CHAPTER I

INTRODUCTION

1.1 Research Background

Activities carried out by people today are not always done directly or offline; some activities can now be completed by online with greater ease and flexibility. This is a result of the internet's and technology's quick development, which has caused people everywhere to incorporate it into their daily lives. According to (Nurhayati-Wolff, 2021), one of the most people in the world utilize the internet is in Indonesia. Nevertheless, in comparison to other Asian nations, it has a comparatively low internet penetration rate. Out of the nation's nearly 270 million residents, 171.26 million used the internet actively as of December 2019. However, the majority of Indonesians now use the internet extensively in their daily lives, revolutionizing their way of life. The average Indonesian uses the internet as an essential tool for information, communication, business activities, and entertainment.

The method that goods are disseminated to Indonesian consumers has also changed as a result of the internet. Based on the data from (Nurhayati-Wolff, 2022), e-commerce has grown in popularity over the past ten years, and experts predict that by 2025, there will be 221 million e-commerce customers worldwide. Additionally, the retail e-commerce income is anticipated to increase by more than six times from its 2017 level to 56 billion US dollars by 2025.

The popularity of e-commerce indirectly affects the way people do business, one of which is that people are very fond of shopping online. This can be seen based on data from (Pasquali, Marina; 2021) global e-commerce revenues will increase from $3.3 trillion in 2019 to $4.9 trillion in 2021. By 2025, worldwide e-commerce revenues will reach $7 trillion. This indicates that there has been an increase in e-commerce activity in the 2019-2021 period, including online shopping activities.

Online shopping is the act of purchasing a good or service from an online store using a website or mobile application. As claimed by Tarhini, A., Alalwan, A. A., Al-Qirim, N., and Algharabat (2021), one of the key drivers behind the growth of online shopping is reducing time and effort. Furthermore, online shopping offers customers a new and interesting shopping experience from the absence of external factors experienced by customers to various price variations, various promo offered, and products or services with the best quality available on online shopping websites.

Online shopping may also be done through the use of e-commerce. E-commerce is electronic commerce in which purchasing and selling activities take place through an electronic network. One of the e-commerce for online shopping that is popular in Indonesia is Tokopedia. Based on the data from Databoks katadata.co.id E-Marketplace Indonesia survey in 2022, Tokopedia is an application that is in great demand by consumers. Users often go to Tokopedia to find products that are not available on other platforms and often these customers become comfortable with Tokopedia because the interface is very easy to navigate and the 'Hot List' with popular products is very neatly arranged to spoil the eyes of visitors (Ho, Sheji 2018)
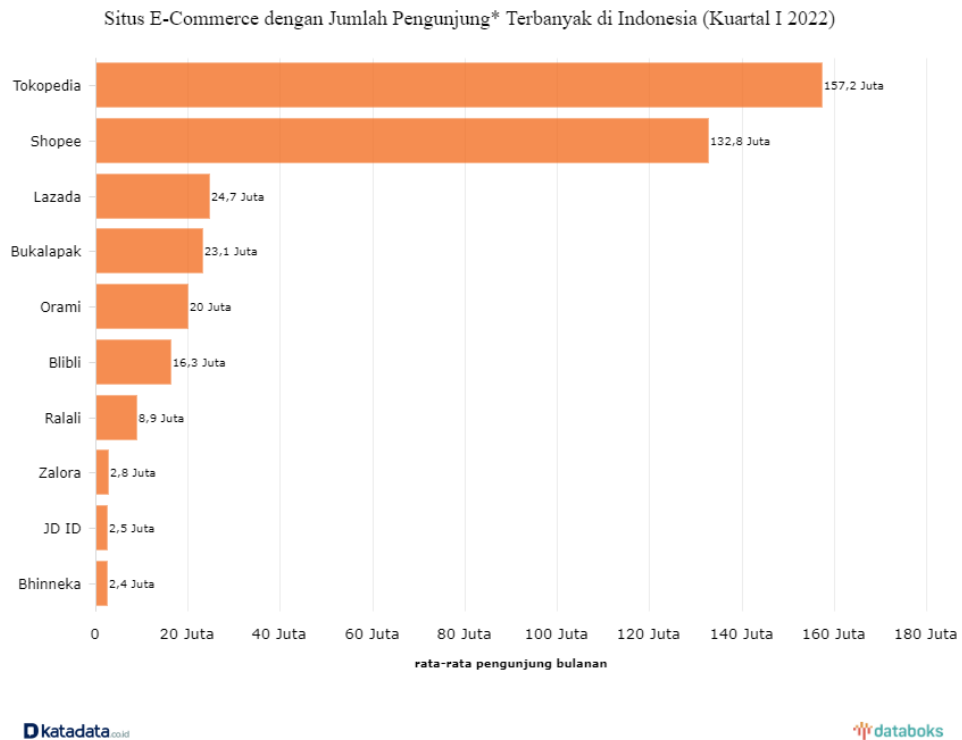
Situs E-Commerce dengan Jumlah Pengunjung* Terbanyak di Indonesia (Kuartal I 2022)

