**CHAPTER I**

**INTRODUCTION**

## 1.1. Background of Study

The Technological developments both directly and indirectly affects the trading and transaction systems in the world. One of the most important technological developments that is vital is that of the Internet. Initially, the transaction is carried out face-to-face, meaning that the seller and the buyer meet face-to-face in negotiating the price of goods and services and making a deal. Based on book the science of war strategies, tactics, and logistics by Robert c, the use of the Internet for commercial purposes began in 1990. At that time, the Internet was developed only for military and academic purposes. In the military, the internet is used for communication networks while in the academic community, it is used as a communication system in experiments. The sensational development within the utilize of the web for commerce purposes happened due to the advancement of the www (world wide web). The World Wide Web changes the web from a difficult-to-use device for scholastics and specialists to discover data for businesses and shoppers (Chaffey et al., 2000).

The development that we feel from the internet in the modern era today has an impact on changes in the lifestyle of people in Indonesia, including one of those behaviors in terms of shopping. At first Indonesians preferred to shop face-to-face or in person with sellers and see the real form of the goods they wanted to buy, now surprisingly switched to using online shopping facilities so that the opportunity for

online sellers to open wider. The increasingly high opportunities have led to the emergence of many online stores, as well as marketplaces and e-commerce. People can easily peddle their wares through Instagram or Facebook which is known as an online store. Even so, there are shortcomings contained in this buying and selling activity, the shortcoming is that the seller and buyer do not meet in person, so the trust factor is needed and is very important in determining whether or not a transaction can occur. To minimize the chances of failure of online transactions, a marketplace and e-commerce business model has developed that is suitable for the development of the situation and the needs of this buying and selling system. In the marketplace business model, there is a website that provides a place for sellers who will sell their products and helps promote merchandise and also facilitates online money transactions (Amit et al., 2017). For e-commerce itself, it is almost the same as the marketplace, but the goods or products sold come from the website itself, and do not provide a place for other sellers to peddle their merchandise. The increasing popularity and existence of these three business models has actually caused a significant increase in the level of competition so that owners must set a strategy to know and fulfill customer desires to generate trust which will later develop into loyal customers (Chong et al.,2018). The challenges faced are certainly not easy, as is the case with stores that are competing to get customers from people who visit the store, marketplaces and e-commerce owners must also provide the best service and must maintain the quality of the website, and also the quality of e-service and provide the best online experience to convince and gain the trust of visitors and subsequently later they will develop into loyal customers.
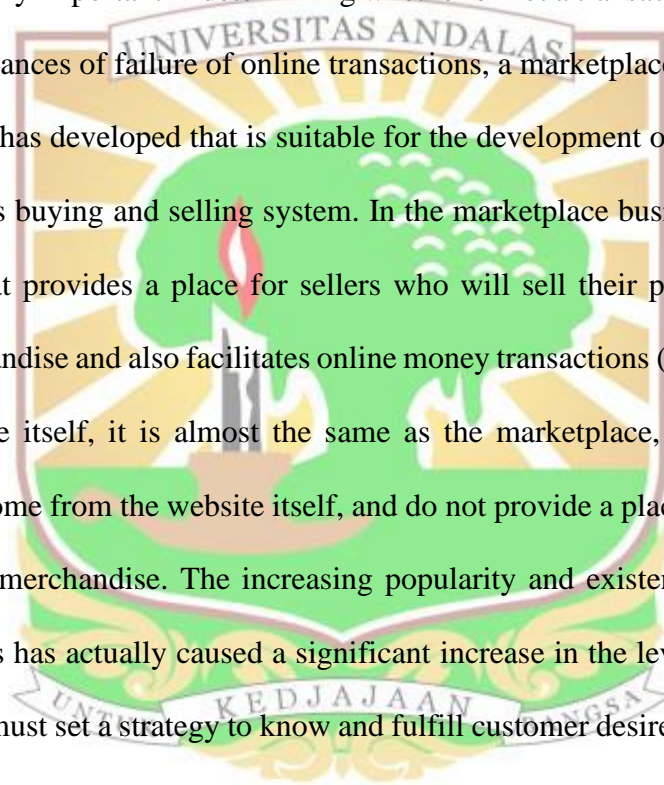
The past two years have indeed not been an easy year. There are so many challenges, adjustments, and new habits that we live with the Corvid-19 pandemic which has a significant impact on the sustainability of economic activities in Indonesia. Even so, I believe that in every challenge and crisis facing the Indonesian nation, the decisive generations are the most remembered by history. In early 2020, the world was stunned by a modern pneumonia episode that started in Wuhan, Hubei Area that at that point spread quickly to more than 190 nations and regions. Caused by Serious Intense metabolic prepare Disorder Coronavirus-2 (SARS-CoV-2), This flare-up is known as coronavirus illness 2019 (COVID-19) The spread of the malady incorporates a far-reaching affect socially and financially. there's still a parcel of discussion encompassing the malady, counting within the viewpoints of building up conclusion, strategy, and prevention (Yeoh, E., 2020).

