CHAPTER 1
INTRODUCTION

In the chapter, problem background, problem formulation, research objectives, problem scopes, and chapter overview shall be presented.

1.1   Problem Background

In modern era, the use of the Internet has been very prominent in the daily lives of the global population, including Indonesian population. With the advent of the Internet, communication has become much more efficient, as it removes or reduces the effort, inaccessibility, and time needed to send and receive information. As the fourth most-populous country in the world, internet growth is also rapid in Indonesia. In 2020, approximately 191 million people were accessing the internet in Indonesia. This figure is expected to grow to about 240 million by 2025. With such massive number of internet users, Indonesia is one of the biggest online markets worldwide. As of July 2021, online penetration in the country stood at around 62.10% (*Badan Pusat Statistik*).

The Internet makes it possible to quickly find information, communicate with people around the world, manage finances, shop from home, build businesses, etc. Many people now take advantage of the internet as a means to build a business. Since there are millions of people using the internet, the internet allows businesses to grow rapidly. This growth and advancement in communication technology has further strengthened the role of the internet in business and opens many opportunities for businesspeople to develop their businesses even further and reach more consumers. The internet is now used in business for strategic business applications like marketing, sales, and customer support rather than just as a medium for electronically transferring information. Internet marketing has a tendency to cross many boundaries, including borders and normal operating procedures (Oviliani Yuliana, 2000). One of the businesses

that have begun to evolve from conventional offline business into online-based businesses is transportation businesses (Putri et al., 2019).

Transportation services are important aspects of many people's lives, as it is a necessity in facilitating the everyday activities of the population, such as going to school, office, vacation, and others. In Indonesia, traditional transportation services are well known as means to travel with low cost and low distances. These services can be communal (has large capacity), e.g. buses, trains, and *angkot*, or personal (has the capacity of only one or few persons), e.g. *ojek* and taxis. These services are usually accessed by walking to the side of the road and waiting for the preferred transportation. This shows how important and high the usage of transportation in Indonesia (Mahargiono & Cahyono, 2017). The need for cheap, accessible, convenient, safe and comfortable methods of transportation increases as the population grows economically and becomes more dynamic.

E-commerce is commercial transactions conducted electronically on the internet, and one of its newer innovations is online transportation. Online transportation means that all transactions and communications are conducted through online bases, using Smartphone as the medium as well as using related mobile applications and internet connections (Anindhita et al., 2020) Using the mobile application, customers can request a number of transportation services, such as a ride (using a car, motorcycle, etc.), food delivery, package delivery, etc. Such application allows the driver to respond to the order of the customer in real time. Unlike traditional transportation services, customers can use this service while waiting at home and pay using cashless options. In online transportation services, costs are transparent, reducing the need to haggle between drivers and passengers. Payments can be made in cash or non-cash and many provide promos and discounts. The driver that is automatically selected is the closest driver so it doesn't take long to wait (www.grab.com). In America and Europe, there are many well-known online transportation businesses such as Lyft, Uber, Carpool,

etc. Meanwhile, in Indonesia, some of the most popular online transportation businesses are GO-JEK, Grab and Uber.

Grab is one of online transportation businesses that were founded by Anthony Tan and Hooi Ling Tan, two Malaysians that saw the negative aspects of the transportation systems that existed at that time and hence created a transportation service application that attempted to solve that problem. The founders of Grab wanted to develop a simple, hassle-free transportation system. The ease that Grab provides to customers is the sole reason for Grab's success in Indonesia. Consumers previously had trouble locating transportation that could pick them up right from their homes. With the advent of Grab, consumers no longer struggle to locate a ride. This simplicity encourages customers to switch to utilizing Grab, as seen by the 18 million monthly users of the service. Grab is the most popular online transportation service application in South East Asia that has been opened in Singapore, Indonesia, the Philippine, Malaysia, and Vietnam. (Anindhita et al., 2020). Grab started its branch in Indonesia in June 2012 as a taxi order application and has since provided a variety of services, such as car rides, motorcycle (*ojek*) rides, food delivery services, etc. (Fahrurrozi et al., 2020).