Platform	rata-rata pengunjung bulanan
Tokopedia	157,2 Juta
Shopee	132,8 Juta
Lazada	24,7 Juta
Bukalapak	23,1 Juta
Orami	20 Juta
Blibli	16,3 Juta
Ralali	8,9 Juta
Zalora	2,8 Juta
JD ID	2,5 Juta
Bhinneka	2,4 Juta

Dkatadata.co.id   databoks

Figure 1.1 reason why shoppers prefer certain online platforms over others.

Source: Databoks katadata.co.id 2022

Tokopedia was selected as the research's primary focus since it is one of Indonesia's largest and most well-known online marketplaces. This is known to be able to represent customers from online shopping in West Sumatra. Competition from other shopping platforms such as Lazada, blibli.com, Shopee, and Bukalapak which are very competitive in finding new users and increasing web visits, has prompted Tokopedia to take the initiative to create new models in to maintain the loyalty of current clients while bringing in new ones. From the Tokopedia initiative, shopping trends have been created namely Health, Food and Beverage, Home and Living, Personal Care, and Automotive are some of the most popular categories throughout the second quarter of 2022 (Rizqyta, 2022a).

Additionally, Tokopedia now has more merchants. Compared to the prior year's comparable period, Tokopedia observed an almost 1.5x increase in the number of sellers, particularly in western Indonesia (Rizqyta, 2022). Furthermore, due to increasingly fierce competition, Tokopedia must provide suitable prices and the best quality products for various customers. That way, customers are also motivated to reuse online shopping applications that make them safe and comfortable in shopping online. This effort is made to maintain customer satisfaction in order to continue to maintain customer loyalty.

Price could be define as the exchange of value between consumers for the advantage of possessing or utilizing a product and it can be agreed through negotiation or set equally for all customers (Suharyono; Pahlamalidie, 2021). Another opinion of price according to (Kushwaha et al. (2015) is a characteristic that needs to be sacrificed to satisfy the demands of products. (Kotler, 2012) stated that price is the simplest part of a marketing program to customize; nevertheless, product features, channels, and even communication take a significant amount of effort. Additionally, he defines four price characteristics: (1) price compatibility with quality, (2) price affordability, (3) price according to ability or purchasing power, and (4) price compatibility with advantages.

Furthermore, price in general has become the main determinant by customers in the choosing and purchase of goods and services including in the world of online shopping, where customers are definitely looking for a marketplace or online shopping site that offers suitable and cheap prices compared to others. Based on research from (Dewi, W, 2013) price is also another important aspect that might benefit consumers financially and, in general, it is the primary factor influencing the decision of

customers. In accordance with the findings of a survey conducted by (Novixoxo, 2018) pricing is the most important factor that consumers consider when deciding whether or not to make repeat purchases. This finding shows how sensitive consumers' purchase decisions are to price, which has an affect on their loyalty. The effect of price will also affect the level of customer satisfaction and customer loyalty.

Due to their enormous influence on a company's financial success, service quality and e-service quality have recently emerged as two of the most crucial research topics in marketing. Service quality is one of the major tools for maintaining prestige value by increasing customer satisfaction to control the market, making it simple to enter the sector and offering fantastic prospects for businesses to compete and survive (Ali, F., Dey, B. L. & Fileiri, 2015).