Buyer behavior amid the Covid-19 widespread certainly happen due to changes in conditions that constrain buyers to adjust amid these conditions. It is conceivable that the current buyer behavior will continue for a really long time. Usually since customers require time to correct to consumers' ancient propensities and behaviors. Before covid-19, most Indonesian consumers had the habit of visiting, seeing, and feeling products before making a purchase with a physical store, customers would believe you or your item more. Right now, clients are getting utilized to shopping with carrying out wellbeing conventions anyplace as a result of clients and negligible physical contact.

When other businesses refuse because no one dares to go out, e-commerce becomes an option for shopping. Based data from datebook many people who have never done online shopping before have already started to try shopping in online stores. The customers in E-commerce suddenly became a lot, arguably exploding. The number of direct online sales has increased drastically. With this increase in sales and leads, many companies have to create an online portal for their business and Indonesia become the higher percentage internet users use e-commerce services to buy products in 2021.

The presence of e-commerce gives benefits to potential clients within the shape of potential shoppers getting comfort in finding a trade location even in spite of the fact that they don't visit it specifically, other than that data around the items and administrations advertised by the company can be obtained quickly and essentially, and the e-commerce contains a part of showcasing staff who can do effective work since they can offer item data to potential clients as long as they can offer item data to potential customers as long as they can offer item data to potential clients amid non-meeting. As increasingly businesses turn to e-commerce businesses, competition in them is expanding. Progressively competitive E-commerce competition Presently all must have modern procedures and plans to compete, so how ought to businesses adjust to this furious competition? There are many important factors that consumers consider in choosing an e-commerce platform when shopping online. Some of these are the quality and price of the product, many promotions, the choice of payment methods,
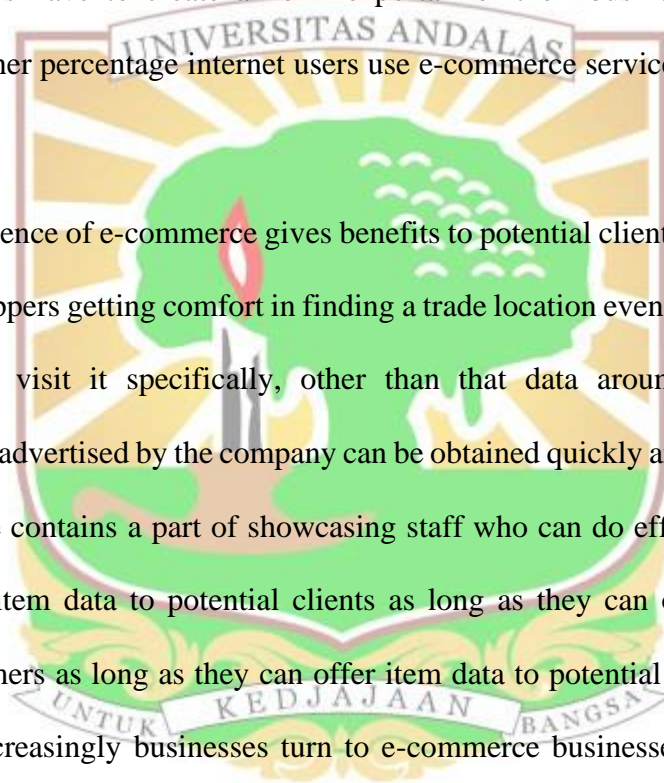
customer service, store ratings / reviews, customers service recovery, and satisfaction of customer, and last but not least is the delivery service offered the first step is to analyze how to increase consumer loyalty to e-commerce companies (Nisar et al., 2017).

The rapid use of the internet that is utilized in the business world makes e-commerce more widely used. The methodology of centering on customer service by giving WOW Involvement can decide fulfillment with the quality of service accomplished. E-commerce has different types of classifications, but in Indonesia itself the type of e-commerce that is often interesting is an online marketplace that has the form of C2C (consumer to consumer) which is defined as business activities (sales) carried out by individuals (consumers) to individuals (consumers) more (Pradana, 2015), actually marketplaces in Indonesia, including Tokopedia, kalpak, bible, Zalora, Lazada, and other markets, Of the dozens of online platforms, there are a number of new companies or companies that are on the list of companies monitored by the US government. Three of them are two marketplaces from Indonesia, Indonesia, especially Bukalapak and Tokopedia. One of the most well-known and widely used marketplaces is Tokopedia.

