

# CHAPTER I

## INTRODUCTION

### 1.1. BACKGROUND

The utilization of the internet nowadays is no longer a privilege but has become a necessity. According to the Association of Internet Service Providers in Indonesia / APJII (2019), penetration of internet users in Indonesia reached 64.8% of the total population of Indonesia or 171.17 million internet users in 2018. Moreover, the number of users increased by 10.12% from the previous year. As users grow, so does e-commerce. Many parties are taking advantage of a large number of internet users in Indonesia to sell products through social media and e-marketplace. Bank Indonesia in Wahyudi (2019) quoted total online transactions reach 19 trillion rupiahs each month in 2019. These transactions were greater than those in 2018 which amounted to 12 trillion rupiahs per month (Olivia and Rahmawati, 2019). This shows that e-commerce is a common practice in the community.

In this decade, the number of sellers and buyers is skyrocketing, therefore the presence of a marketplace is necessary to mediate buyers and sellers. Based on the Indonesian E-Commerce Association (idEA) in [idea.or.id](http://idea.or.id) (n.d.) marketplace is a business model in which the intended website does not only help to support promoting goods but also facilitates online transactions for online merchants. The total members of idEA are 62 brand marketplaces per 2020. By a myriad of market choices, consumers are facilitated with various attractive choices according to individual preferences. Customers can freely access any marketplaces just one mouse

click away or switch to another e-commerce app on a smartphone. As the result, competition among marketplaces in Indonesia will be tighter to get a larger market share. Various services, price wars, features, and so on are offered to customers for them to buy through their site and gain customer loyalty. Building customer loyalty is no longer the only way to increase profits but it currently becomes essential for survival (Reichheld and Schefter, 2000).

A good brand image allegedly affects the customer's decision to choose whether the e-marketplace is delivering satisfaction and trustworthy which eventually generates loyalty over the customers. An underdeveloped and presented brand image will lead to disaster, which may lead to loss of customers as there may be unsatisfied and eventually, generates low both loyalty and commitment to the organization's market offering (Ogba and Tan, 2009). An attractive and valuable brand increases consumer trust in the products/services associated with the brand (Lien et al, 2015). A good brand image in the customer's mind is indirectly filtering customers to decide which e-marketplace they want to conduct a transaction with. Which, the customer who is satisfied and trust allegedly tends to be more loyal due to their desire to keep the standard of their satisfaction level on the same level and desire not to worry anymore while transaction.

Tokopedia is one of the e-marketplaces listed in idEA. Tokopedia is known as one of the largest online marketplaces in Indonesia. According to CB Insights (n.d.), Tokopedia is a unicorn startup with a valuation of 7 billion US dollars. As an e-marketplace, Tokopedia provides an online platform for sellers and buyers to do transactions. Tokopedia is considered as the object of this research. The choice of

Tokopedia is due to its strength in brand over the other competitors. Tokopedia as a brand is placed in 10th place as the most valuable brand in Indonesia 2019 (BrandZ, 2020). By this position, Tokopedia has a 2.2 billion USD brand value which increased impressively 487 percent from last year. This position is also confirmed that Tokopedia is the most valuable e-marketplace brand in Indonesia. The closest competitor is Bukalapak in 33rd place with 387 million USD brand value. The Tokopedia brand strength can be used as a company's competitive advantage to compete in the market. Moreover, in order to strengthen the positive image, in October 2019, Tokopedia appointed BTS (a South Korea boyband) as the brand ambassador due to identical vision between Tokopedia and BTS that is consistently spread out positive influence (Tokopedia, n.d.). Based on the information above, Tokopedia is considered has a robust and attractive brand image and choose as the object of the research.

In terms of e-Satisfaction, Tokopedia offered several features to deliver a good service for customer satisfaction. As the technology company uses its strength in advanced technology to generate customer satisfaction. In 2015, collaborated with ride-hailing technology company Grab and Gojek, Tokopedia provides first instant delivery. This service makes it possible for customers to receive their orders within a day. In 2018, Tokopedia awarded the best app by Google User's Choice. Recently, Tokopedia is collaborating with Alibaba Cloud in the procurement of cloud and artificial intelligence technology in order to offer a better personal shopping experience to the consumer (Warta Ekonomi, 2019). By these several facts show that Tokopedia has several services that give satisfaction to the customer.