Grab, as an international company, has opened in many major cities in Indonesia, including Padang, West Sumatra. According to an Interview done by the Author and one of the Manager of Grab Padang, Grab as a branch in West Sumatra started in in 2017 and it began as an online taxi-only Company. In its first year, Grab collaborated with and absorbed numerous West Sumatran local taxi companies, and a year later it expanded to include motorbike-based services, such as GrabBike, GrabFood and GrabExpress. In the beginning years, Grab opened in almost all major cities in West Sumatra, such as Solok, Pariaman and Painan. However, many of which were closed due to profiting and other issues. Currently, Grab opens in Padang, Bukittinggi and Payakumbuh, and most of its services are available. According to the interview, Grab opens in West Sumatra with high anticipation by the west Sumatran public, as it provides an alternative to the online transportation industry that was growing rapidly in West Sumatra. It

also caused a healthy competition to other online transportation company which was a welcome change by the public. Consumers generally welcome additions of variety of online transportation services as they get lower and competing price and more promo. Additionally, the high demand or growth of consumers also caused high driver (*pengemudi*) growth. This means many things for the public, such as career opportunities and small-to-medium business getting wider reach.

The rapid Growth and success of the company in Padang, however, came to a slow down when the Covid-19 Pandemic hits Indonesia in early 2020, which caused many problems not only to Grab and similar companies, but also nearly all sectors of economy. According to the Grab Company manager, Grab in Padang began to noticeably decline in number of customers since the start of the Covid-19 Pandemic. Grab Padang's sources income, such as transportations to work, school, and college declined during the pandemic. According to the manager, it must be kept in mind that this decline in user rate may or may not be directly caused by the pandemic; however the major decline in user rate happened during the pandemic. In other words, Pandemic does not necessarily have causation effect on Grab's decline in users, but a correlational effect can be seen.

Another major challenge of Grab in Padang, is the tight competitions between similar transportation companies. As the industry of online transportation became highly lucrative, many other online transportation businesses started. Some companies are nation-wide while some focused their businesses locally. According the management of Padang Grab, some companies focus its services primarily on the customers, giving many benefits such as lower price and frequent promo. While some on the drivers as they allow simple and easy recruitment processes of the driver and provide higher benefits for the drivers. The tight competition became apparent as, in West Sumatra, nearly all cities have their own local online transportation company similar to Grab.
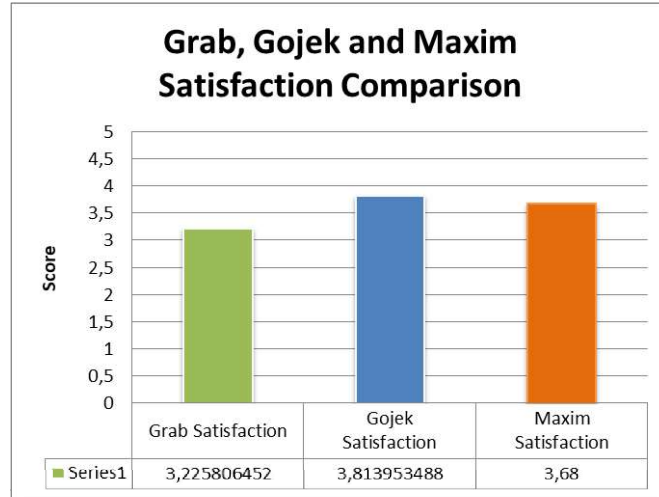
In the preliminary survey, the author did comparative survey on fifty customers of Grab, Gojek, and Maxim in Padang using questionnaire. These

companies are chosen in this survey as they are the biggest online transportation service companies in Padang. This survey is called "Padang Online Transportation Comparative Survey", and has several results (**Figure 1.1**). First, it was found that the majority of people use Grab, Gojek and Maxim (34%) interchangably while Gojek has the highest customers that exclusively use Gojek's services and do not use other application (22%), followed by Grab (6%) and Maxim (6%). Meaning Grab still needs to improve its customers' loyalty, and the loyalty of Grab Customers who also use other apps. According to Tjiptono (2020), one of the indicator of loyalty is that customers only use one certain brand, which means that Grab still has relatively low customers loyalty.
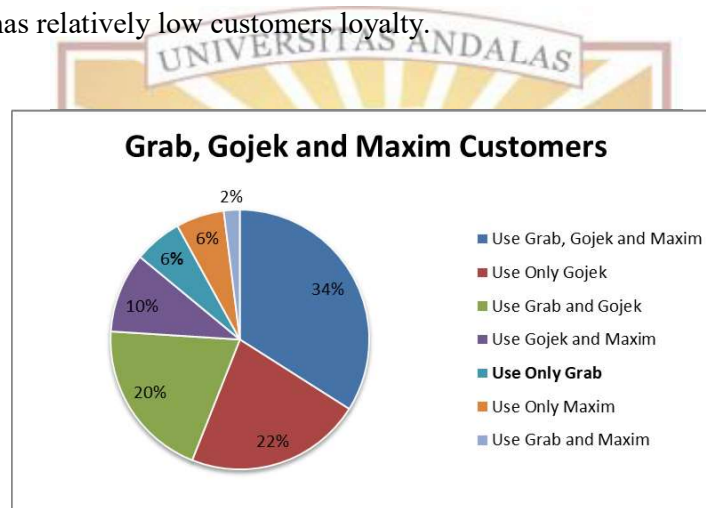