Tokopedia is one of the driving e-commerce in Indonesia Tokopedia is an Indonesian innovation company with a mission to attain balance within the computerized economy. Tokopedia was set up on Admirable 17, 2009 with the vision of building a far-off superior Indonesia through the net "build an ecosystem where

everyone can start from anywhere and find anything. (Tokopedia, 2021, 0:48)". The reason of Tokopedia.com is as a showcasing apparatus to advertise or advance their products in online media. Tokopedia is one of the online shopping centers in Indonesia that carries a commercial center commerce demonstrate. Since its dispatch until the conclusion of 2015, Tokopedia's fundamental administrations can be utilized by everybody value. With the vision of "Building distant better to a much better to a higher to a stronger to an improved, a Much better Indonesia Through the Web internet", Tokopedia contains a program to back little and medium enterprises (SMEs) and people to create their trade by showcasing their items online. In any case, Tokopedia must be prepared to compete with its overwhelming competitors such as Lazada.com, Kaskus, BukaLapak, and others who are moreover running the same commerce. Hence, Tokopedia must pay consideration to factors that can pull in web clients to be curious about going to and buying at Tokopedia.

Tokopedia's impact on the Indonesian Economy based on research by LPEM FEB UI. (2021) is:

- Empowering 90% of seller's micro-scale, in the pandemic, Tokopedia encouraged MSME players to be able to survive, rise, and develop their business through digital adoption.

- The number of sales increased by 133%, 7 out of 10 trade on-screen characters experienced a billowing in deals volume in line with the move in online deals through the Tokopedia channel.
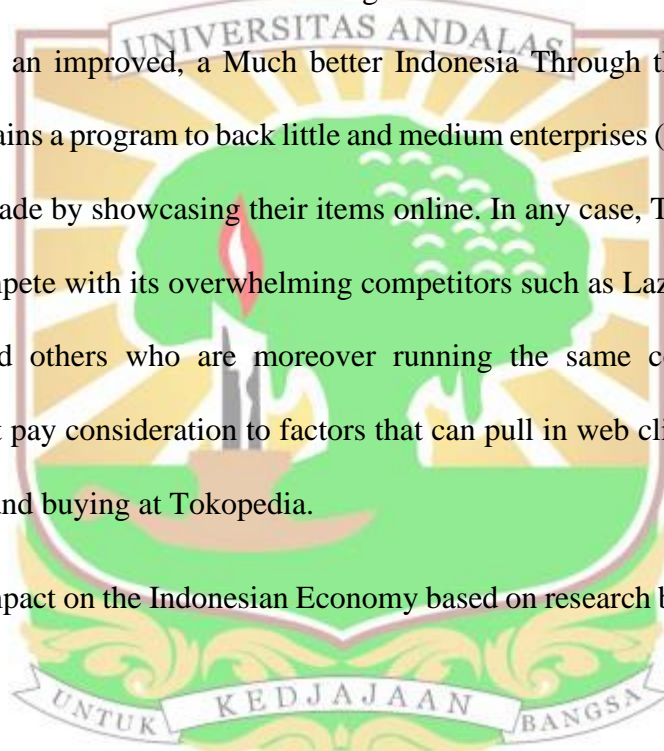
- 76.4% of sellers feel the ease of managing a business on Tokopedia, the ease of managing a business is the main reason for most sellers who join e-commerce Tokopedia.

- Encouraging financial consideration in Indonesia, Tokopedia moreover empowers the appropriation of advanced installment strategies. E-wallets and mobile/internet keeping money are the two most favored money related items amid the widespread.

This research will study about the analysis the effect customer online experience, E service Recovery and customer satisfaction on loyalty of customer and satisfaction customer as variable intervening (online customer shopping surveys on the Tokopedia application at Gen Z during the pandemic of COVID-19).

The occurrence of a transaction indicates a purchase made by user. From the occurring and repeated purchases may indicate the formation of loyalty to the user.
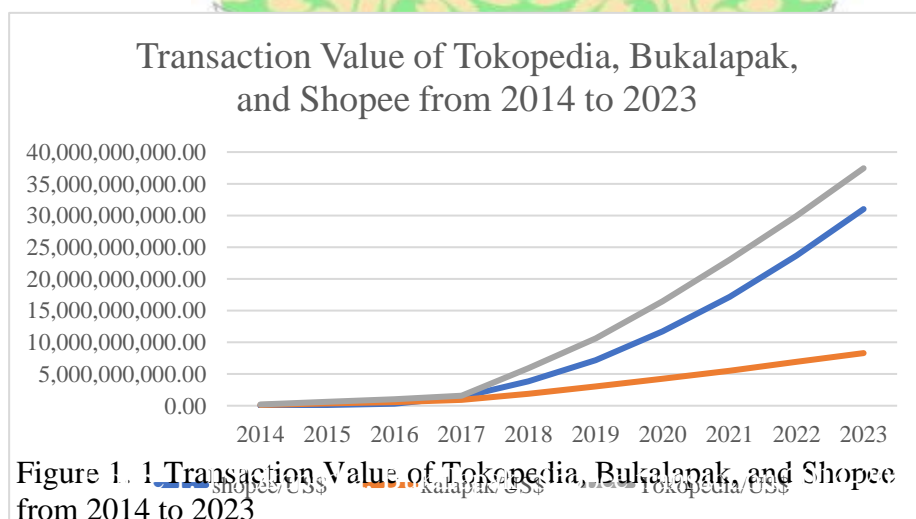