Zeithaml et al., (2002) define E-Service Quality as an electronic service that helps customers shop, buy, and have goods and services delivered quickly and effectively. Additionally, (Lasyakka, 2015) stated that E-Service Quality can be defined as the standard of the electronic media services. Quality services are essential for service providers since they give a competitive edge.

A good service will acquire the value wanted by the client, and a good E-Service will obtain the value requested by the customer. The usage of online media for services expanding in the business world, e-service quality measurements are being taken into more consideration. The distinction between service quality and e-service quality—which is the lack of service professionals and tangible components that customers can see or touch—is the cause of this.

American Marketing Association (Chen, 2010) stated that a brand is any word, icon, logo, design, or mix thereof used to distinguish the products or services of one or more sellers from those of rivals. Severi & Ling, (2013) describe the brand as a collection of multiplex ideas and sensations in consumers' brains that transmit expectations regarding the advantages to be gained from a product supplied by a certain company. Furthermore, a product's brand serves as both an identity and a promise and guarantee of quality from the manufacturer that may be made to customers in order to set the product apart from competitors.

Kotler & Armstrong (2014) stated that brand image is the collection of assumptions people have about a specific brand. Brand image is how a customer recalls it. Simply said, people consider the brand image before everything else when purchasing a product (Saleem & Raja, 2014). It is a method of determining where a specific brand stands in the market (Anselmsson & Bondesson, 2013; Davcik & Rundquist, 2012). According to Roy & Banerjee (2007) brand image is the aim and mental feedback of consumers when they buy things.

Brands play an important role in service businesses because a good brand may boost customer trust in something that is not apparent, help people conceive and grasp intangible things, and lower perceived financial, social, or security risks. Furthermore, the original product's technical specifications lack any brand imagery. Brand image, on the other hand, is something that is developed via marketing and promotion. When a customer utilizes a product and communicates his or her views about it in public.

That is the process of developing a product's brand image. This can be observed by Tokopedia introducing a new slogan 'Selalu ada selalu bisa' as a replacement for the tagline 'Mulai aja dulu', which Tokopedia has used since 2018. This slogan developed from Tokopedia's ambition to establish a platform that allows its customers to satisfy their requirements effortlessly and swiftly from home, without the need to travel.

Tokopedia aims to be a part of a solution that will make many people's lives simpler. Tokopedia seeks to stay relevant in society by changing its advertising and tagline. Aside from that, the new slogan represents a new attitude for Tokopedia to continue to support the Indonesian economy and assist all people get through this difficult time together (Adriennawati, Bianca, 2020).

The brand image is something about product features, design, packaging, and the attributes of that brand or product that distinguishes them from other products. This also applies in the world of e-commerce where the brand indirectly becomes a driving force in attracting customers. It can be seen that marketplaces such as Tokopedia, Shopee and Bli-Bli are competing to make advertisements and promotions as creative and attractive as possible to create a good first impression for customers and indirectly inform customers of the uniqueness of their respective brands.

Hengky et al. (2020) stated that sales promotion is one of the promotional actions used by a business to advertise the products it sells by positioning and arranging specific items so that customers can easily view and learn what products the business sells, sparking their interest and leading them to decide to make a purchase. Furthermore, in order for the target market to accept, purchase, and remain loyal to the products offered by the business, promotion becomes one of the prime roles in

information dissemination, influencing/persuading, and/or reminding the market about the company and its products (Tjiptono, 2007).

Finding the products that consumers want, understanding their motivations and purchase patterns, setting prices in accordance with their purchasing power, choosing distribution channels, and lastly choosing marketing programs in an effort to boost sales are all steps in the process (Tjahjaningsih, 2013).

A business cannot guarantee the success of its marketing efforts even if it has prepared a high-quality product and has estimated the selling price. A communication channel between the business and its customers is necessary for that. Use of promotional activities of many kinds, such as advertising, personal selling, sales promotion, and publicity, is one way to expose a company's goods or services.

Conforming to Kotler & Keller (2016), customer satisfaction is the emotional state a person is in when comparing the performance or results to what they had expected. While Sofyan et al. (2013) assert that customer satisfaction is a measurement how well an entire transaction went and if the chosen solution met or exceeded the buyer's expectations.