In order to build customer's trust in shopping through their web, Tokopedia provides an escrow account at the very beginning the company starts the business. The way escrow account works cause the payment of the buyer saved in an escrow account and will be transferred to the seller after the buyer received the order. Moreover, Tokopedia applied a One-Time Password to secure users' accounts. One-Time Password as defined by Tokopedia (n.d) is a verification code or dynamic password consists of 4 to 6 unique number digits and confidential which usually sent by SMS or e-mail registered in Tokopedia. These several advantage in terms of brand image, e-satisfaction, and trust supposed to help Tokopedia to get e-loyalty.

The strength of Tokopedia is reflect on Tokopedia's position in the industry's benchmark. According to iPrice (n.d), Tokopedia listed as the annual most visited e-marketplace in 2018 with over 918 million visits. It drives Tokopedia to take over Lazada's positions at the peak position. Even though Tokopedia maintained the top position in 2019. However, the annual web visit decreased from previous year. Then, in order to maintain its position and increase annual web visit, Tokopedia needs to build loyalty in order to sustain in this business. E-loyalty will continue to be a key success factor in e-commerce (Gommans, et al 2001).

The concept of customer loyalty has been widely discussed by researchers. Dick and Basu (1994) described loyalty as the strength of the relationship between individual relative attitudes and repetitive subscribe, it generates resistance to counter persuasion, search motivation, and word of mouth communication as

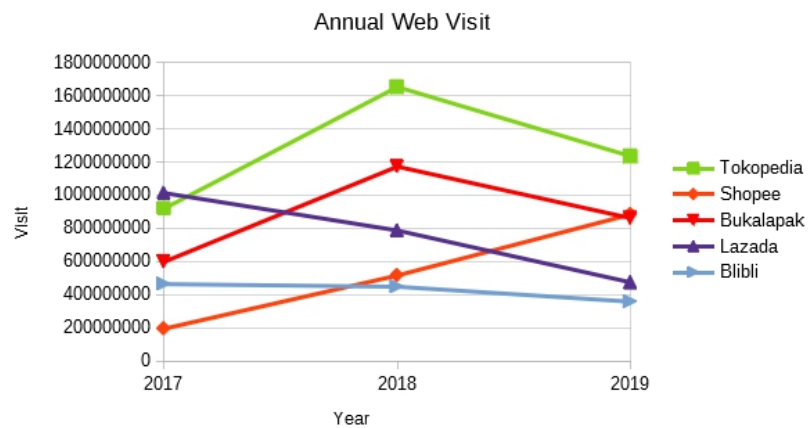


Figure 1.1. Annual Web Visit e-Marketplace

Source: iPrice (2020)

consequences. The development of internet technology expands loyalty to e-commerce, therefore loyalty expanded from the concept of customer loyalty into the concept of e-loyalty (Gommans, et al 2001). E-loyalty has a positive impact on the company. Dick and Basu (1994) explained that customer loyalty generates search motivation, resistance to counter persuasion, and positive word of mouth. Meanwhile, in the online context, Toufaily et al (2013) in their researches expanded the consequences of customer loyalty to e-loyalty are better customer profitability, a better share of wallet, higher frequency of purchase on the site, increase the number of visits, less sensitivity to price, less alternative search, frequent word of mouth, willingness to pay more, willingness to purchase from the site, positive total satisfaction with the online experience, ease to cross-selling, and higher customer retention. However, maintain and earn e-loyalty in an online environment is challenging due to low switching costs and constant competition between e-marketplaces. In order to build e-loyalty required several factors.

Table 1.1. Researches on brand image towards loyalty

Study	Research Method	Place	Findings
Ogba and Tan (2009)	Survey	Chinese mobile phone market	Brand Image has positive impact to customer loyalty
Kwon and Lennon (2009)	Survey	Multi-channel apparel retailer	Online brand image does significantly explain online customer loyalty
Hapsari et al (2016)	Survey	Five-stars Indonesian airline	Brand image is insignificant to customer loyalty

The brand image considers as an affected factor to e-loyalty. Many previous researches had mentioned that brand image is one of the antecedents of e-loyalty. Brand images of the retailer appear to affect consumers' loyalty to a retailer (Kwon and Lennon, 2009). The brand image does influence consumers' online purchase intentions (Aghekyan-Simonian et al, 2012). Good brand image must positively impact on customer loyalty (Ogba and Tan, 2009). The power of the brand is considered as a key to maintaining a position in the market. The well-managed brand leads to a rising market share (O'Neill and Xiao, 2006). In competitive markets, a strong brand identity can be recognized and relied on by customers. According to

Kotler and Keller (2016), the brand itself is a promise between company and customers, sets the customer expectations, and reduces their risk which eventually leads to customer loyalty. Moreover, a positive brand image helps the company to build a brand's position, strengthen the brand's market performance, and preserve the brand from the competition. Brand image is consumers' perceptions about a brand, as reflected by the brand associations held in consumer memory (Keller, 2013). Associations come in all forms and can reflect product characteristics or aspects that are not product dependent. However, Hapsari, et al (2017) found in their research that brand image does not positively affect customer loyalty. Hence, the affect of the brand image towards e-loyalty require a further test.