Figure 1. 1 Transaction Value of Tokopedia, Bukalapak, and Shopee from 2014 to 2023

Here is the transaction value that found in Tokopedia, Shopee, and Bukalapak e-commerce based on data from katadata.co.id

Source Katadata.co.id

The year 2018 shows that Tokopedia has a transaction value The highest and projected in 2023 Tokopedia's transaction value will stay at the highest position with an amount of US$ 37.45 billion. Reporting from databoks in 2019, it was recorded that in 2018, Tokopedia's transaction value was US$ 5.9 billion. Meanwhile, Shopee's transaction value is US$3.9 billion, and Bukalapak's is US$1.9 Billion. The conclusion from the above data can be known that Tokopedia has the largest transaction value compared to Shopee and Bukalapak.

Based on katadata.co.id also, Indonesia has the largest digital market potential in Southeast Asia. This can be seen from the total gross merchandise value (GMV) which is estimated to be US$ 70 billion in 2021. From this value, e-commerce is the main driver of Indonesia's digital economy with a GMV of US$ 35 billion. Tokopedia and Shopee are the two e-commerce companies with the largest share in Indonesia. In 2020, Shopee managed to record a transaction value of US$ 14.2 billion, Tokopedia's GMV reached 14 billion US dollars. With a transaction value of US$ 7.3 billion, Lazada ranks third among e-commerce platforms while from the monthly visit rate, Tokopedia managed to be at the top with 158.1 million visits per month in the third quarter of 2021. Meanwhile, Shopee has 134.4 million visits.

We can also see the condition of customer loyalty from the NPS Net Promoter Score, where NPS is a customer loyalty metric that measures customers' willingness to not only return for another purchase or service but also make a recommendation to their family, friends or colleagues. Based on data customer guru TOKOPEDIA.ID NET PROMOTER SCORE 2022 BENCHMARKS is 45 considered to be good, and it is higher than shopee which is Shopee.co.id's estimated NPS is 42. We can see the Condition of customer satisfaction of Tokopedia from the Value of Customer Satisfaction Index (CSI) Based on Dwi Wijayanti data, DENA (2019) Tokopedia's Customer Satisfaction Index (CSI) value is 71.17%.and the Shopee application's Customer Satisfaction Index (CSI) value is 68.62% which means that customers are quite satisfied with what Tokopedia is

E-service recovery come because there is a problem or service failure that happened when doing activity in e-commerce. Data from Kemendag (Indonesian Ministry of Trade republic) also said, in 2021, there were 9,393 consumer complaint services recorded. As many as 95.3 percent or 8,949 consumers made complaints in the e-commerce sector. The number of complaints in this sector is in line with the intensification of consumer electronic transactions during the Covid-19 pandemic. Complaints in the e-commerce sector, including the food and beverage sector, transportation services, refunds, purchases of goods that are not in accordance with the agreement or damaged, goods not received by consumers, unilateral cancellations by

business actors, arrival times of goods not in accordance with the promised, online shopping fraud, and the use of social media applications that do not work.

The e-commerce company with the most consumer complaints according to data from the Indonesian Consumer Institution Foundation (YLKI). The institution noted that 26% of the total complaints of e-commerce companies related to GrabToko and in the second place there was Tokopedia 13% of the e-commerce complaints. Lazada became the third position with the largest coverage of complaints in 2021. The main problem of consumer complaints in 2021 is goods not received (29%). Furthermore, there are complaints about refunds with 14% of the total complaints and goods not in accordance with 12% of the total complaints.
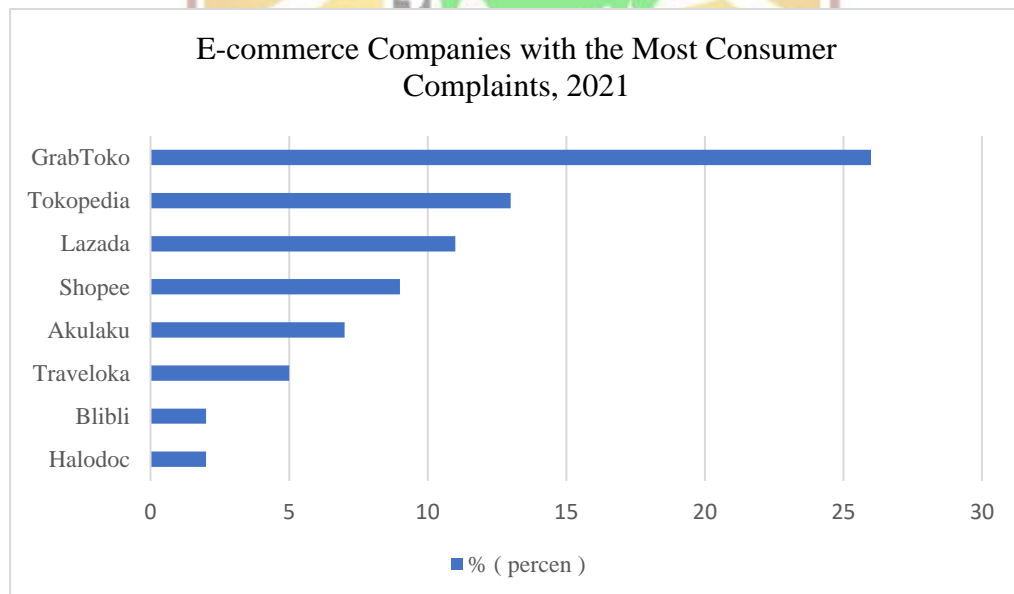