In addition, customer satisfaction is a person's assessment of how well a product or service performed in comparison to their expectations (Limakrisna & Ali, 2016). Customers are not satisfied if performance does not meet expectations. Customers are satisfied if the product meets expectations. If it meets expectations, the customers are incredibly pleased or delighted. In conclusion that customer satisfaction or dissatisfaction is a difference or gap exists between what customers expect before making a purchase and the performance or results they experience after doing so.

Competition between Tokopedia and other online marketplaces for customers is fierce. Because they fall short of their expectations and desires, customers are not always happy with the services offered by the seller on the website. As a result, Tokopedia requires an effective marketing plan in order to compete with other online shopping sites and achieve consumer satisfaction.

If customer satisfaction is reached, it may be possible to welcome other new customers as a result of product satisfaction. Companies must have the best quality, good service, and affordable prices if their items are to sell swiftly in the market. Companies must prioritize customer satisfaction in order to survive and compete.

Customer loyalty can be intended as a factor that signifies how loyal customers are to the company's goods and services (Irjayanti et al., 2018). According to Sitio (2019) Customer loyalty stems from a satisfied relationship between the customer and the supplier of the good or service. On the other hand, as stated by Kotler & Keller (2016), customer loyalty is the determination made by consumers to continue using specific goods and services, especially in the face of circumstances and marketing campaigns run by rival businesses that would tempt them to switch and use something else. Because loyal clients are less price sensitive, businesses will profit from them. Moreover, dedicated customers can support business growth since they typically provide suggestions to the business to raise the standards of the products, and eventually, because of their confidence in the standards of the company's services and products they would not mind paying higher prices.

Customer loyalty can be used as a communication method between customers as they communicate information about a product, brand, or company with their

closest friends or family members through word-of-mouth marketing, in addition to helping to encourage repeat purchases. This often happens when customers are satisfied and loyal to a product and service even in online shopping. This is also similar with (Al-Rousan. et al., 2010), which say that customers show loyalty to a brand when they repeatedly purchase it and are prepared to recommend it to other customers even when they don't directly gain from doing so.

Therefore, based on the background that we have discussed and based on the existing circumstances, the researcher is interested in conducting further research on price, e-service quality, brand image, sales promotion, customer satisfaction, and customer loyalty of Tokopedia customers in West Sumatra.

Because of that, on this author take title" The Influence of Price, E-Service Quality, Brand Image and Sales Promotion Toward Customer Loyalty with Customer Satisfaction As a Mediation Variable Of Tokopedia Customers In West Sumatra"

1.2 Problem Statement

The problem can be based on explanations on the background such as:

1. How is the influence of price on customer loyalty in Tokopedia in West Sumatra?

2. How is the influence of e-service quality on customer loyalty in Tokopedia in West Sumatra?

3. How is the influence of brand image on customer loyalty in Tokopedia in West Sumatra?

4. How is the influence of sales promotion on customer loyalty in Tokopedia in West Sumatra?
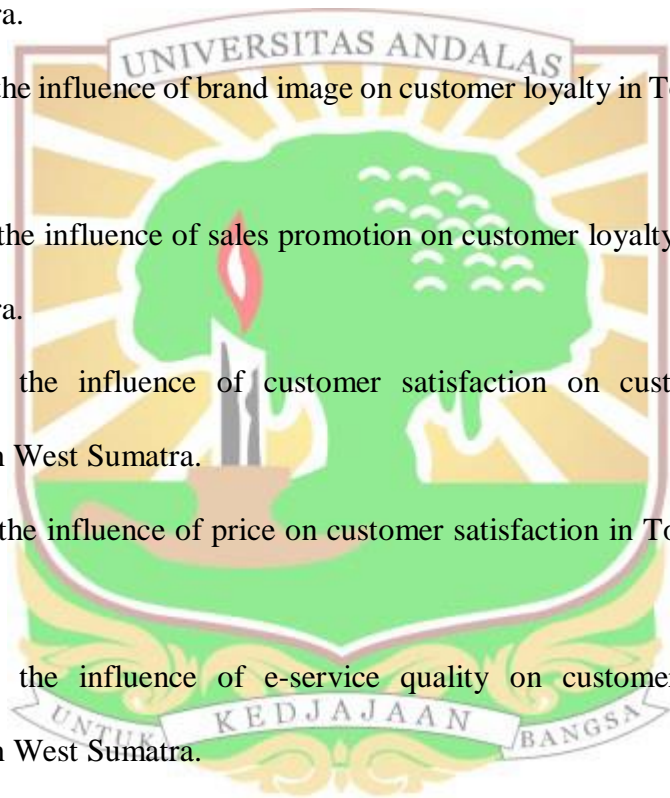
5. How is the influence of customer satisfaction on customer loyalty in Tokopedia in West Sumatra?

