any ownership. Grab-Food as the number one food delivery company in Indonesia should provide the best service quality for consumers.

According to Wood (2009), service quality is a capability of organization to provide customer needs and desires. Measuring quality of service differ from product. for product, consumers can directly give an assessment of what is given by the producer while for service quality it could be done after customers get the benefit from the service. The company certainly hopes to provide the best service quality to customers. However, not all customers have the same assessment of service quality given by the company. Customer dissatisfaction will always be there and needs to be minimized by the company by providing maximum quality service.

E-ServQual is an online version of Service Quality (ServQual). E-ServQual was developed to evaluate a service provided on the Internet network. According to Parasuraman, et. Al (2005), electronic service quality's main dimensions is as follows: efficiency, fulfillment, system availability and privacy. Being engage in industry or businesses that are full of competition, Grab-food has already pay attention to quality services. It is proven that they have the best quality of service by provide good information quality, application design, payment method and the last is good security and privacy.

Grab-Food as Food delivery company does not meet buyers and seller face to face. E-satisfaction are at level on are what consumers expect match with what consumers get, in this case when consumers get in accordance with what consumers expect, consumers will feel satisfied, but if what consumers get is not accordance with what is consumers expect that consumers will be dissatisfied with the quality of service given. This e-satisfaction depends on the quality of the service given by the company. That's why Grab-Food always keep to fulfilling customer's expectation with service that they're provide and make customer always satisfied.

Electronic service quality has a close relationship with e-loyalty, good electronic service quality will have an impact on e-satisfaction later will deliver a

e-loyalty to a company. And because Grab-Food has already provide good electronic service quality and bring electronic satisfaction to the customer, it is clear that customers have electronic loyalty toward Grab-Food proven by Grab-Food customer always using Grab-Food application on ordering food instead of other application.

1.2 Research question

Based on the background of the research, the following research questions can be concluded as follows:

1. Does e-service quality has a positive and significant effect on e-satisfaction for Grab-Food customers?
2. Does e-satisfaction has a positive and significant effect on e-loyalty for Grab-Food customers?
3. Does e-service quality has a positive and significant effect on e-loyalty for Grab-Food customers?
4. Does e-service quality has a positive and significant effect on e-loyalty through the mediation of e-satisfaction for Grab-Food customers?

1.3 Research objectives

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

1. To analyze the effect of e-service quality on e-satisfaction of Grab-Food customers.
2. To analyze the effect of e-satisfaction on e-loyalty of Grab-Food customers
3. To analyze the effect of e-service quality on e-loyalty of Grab-Food customers.
4. To analyze the effect of e-service quality on e-loyalty through the mediation of e-satisfaction of Grab-Food customers.

1.4 Significant of the Study

1.4.1 Theoretical Benefit

The results of this research can be used by individuals who conduct the same research, particularly about the impacts of e-service quality towards the customer's satisfaction on food delivery applications such as Grab-Food.

1.4.2 Practical Benefit

The results of this study can offer insights for company or institution that attempts to identify customers' loyalty of Grab-Food, by acknowledging the impacts of e-service quality.

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 theoretical foundation that is used and the previous study 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 customer or researcher to do further research.