

CHAPTER I

INTRODUCTION

1.1 Background

Currently, countries all over the world are facing a phenomenon called globalization. The definition of globalization itself is a process of interaction, integration that crosses boundaries and occurs between people, governments, and companies around the world. Thus, the influence of globalization can remove the various obstacles that make the world more open and need each other. It can say that globalization brings a new perspective on the concept of "World without Borders," which currently has become a reality and has a significant effect on cultural development, leading to cultural exchange and bring new perspective. Joseph Stiglitz, an economist and winner of the Nobel Prize defines globalization as "the strong integration of countries and peoples of the world, caused by the enormous reduction of transportation and communication costs, and the collapse of barriers to the flow of goods, services, capital, knowledge and people across borders". Globalization is also often interpreted as internationalization because it has many similarities in terms of characteristics, so the two terms are often interchanged. Some parties define globalization as something related to the diminishing power, role, and boundaries of a country. In a broad sense, globalization refers to all activities of the world community.

Economically globalization involves goods, services, data, technology, and economic capital resources, which outcome in the expansion of global market all around the world. The removal of cross border trade barrier has made the establishment of global market more reachable. The main factors of globalization, such as rapid progress in information and communication technology, infrastructure, transportation, and others, will create interdependence of economies and other activities worldwide. Globalization has reached every element of our lives, for example from the product we buy and use, the food we eat, and the way we communicate with other. More over globalization is also connect to problems we face in this era, which are climate change, terrorism and spread of deadly disease. The concept of globalization needs a more detailed explanation to evaluate

the influence of globalization on all aspects of life, such as politics, economic, social, cultural, and religion. The nature and scope of the impact of globalization can be discussed depending on the meaning given to the term globalization itself. And it needs to be understood that the definition of globalization is "the source influence, "whereas" the recipient of the influence "in all aspects of life (Academy et al., 2012)

One of the things that are developing rapidly in the current era of globalization is digital transformation. Digital Transformation is part of a high technology process, which is also a change related to its application in society's life. In the end, Digital Transformation is a picture of the whole or the whole effect of digitalization in the community. Digital transformation has undergone significant changes from each generation and has provided various changes and impacts. Even today, it cannot deny that almost every aspect of our lives is associated with technology. It is evident by the emergence of various kinds of telecommunications devices with today's advanced technology. Before developing technology, people still relied on letters to communicate over long distances. With developed technology, people can use cell phones to communicate with other people anytime and anywhere or for other purposes besides communicating. The digital transformation aims to provide simplicity and create human efficiency in completing tasks and jobs. Matthes & Kunkel (2020) finds that the ongoing digitalization around the world appears to have influenced the economy's structure. We can see that digitization has affected structural processes, contributing to increased productivity by technological developments and employment and income.

Digital transformation seems to impact bringing changes in all aspects that apply to all circles of society. One of the aspects affected by digital transformation is transportation. Transportation comes from the Latin word *transportare*, which *trans* means across or on the other side, and *portare* means to lift or carry. So in conclusion transportation is transporting or carrying something from one place to another. Transportation is an integral part of community activities, both individually and in groups. There are four main elements for each form of

transportation: roads, vehicles, drivers, and terminals. Ahmad Munawar explains in his book that there are five main elements in the transportation system, namely:

1. a person who is in need
2. items needed
3. vehicles as the carrier
4. roads as transportation infrastructure
5. organization, namely the transportation company

From the explanation above it explains that transportation is the fundamental element and assist our daily life which sums up development of economic, social, political, and population mobility, which grows simultaneously following developments in various fields and sectors (Kadir, 2006)

The current case study by Sestri & Husnayetti (2018) discussed increasing traffic congestion on the roadway, causing people to seek alternative transportation that can help them get to their destination quickly. This opportunity is capture by transportation business companies that take advantage of technological developments to help society obtain better transportation than the existing public conventional transportation. Besides that, it is supported by the era of digitalization as an impact of technological developments that can help solve community problems in transportation by invented transportation based on application. The presence of online transportation that applies current technology is advantageous for the society that needs safe transportation facilities and can be a solution when traffic jams have become common in big cities. This technological advancement opportunity is exploited by several companies such as Gojek, Grab, Uber, Maxim, and Indrive, which can become profitable businesses and provide convenience.

All operations in various industries, including transportation services, are highly reliant on technology, both directly and indirectly. The improvement of conventional public transportation systems through technology is also known as an online transportation service. According to Jenita, online transportation services is the transportation services where all transaction is conduct in online using application that can be accessed by smartphone and internet connection. the services quality, costs and ownership of the mode of transportation will influence the demand for online transportation (Sundaravalli Narayanaswami, 2017)

Venkatesh et al. (2018) also claim that psychological factors influence ride sharing services in some Asian countries like Japan, Thailand, China, Vietnam, the Philippines, and Indonesia. People's lifestyles have switched since the availability of ride sharing services, which allow them to obtain convenient transportation services by simply using their smartphones. Customer do not have to offer on rates because the application will accomodate real-time tariff calculations. Aside from that, users will find important driver information that will help them ensure their safety. As a result of its advantages, the online transportation system is becoming more popular.

Kamargianni et al. in Kim et al. (2021) literature has found that society's awareness of accessible transportation services is one form of travel behavior, and it results in less-than-optimal travel choices. Information and communication technology has advanced significantly in recent years have made it possible to achieve the objective of "integrated and seamless mobility." Researchers have based their attention on mobility-as-a-service (MaaS). It aims to achieve this goal by providing a gateway that integrates several modes and services for the customers, allowing them to complete the whole trip planning, booking, and payment process in one place.