6. How is the influence of price on customer satisfaction in Tokopedia in West Sumatra?

7. How is the influence of e-service quality on customer satisfaction in Tokopedia in West Sumatra?

8. How is the influence of brand image on customer satisfaction in Tokopedia in West Sumatra?

9. How is the influence of sales promotion on customer satisfaction in Tokopedia in West Sumatra

10. How is the influence of price on customer loyalty mediated by customer satisfaction in Tokopedia in West Sumatra?

11. How is the influence of e-service quality on customer loyalty mediated by customer satisfaction in Tokopedia in West Sumatra?

12. How is the influence of brand image on customer loyalty mediated by customer satisfaction in Tokopedia in West Sumatra?

13. How is the influence of sales promotion on customer loyalty mediated by customer satisfaction in Tokopedia in West Sumatra?

1.3 Research Objective

Based on the problem statement above, the objectives of this research are as follows:

1. To examine the influence of price on customer loyalty in Tokopedia in West Sumatra.

2. To examine the influence of e-service quality on customer loyalty in Tokopedia in West Sumatra.

3. To examine the influence of brand image on customer loyalty in Tokopedia in West Sumatra.

4. To examine the influence of sales promotion on customer loyalty in Tokopedia in West Sumatra.

5. To examine the influence of customer satisfaction on customer loyalty in Tokopedia in West Sumatra.

6. To examine the influence of price on customer satisfaction in Tokopedia in West Sumatra.

7. To examine the influence of e-service quality on customer satisfaction in Tokopedia in West Sumatra.

8. To examine the influence of brand image on customer satisfaction in Tokopedia in West Sumatra.

9. To examine the influence of sales promotion on customer satisfaction in Tokopedia in West Sumatra.

10. To examine the influence of price on customer loyalty mediated by customer satisfaction in Tokopedia in West Sumatra.

11. To examine the influence of e-service quality on customer loyalty mediated by customer satisfaction in Tokopedia in West Sumatra.

12. To examine the influence of brand image on customer loyalty mediated by customer satisfaction in Tokopedia in West Sumatra.

13. To examine the influence of sales promotion on customer loyalty mediated by customer satisfaction in Tokopedia in West Sumatra.

1.4 Research Benefits

The following are the projected benefits of this research:

1. Theoritical Benefits

The advantages of this research for the author are anticipated to be a gain in understanding of research studies about the influence of price, e-service quality and brand image on customer satisfaction and customer loyalty at Tokopedia as well as input for future research.

2. Practical benefits

It is hoped that the findings of this research would be helpful to the sales platform like marketplace creating a strategy to enhance consumer loyalty by paying attention to the price, e-service quality and brand image.

1.5 **Scope of the Research**

Researchers will conduct research on West Sumatran residents who have shopped online at Tokopedia. This research will focus on the impact of brand image, e-service quality, and price on consumer loyalty, rather than on marketplace promotion strategies that persuade audiences to buy their products.

1.6 Writing Systematics

This discussion will be divided into five chapters, with the following systematic:

Chapter I: Introduction

This chapter contains background problems, problem formulations, research objectives, research benefits, research scope and writing systematics.

Chapter II: Literature review

The theoretical underpinnings of study variables and objects, as well as earlier studies, a research framework, and hypotheses, are covered in this chapter.

Chapter III: Research methods

This chapter contains the methods used, the operationalization of variables, data collection techniques, sampling techniques and data analysis and Hypothesis testing.

Chapter IV: Results and Discussion

This chapter discusses the research topic and includes explanations of the research objectives of the study, data analysis, and analysis of how the research findings were put into practice. This allows readers to learn how the analysis under investigation affected the outcomes of the hypothesis testing.

Chapter V: Closing

This chapter includes recommendations for future researchers, conclusions about the study's findings, and its limitations.