Figure 1.1 Grab, Gojek and Maxim Customers (Source: Preliminary Survey on Online Transportation Customers in Padang)

Another result of "Padang Online Transportation Comparative Survey", it was found that, in general, the satisfaction score for Grab is the lowest among its biggest competitors, Maxim and Gojek. The customers from this survey was asked to rate their satisfaction regarding the online transportation service that they use in Likert's scale. Grab received the score of 3,224 out of 5, which is the lowest relative to Maxim's 3,68 and Gojek's 3,81. Therefore, in Likert's Scale, Grab receives lower rating in comparison to its competitors. These data further prove the urgency of Grab needing to improve its service quality to improve customers Loyalty and Satisfaction (**Figure 1.2**).

Figure 1.2 Grab, Gojek and Maxim Customers Satisfaction Score (Source: Preliminary Survey on Online Transportation Customers in Padang)

According to a separate Preliminary Survey conducted by the author on 50 customers of Grab in Padang city, the Author asked customers of Grab regarding its service. Unlike the previous survey, this survey uses only Grab customers as its respondents. In other words, the respondents of this survey only use Grab as their choice of online transportation service, and do not use other brands. This survey is called "Grab Customers' Survey" and it has several results. Firstly, it was found that the majority of people use GrabBike and GrabFood as the services that they use most frequently. These, when combined, make up 92% of the users, while other services such as online taxi and package delivery make up 8%. There are several reasons that may cause this distribution, such as Padang being an education city in West Sumatra, and West Sumatran culture being famous for its cuisine. This becomes the basis of the reasoning behind the focus of this study is GrabFood and GrabFood. On the following figure, it can be seen the distribution of most-used service of Grab (**Figure 1.3**).
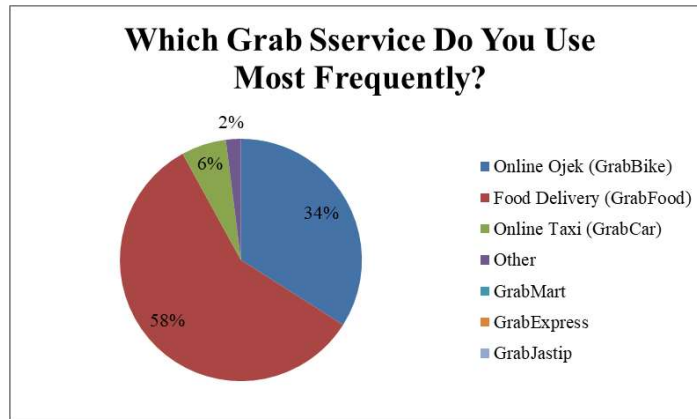
Figure 1.3 Most Popular Grab Services (Source: Preliminary Survey on Grab
Customers)