Mobility as a Service (MaaS) is the incorporation of vaiety modes of transportation into a single mobility infrastructure available on demand. A MaaS operator provides a dynamic menu of transportation alternatives to fulfill a customer's request, including public transportation, bus, car, bike sharing, taxi, and vehicle rental/lease, etc. MaaS would benefit users by allowing them to gain mobility through a single application and a single payment platform rather than multiple ticketing and payment operations. Mobility as a service (MaaS) has been highlighted as a new approach for establishing a sustainable and intelligent transportation system by providing simplified and personalized trip planning at the door-to-door stage. Each country's government designs and operates programs at various levels, taking into account the needs of states, customers, and other stakeholders in the field. Consumer expectations for MaaS must be investigated to assess the effect of modern and smart transportation systems on the industry, which has recently been addressed in the literature. Based on a poll conducted in Seoul,

Korea, this research contributes to the problem with a fresh perspective. According to this study's results for transportation policymakers, consumer tastes for MaaS differ greatly based on the form of transportation they usually use on their way. Depend on the findings of the ICLV model, we discover that private car owners are placing a high value on time and willingness to pay for non-transfers than public transportation users (Kim et al., 2021)

Uber and Lyft, Sidecar are the most successful online transportation service providers in the transportation services business, with Uber having the largest share. Uber was begun 2009, and by mid-2014, it already had eight million users and 160,000 drivers in 250 cities in 50 countries. In December 2014, Uber's valuation was valued at 40 billion USD. This digital transportation service application is equipped with a GPS (global positioning system) device that can track travel distances and predict total costs to become an element of transparency for consumers. Unlike conventional taxis, which don't inform the fee when consumers first enter the car while using their services. Not only that, but the application has also linked payment card information from consumers so that drivers can enter and leave the vehicle without having to worry about payments that have been made automatically. Therefore, neither the driver nor the customer has to deal with the price. The application provider company then takes part the return of the fee and the rest directly for the driver. When there is competition between conventional and modern systems, consumers will have new options, and the traditional/ old methods will force to respond. This will become clearer as the level of competition gets higher (Paundralingga, 2018)

Lyons & Davidson (2016) stated that technology development has led to E-Commerce, which utilizes internet technology as a tool for business activities. The transportation sector is the target of E-Commerce. This technological progress cannot be predicted with certainty, but its impact is undoubtedly significant for various fields, including the transportation sector. This is an excellent opportunity for transportation to do their business based on online. Frequently, the vehicle provided by the government is not a solution for the community. At the moment, online transportation came up as a solution with services that can serve the community directly. So, in the end, the preferences of transportation service users

will prefer a transportation system that is easy and automatic. Online transportation services are just the same as transportation services in conventional. The difference can be seen from several advantages offered by online transportation services, which not existed in traditional transportation. One of online transportation benefit is the innovative and automated system that will be able to influence the preferences of conventional transportation service switch to an online vehicle (Delle Site et al., 2011)

In recent years, digital transformation has also entered the transportation business in Indonesia, which is currently overgrowing. Online transportation services defined where customers may book trips (cars, motorbikes, etc.) using a smartphone app, and drivers can react to these requests via the app (Wallsten, 2015). This provides several benefits which is the driver and customer are able to know each other's position accurately, and the customer may monitor the driver through the application. These advantages make online transportation services easy to gain popularity among urban communities. Online transportation is one of the newest service innovations in e-commerce. This indicates that this business already has a modernization concept built through digital transformation with an online vehicle. We can see this phenomenon through online transportation service providers whose systems are application-based, and this is an exciting breakthrough and can be accepted by almost all groups. In Indonesia, the fame of online transportation is starting when GO-JEK was established in 2010. After the appearance of Gojek, other companies such as Grab, Indrive, Maxim, and other online transportation service providers began to appear (Silalahi et al., 2017).

This research aim to examine the phenomenon which currently evolve at this era, as the previous research above showed that the potential of the digital economy is enormous, as indicated by the number of internet users in Indonesia which reached 132.7 million based on the survey results of the Indonesian Internet Service Providers Association (APJII) in 2016 and the widespread development of e-commerce in Indonesia has changed the way people live their consumption. Then this opportunity was utilized by several companies to establish new innovations in the field of application-based transportation where the use of digital technology on the one hand has increased efficiency and productivity. Therefore, by this study the

researcher would like to see how online transportation service company exploit this development of technology and transform it into a useful platform which used by society and see what factors that affected people's decision to use it

1.2 Research Problem

The previous section shows that in the era of globalization, it has a massive impact on technological developments that affect every aspect and sector. For example, the online transportation business is based on applications that started to develop in countries worldwide, including Indonesia. From the previous research above, we can see that online transportation has changed the system from conventional to modernization, which gives ease with all the services offered by the company. In this study, we would like to see what factors determine the customer's decision to use online transportation services.

1.3 Research Questions

The research Question of this study are identify what kind of factors that affect customer's decision in using online transportation services

1.4 Research Objectives

The research objectives of this study are identify factors that affected customer's decision in using online transportation services

1.5 Research Advantage

The benefits of this research are as follows:

1. for the government and Firms

As a policymaker and head of firms, the authors hope that this research could be a useful reference and information in determining the right policies to improve labor policies and systems.

2. for the development of science

The results of this research can be used as a reference and a source of information for future researchers who plan to discuss the related study