Figure 1. 2 E-commerce Companies with the Most Consumer Complaints, 2021

Source Katadata.co.id (2021)

Based on research from Putri et al. (2017), receipt, the daughter of Service failure which usually occurs in carrying out activities in e-commerce which are categorized into eight categories according to the business processes that apply in purchasing in e-commerce, namely price, people, place, promotion, processes, product, physical evidence, and productivity & quality, there are

1. Process

a. Customer service is slow in responding to complaints from customers Problems arise if there are customers who feel complaints or questions submitted to the old company get a response because there are some customers who are impatient if they experience a problem in making their transactions

b. The length of time for disbursement of funds from e-money balances (virtual money), especially some e-commerce marketplace types Some marketplace-type e-commerce enforces a virtual money system, namely when making a refund or some other activities money can enter the e-money balance of each account before it can finally be disbursed. Customers feel that the time policy given in the issue of disbursement of funds is too long to the detriment of customers.

c. Stock of goods runs out after ordering This problem is often experienced by customers in this type of e-commerce marketplace because the stock of goods is the responsibility of every seller and the company cannot control it. Meanwhile, sellers may not only sell their products in the marketplace or media so that when the

transaction is successful, there is a possibility of stocking goods that are sold out at other stores. In addition, there is also the possibility that this problem occurs due to the carelessness of employees to control the stock of goods sold.

d.Fraud Some of the events that occur in e-commerce types of classified ads are fraud because the company is not a seller, the company only provides a place-to-place advertisements then buyers contact the seller directly so it is difficult to control the seller's activities after the potential buyer sees the ad. Based on CNN Indonesia, kominfo mention that The Cekrekening.id announced cases of online fraud from ecommerce and online selling on social media were reported until September 2021 as many as 115,756 cases. That's mean that there is still gap that allow this thing happen.

2. Product

a. Product information is less detailed When the information displayed is less detailed, it will cause misperceptions from customers so that when customer expectations are not met, it will cause complaints made by customers.

b. Goods that are shipped not according to order One of the problems that also often arises is when the goods delivered are not in accordance with those ordered by the buyer can also occur due to human error or system errors, this especially often happens in e-commerce with a marketplace type because sometimes the company cannot directly control the seller who is the e-commerce partner.

c. Goods sent damaged or defective Human error causes quality control of a product not to be met so that in some cases there are damaged or defective goods that reach the customer's hands, causing disappointment to customers who are harmed and complaints are made.

3. People

a. Human error when checking goods before delivery the problem arises when the supplier sends a product with a defect then the employee carries out a quality control process but the item still passes to enter the stock and passes for delivery to the customer.

b. Delay in delivery from the delivery service so that it does not match the estimated time that has been given. Problems arise when the courier delivery service is not on time when carrying out delivery or there are other technical problems in the field when delivering products. This problem is one of the problems that most often gives rise to complaints because the estimates given by the e-commerce party become inconsistent with the time when the product is received by the customer. Although this is the fault of the third party, namely the delivery service, some customers who do not understand will submit their complaints to the e-commerce party.