Another result of the Preliminary "Grab Customers' Survey", the majority
of people report that they have experienced some form of dissatisfaction on
services provided by Grab. It was found that 58% of people have experienced
some sort of dissatisfaction or dislike when using Grab Services, the distribution
of which can be seen on **Figure 1.4**. This dissatisfaction can come from many
reasons, such as the drivers' mistake, application error, the lack of available
driver, etc. However, only 42% of them have voiced their dissatisfaction by giving
low-rating stars to the drivers that serve them (**Figure 1.5**). This indicates that
there are aspects of grab service quality that still need improvement, and that
customers are still reluctant in voicing their opinion. Improvement is necessary in
order to satisfy the customers, gain more customers, and excel at competition, as
many other similar companies provide nearly identical services. In doing so, and
customers' voice, opinion and insight is vital, as, according to Kotler and Keller
(2012), quality is the totality of features and characteristics of a product or service
that depends on its ability to satisfy stated or implied needs of consumers or
service users, or in other words, quality is defined by the customers.
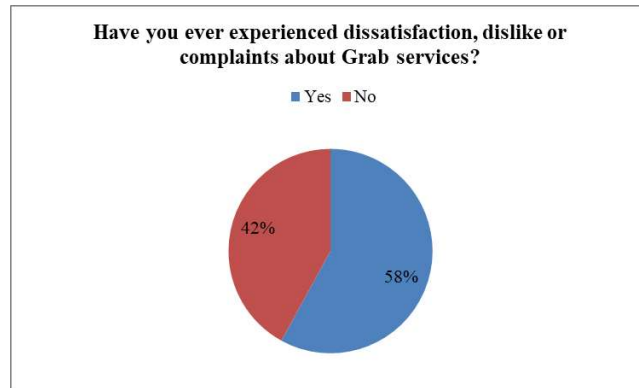
Figure 1.4 "Have You Ever Experience Dissatisfaction, Complaint or Dislike on Grab Services?" (Source: Preliminary Survey on Grab Customers)
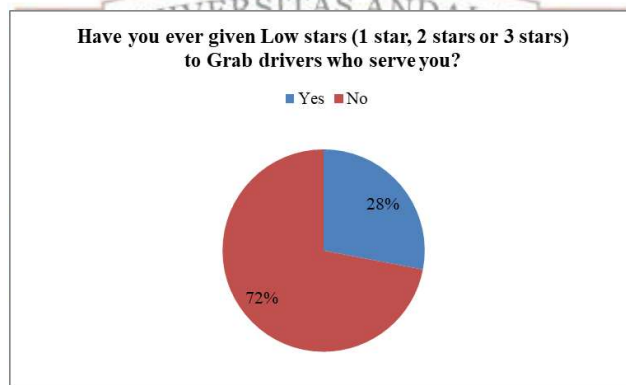
Figure 1.5 "Have You Ever Given Low Star Rating (1 Star, 2 Star, or 3 Star) to Grab Drivers that Serve You?" (Source: Preliminary Survey on Grab Customers)

One way for customers to voice their dissatisfaction is by verbally complaining, and according to a separate survey conducted by the author on thirty Motorbike Drivers of Grab, when asked how many times they receive verbal complaints from the customers in a month, most drivers report that they never receive one. This survey is called "Grab Drivers' Survey" As can be seen in **Figure 1.6**, the majority of drivers report that they never receive complaints by the customers whether verbally or via in-app chat within a month. According to the survey, the maximum frequency at which drivers receive verbal and in-app-chat complaints is 5 to 6 complaints per month. This is only the minority, however.

**Frequency of Complaints done
Verbally or Via Chat in One Month**

| Category	Value
0	22
1-2	2
3-4	5
5-6	1
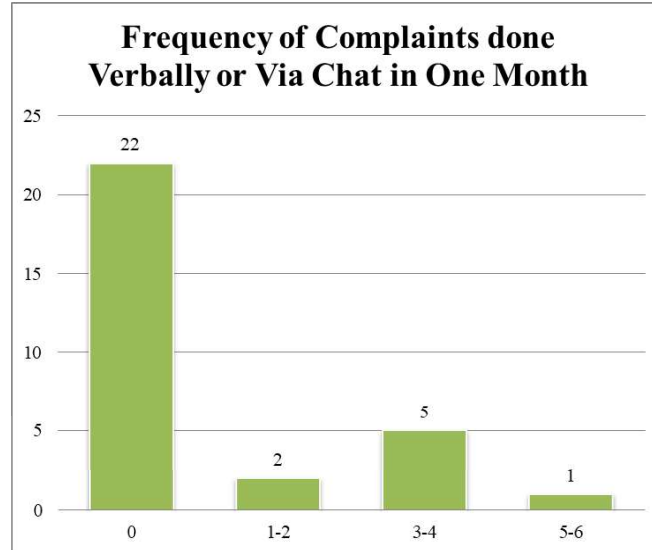
Figure 1.6 Frequency of Complaints (source: Preliminary Survey on Grab Drivers)