Table 1.2. Researches on e-Satisfaction towards loyalty

Study	Research Method	Place	Findings
Ahmad et al (2017)	Survey	Online retailers India	Satisfaction is significant to loyalty
Pereira et al (2016)	Survey	Portugese online tourism site	E-Satisfaction is significant toward e-loyalty
Tang and Huang (2015)	Survey	E-shopping Taiwan	E-satisfaction significant to e-loyalty
Al-dweeri et al (2017)	Survey	Amazon.com for Jordan market	Satisfaction does not significantly affect attitudinal

			loyalty
Sadeghi et al (2018)	Survey	Firm in Iran	e-Satisfaction does not significantly affect e-loyalty

Moreover, there are also plenty of previous research found that e-loyalty was influenced by e-satisfaction (Ahmad et al, 2017; Pereira et al, 2016; Tang and Huang, 2015). E-satisfaction has been assumed to be a natural antecedent to e-loyalty (Anderson and Srinivasan, 2003). In its basic concept, satisfaction is an especially powerful measure in service businesses where loyalty is the cumulative result of the using experiences (Aaker, 1996).

Table 1.3. Researches on trust towards e-loyalty

Study	Research Method	Place	Findings
Azam (2015)	Survey	Saudi Arabia online market	Trust in e-retailer is significant towards e-loyalty
Bilgihan (2016)	Survey	Hotel booking website	Trust is significant to loyalty
Huang (2008)	Survey	Taiwan travel agency	Trust is significant to e-loyalty
Sadeghi et al (2018)	Survey	Firm in Iran	e-Satisfaction does not significantly affect e-loyalty

Meanwhile, in the online context, e-satisfaction is defined as the pleasure of the customer with respect to their previous purchasing experience given by electronic commerce firms (Anderson and Srinivasan, 2003). In contrast, Al-dweeri, et al (2017); Sadeghi, et al (2018) found in their research that e-satisfaction does not affect e-loyalty in terms of respectively attitudinal loyalty in Amazon.com' Jordan and Iran market. Hence, required to further test to know the effect of e-Satisfaction to e-loyalty.

Furthermore, in other researches e-loyalty also affected by the trust. It is crucial for e-commerce to realize the close relationships of trust in the development of e-loyalty (Azam, 2015). Customers who do not trust e-commerce would not be loyal to that e-commerce (Bilgihan, 2016). Build up a trust is also a critical factor for e-loyalty (Huang, 2008). Loyalty is still about earning the trust of the right kinds of customers (Reichheld and Scheffer, 2000). In the electronic commerce context, customers who do not trust an e-business will not be loyal to it even though they are generally satisfied with the e-business (Anderson and Srinivasan, 2003). However, Sadeghi et al, (2018) found in their research that trust does not affect e-loyalty in Iran. Thus, it is required to conduct further test of it.

Several researchers have found that e-loyalty affected by brand image, e-satisfaction, and trust. However, there are also researches who found no significant influence of brand image, e-satisfaction, and trust towards e-loyalty. Moreover, e-loyalty nowadays is critical to Tokopedia in order to maintain its place as the top position in terms of annual web visit. A highly competitive market, price war, ease of switching one and another have caused deflation of Tokopedia annual web visit.

Thus, the influence of brand image whether directly or indirectly through e-Satisfaction and Trust towards e-Loyalty is interested to conduct a further test.

## **1.2. RESEARCH PROBLEM**

Tokopedia has several advantages in terms of brand image which allegedly affect e-loyalty. However, the validity remains uncertain and needs further empirical research, considering that even Tokopedia stands still in the top position, the total visits were decreasing from the previous year. Furthermore, reviewing from several previous research, there is a disparity of the result of the researches which becomes a research gap. Thus, the research of the influence of brand image towards e-loyalty with e-Satisfaction and Trust as the mediating variable is appealing to do.

## **1.3. RESEARCH PURPOSES**

The objective of the study is to find out the effect of brand image towards e-loyalty with e-satisfaction and trust as the mediating variables.

The Significance of this study are:

### **1. For Tokopedia**

To provide a research-based result that helps the management of Tokopedia in making strategic corporate decisions to acquire loyalty.

### **2. For the researchers**

To provide a reference for research in similar areas focusing on e-loyalty and factors affecting.