4. Place, cyberspace, and time

a. Error system The problem arises when the IT Team, for example, based on Katadata.co.id Tokopedia has experienced a system error, data damage To The
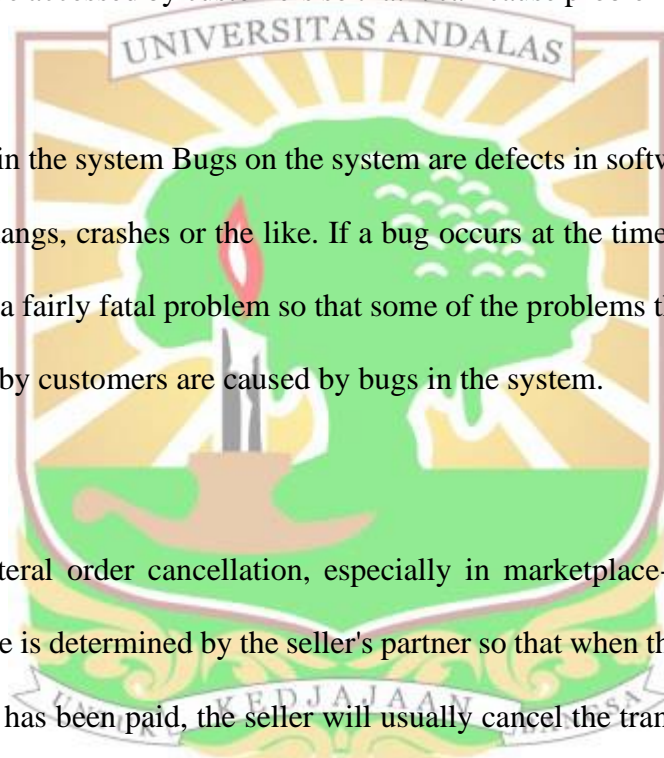
Tokopedia e-commerce company experienced a disturbance or error on its platform in 2021 on April 17. As a result, the user reports that the stock of goods at the seller he wants to buy becomes empty and the price of the goods becomes RP 0. Which only happens to some Tokopedia users, other example could be has prepared a promo but problems arise from servers that do not support it or because of full capacity and the website cannot be accessed by customers so that it can cause problems when customers access it.

b. Bugs in the system Bugs on the system are defects in software and hardware that can cause hangs, crashes or the like. If a bug occurs at the time the transaction is made, it will be a fairly fatal problem so that some of the problems that often arise and are complained by customers are caused by bugs in the system.

5. Price

a. Unilateral order cancellation, especially in marketplace-type e-commerce because the price is determined by the seller's partner so that when there is a difference in the price that has been paid, the seller will usually cancel the transaction status and the funds will be returned to the buyer. This causes complaints from customers who feel that their orders have been unilaterally canceled and the marketplace can only return the funds that have been paid to customers.

b. The difference in shipping costs in the system and the costs that should be incurred by the seller when going to the courier, especially for marketplace-type e-

commerce. Some cases of problems are when there is a difference in shipping costs from the calculation of the system with the costs that should be incurred by the seller when he wants to send his order to the shipping service.

6.Promotion

a. Confusing promotional material Wording errors in a promotion cause misperceptions and confusion in describing the promo in question so that for some cases the customer misinterprets the promo offered. For example, the buy one get one discount 50 percent off promo, this promo is often interpreted by customers just by buying one get one free. Even though the intended promo is that when buying two product items, you will get a discount of 50 percent for the second product at the lowest price.

7. Physical evidence

Are those devices that are necessary in presenting in real terms the quality of products and services. Some of the frequent problems are the following: a. The goods or packaging sent are damaged or defective due to errors in the shipping service

b. The problem arises if there are items sent by the warehouse in good condition but due to shipping by the expedition the packaging is damaged or even the product is damaged. This is one of the problems that cause customer complaints to the company.

8. Productivity & quality

a. The customer gets a physical product that does not match or is beyond expectations for the goods received. Problems also arise when customer expectations are not met from the physical quality of the product received such as materials that are different from customer expectations, even though information about the product has been provided, some customers will still submit their compensation to the company

that are the possibility of service failure that happened in e-commerce, in additional that there is no service failure the e-commerce just need to maintain satisfaction, but if something like what we already discuss above happen so E-commerce need to do  e-service recovery.

The development of the marketplace and also e-commerce in Indonesia is currently very dominated by its use by Generation Z and also the millennial generation with a percentage of the total contribution of j transactions of 85% (Muazam, 2020). The reason why Gen Z chosen as respondent in this research is Indonesia 's population is dominated by Generation Z. Based on data from the Central Statistics Agency (BPS), around 27.94% of the population in the country comes from the generation born in 1997-2012. And also Based on the results of the Alvara Research Center survey, there were 34% of respondents from that generation who became addicted users. In detail, 20.9% use the internet 7-10 hours a day, 5.1% 11-13 hours a day, and 8% reach over 13 hours a day, so according to the data, Generation Z is more internet-savvy than other age groups in Indonesia. This can be seen from the number of members of Generation

Z who fall into the category of addicted users with internet access durations of more than seven hours a day.