As supposed to verbally complaining, an alternative way for the customers to voice their opinion of the Grab service, whether satisfaction or dissatisfaction, is by rating the drivers. After the order is finalized, customers are allowed to voice their opinion of the service by giving a star rating to the driver that has served them. In the same preliminary survey on the Motorbike Grab Drivers, or the "Grab Drivers' Survey", the Author finds that the majority drivers report that they receive low star-rating from the customer at least 1-2 times per month, and only the minority of them reports never receiving low rating, which can be seen in **Figure 1.7**.
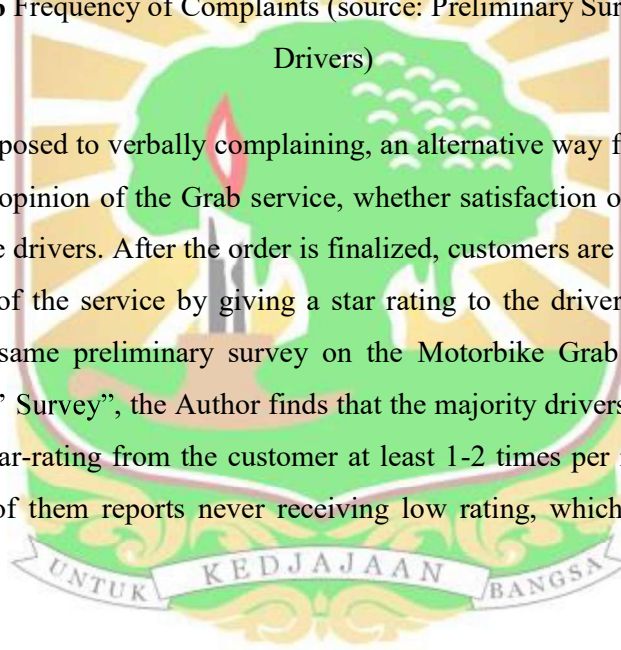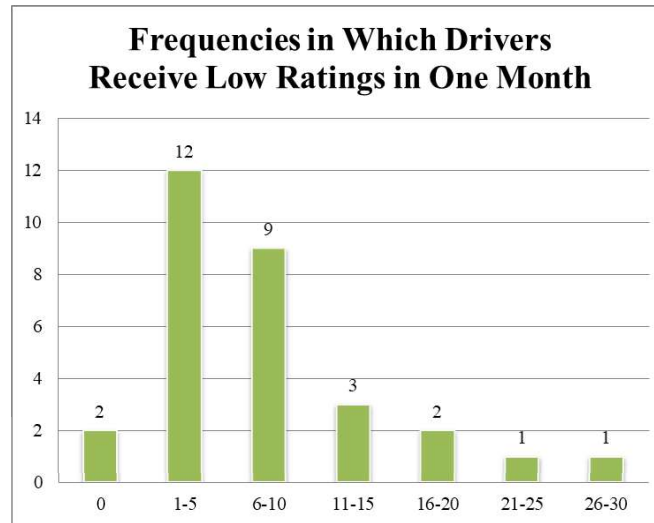
Figure 1.7 Low Rating Frequencies (source: Preliminary Survey)

As can be seen in the above figure, the majority of drivers receive considerably frequent low rating. This is a stark difference to the previous figure, wherein the majority of drivers never receive complains, and only the minority receives one or more complain. Whereas in this figure, the majority of the drivers report that they receive between 1 to 10 occurrences of low rating per month, while the minority receives many low rating, up to 30 occurrences, in a month. In other words, despite never receiving verbally complains, the vast majority of Grab Drivers receive bad rating relatively more frequently. This is crucial information, as rating is a major factor in determination of Drivers' income. Therefore, the satisfaction or the dissatisfaction of the customers, expressed or quantified in forms of Driver's Personal Historical Rating, is a key factor in the calculation of the drivers' income. Therefore, customers' satisfaction is important not only to Grab as a brand, but also to its drivers, as the satisfaction of the customer affect the income of the driver directly.

It can be concluded that currently, as previously discussed, the main challenges of Grab in Padang, as it recovers from the disadvantageous effects of the pandemic, is to reintroduce itself to Padang public by proving that Grab can still provide excellent services to the customers despite experiencing decline in number of user and to excel the fierce competition between similar companies and to improve customers satisfaction, as have been reported, there are still

dissatisfaction in customers. This proves the importance of service quality to Grab Company as service quality is a major factor to maintaining loyalty of the customers, and according to Antony et al., (2004), there is a strong relation between service quality, customer satisfaction and customer loyalty.

Customer satisfaction is largely related to the quality of the services provided. In the service marketing literature, the relationship between service quality and customer happiness has been extensively documented (Antony et al., 2004). A high degree of service quality is often thought to result in a high level of client satisfaction. Customers who receive high levels of service quality, as opposed to those who receive low levels, are likely to be more happy with the service company, according to Ladhari (2009). Moreover, consumers who are satisfied with the products and service they consume will generally have a high degree of fidelity. Fidelity is a term that has traditionally been used to describe the enthusiastic loyalty and devotion to the nation, ideals, or individuals. In business, the term has been used to describe the desire of customers to continually subscribe to the company in the long run, buying and using goods and services at the bear and better exclusively, and being willing to recommend the company's products to friends and colleagues (Lovelock & Wright, 2007).

Grab as a company, in order to excel the challenges previously discussed, needs to pay attention to the quality of its services and its customers. Quality is the ability of a product or service to meet customer needs (Heizer, Render, & Munson, 2017). In service businesses, service quality is a vital factor in achieving customer satisfaction. In general, the use of services has several factors that are used as a basis for consumers or researcher to compare several alternative or competing services. According to Parasuraman et al in Tjiptono & Chandra (2016), five dimensions that determine service quality include reliability, responsiveness, assurance, empathy, and tangibles.

One method for service improvement that puts customers' voice as a priority is to use the Quality Function Deployment (QFD) method, as it starts by

first identifying customers' needs and wants. QFD is a process that includes input from customers at the product design stage, hence ensuring that the products and services produced will be able to meet the satisfaction of Grab transportation service users (Fitzsimmons & Fitzsimmons, 2011). In order words, it is a systematic approach that determines what the consumer demands and then translates these demands accurately into technical design, manufacturing, production planning or service designs (Wijaya, 2011). The QFD tool that can be used is the House of Quality (HOQ) matrix. HOQ is part of the QFD process that uses a planning matrix to relate customer "wants" to "how" the company will fulfill those "wants" (Heizer, Render, & Munson, 2017), as HOQ is used to find out how to improve the quality of service expected by service users, which involves the participation of both the management function at Grab Padang City, and the customers.

Seeing the increasingly widespread use of online transportation services and the increasingly rapid growth of online transportation industry, service quality is an important factor that can support customer satisfaction and loyalty. Based on the previously mentioned phenomena, this paper will investigate how to develop and improve the service qualities of Grab Company in Padang using the Quality Function Deployment (QFD) Method. The results proposed in this study are expected to help improve the quality of online services provided so as to increase customer satisfaction and loyalty for the sustainability and growth of their business.

1.2   Problem Formulation

The problem formulation of this study is related to how to design service quality improvement recommendations of services of Grab as an online transportation company in Padang city using Quality Function Deployment method?

1.3   Research Objectives

This research objective is as follows:

1.   To identify the Voice of Customer in Padang, in regards to the quality of services provided by Grab Company

2.   To propose service quality improvements for Grab Padang services, namely Food Delivery and Bike Riding.

1.4   Problem Scopes

The scopes of the problems studied by this thesis are as follows:

1.   The respondents are the citizen of Padang city that have used Grab application in the last six months

2.   The service that is studied is Food Delivery and Bike Riding (GrabBike and GrabFood)

3.   QFD matrix phase that is studied is until matrix Phase Three, Action Plan Matrix.

1.5   Outline of Final Assignment

CHAPTER 1   INTRODUCTION
          This chapter will discuss the background of the research, problem formulation, objectives, problem boundaries and systematics of research writing

CHAPTER II LITERATURE REVIEW
          This chapter will discuss the theories that are related with this study

CHAPTER III RESEARCH METHODOLOGY
          This chapter will discuss the methodologies of the steps that are necessary to follow in this research

CHAPTER IV DATA COLLECTING AND PROCESSING

This chapter explains how to collect and process data in the research conducted.

CHAPTER V DISCUSSION

In this chapter, discussion regarding data collecting and processing results from the previous chapter will be conducted. The discussion involves the discussion involving the Voice of Customers and the recommendations.

CHAPTER VI CONCLUSION AND SUGGESTION

In this chapter, conclusion and suggestions derived from the research that has been conducted are presented.