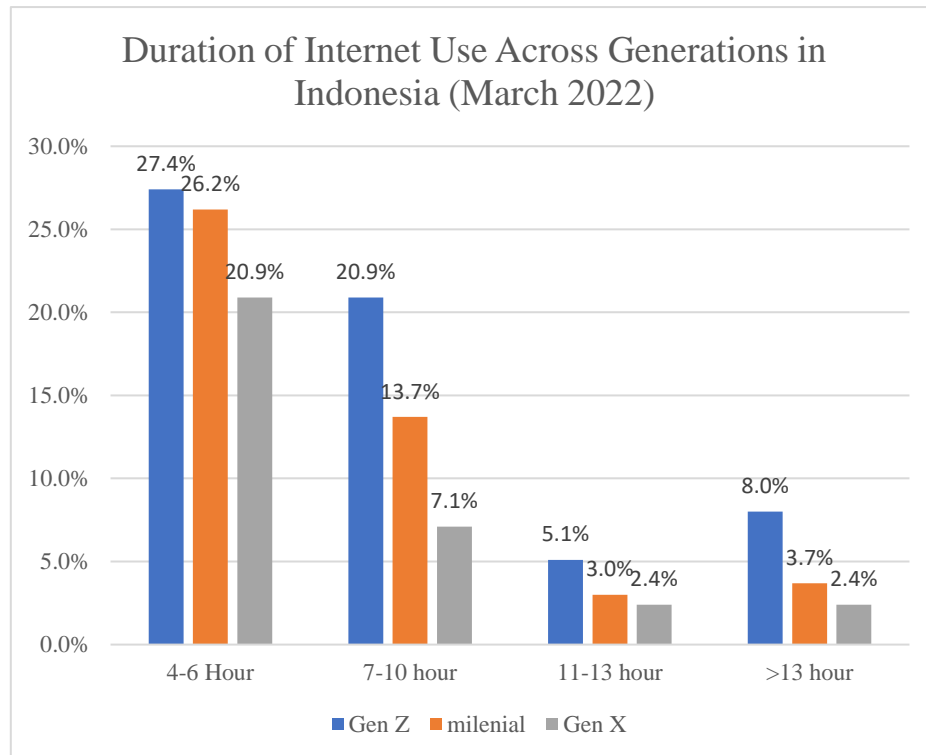Duration of Internet Use Across Generations in Indonesia (March 2022)



Figure 1. 3 Duration of Internet Use Across Generations in Indonesia (March 2022)
Source Alvara Research Center (2022)

This study will use the tool of SmartPLS (partial Least Square). This research incorporates descriptive research, since this inquire about will give data or information around existing and progressing phenomena amid the consider. The reason why researcher use Tokopedia as a media its because A survey conducted one of organization which is statistician 2021 (Statista, 2021) where the e-commerce with the most noteworthy guests' number, around 153,639,700 / month is e commerce

Tokopedia. This may be proved that indeed in spite of the fact that a client visits an e-commerce, it has not demonstrated that he will total the exchange on the e-commerce.
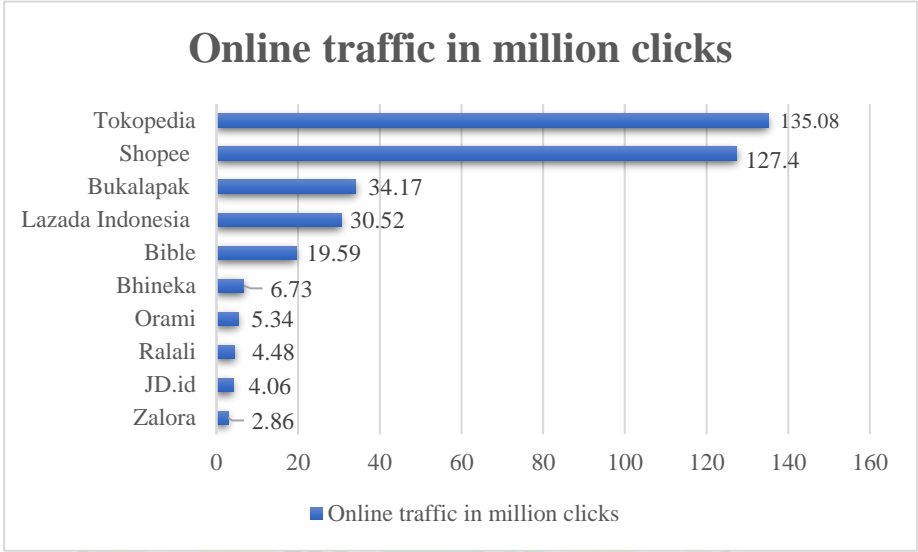
Source Statista (2021)



Figure 1. 4 Online traffic in million clicks ranked the most clicked sites of e-commerce in Indonesia

## 1.2. Statement of Problem

Based on the depiction over, the issue detailing (statement of problem) in this ponder is as takes after:

1. How does the Online Experience affect Customer satisfaction?

2. How does the E-Service Recovery affect consumer Satisfaction?

3. How does the Customer Satisfaction affect consumer Loyalty?

4. How does the Online Experience affect Customer Loyalty?

5. How does the E-Service Recovery affect consumer Loyalty?

## 1.3. Research Objective

The research about is conducted with the point of:

1. To investigate the effect of Online Experience on Customer satisfaction (Gen Z in Padang city) at Tokopedia

2. To investigate the effect of E-Service Recovery on Customer satisfaction (Gen Z in Padang city) at Tokopedia

3. To investigate the effect of Customer satisfaction on consumer Loyalty of customer (Gen Z in Padang city) at Tokopedia

4. To investigate the effect of Online Experience on consumer Loyalty of customer (Gen Z in Padang city) at Tokopedia

5. To investigate the effect of E-Service Recovery on consumer Loyalty of customer (Gen Z in Padang city) at Tokopedia

### 1.4. Contribution of the Research

The results of the study will be anticipated to supply the taking after benefits:

1. For the author. Applying lectures that researchers receive into the real world or the practical world and identifying management problems in company or store.

2. For the company. This research is a source of improvement for the progress of the life cycle of products produced and the progress of the company.

3. For the community. This research is expected to provide information to the public and consideration in buying a product at Tokopedia.

### 1.5 Scope of The Research

1. This research will discuss about loyalty of customer Tokopedia, how is effective and innovative customer online experience and e-service recovery, in improving the Satisfaction and loyalty of costumer.

2. Analysis of how e-service recovery and customer online experience have an impact on the satisfaction of customer.

3. Analysis of how e-service recovery, customer online experience and customer satisfaction effect the loyalty of customer.

4. To obtain the results of this study, it is expected that it can contribute to those who are using Tokopedia Platform to buying product at student in Andalas University, so that we know what the, make them buy product at Tokopedia.

The scope of the research will be focus on customer loyalty, customer online experience and e-service recovery as independent variable. Customer loyalty as dependent variable customer satisfaction as intervening variable. The object of this research is student in Andalas University.

**1.6. Organization of the thesis**

I:  INTRODUCTION

This chapter could be a preparatory chapter that portrays the foundation of the issue, issue definition, investigate goals, the benefits of inquire about and composing systematics.

CHAPTER II:  LITERATURE REVIEW

This chapter could be a library audit chapter that portrays the establishment of hypothesis, hypothetical outline of thought and hypothesis.

CHAPTER III:  RESEARCH METHOD

This chapter will clarify the technique that analysts utilize to talk about investigate plan, information collection strategies, populace and tests, operational factors, information preparing, information examination strategies and information analysis. It is a chapter that examines inquire about technique comprising of factors of investigate and operational definitions, populace, sample and sampling procedures, types and information sources, information collection methods, investigate instrument
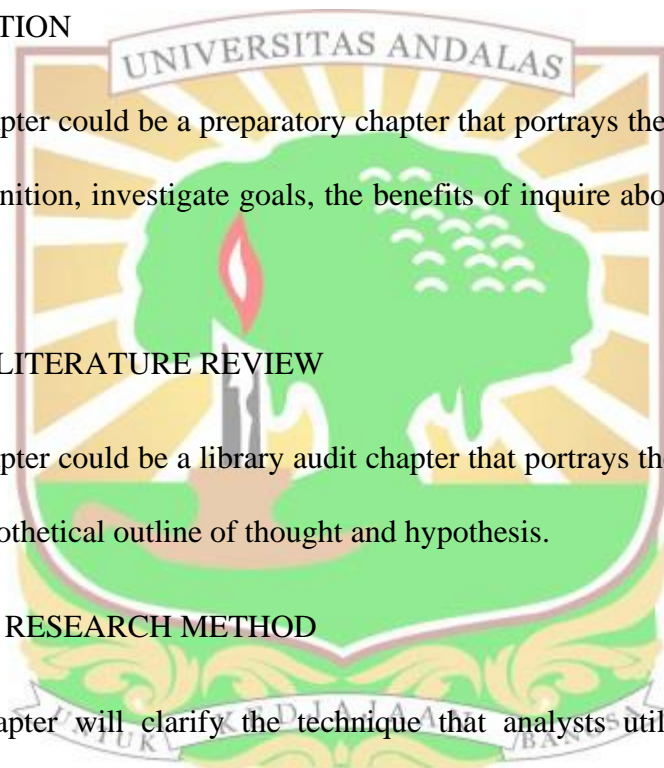
tests, information analysis methods, speculation tests, and coefficients of determination (R2).

CHAPTER IV: DATA ANALYSIS AND DISCUSSION

Could be a discourse that incorporates the characteristics of respondents, the portrayal of the respondent's answers, and the comes about of information investigation and dialog

CHAPTER V: CLOSING

This is often the ultimate chapter of consider, this clarifies the conclusion, limitations suggestion and suggestions of research.