

CHAPTER I

INTRODUCTION

1.1. Background

In this era of globalization, developments in information and technology have an impact on customer loyalty to e-wallet services. This is due to easy access to big data, the emergence of artificial intelligence, the shift from traditional to online networks, and changing in customer spending patterns. With these technological advancements, marketers are interested in conducting research as it has brought about changes in customer behavior and increased complexity in market dynamics (Cham et al., 2022a). Conforto (2019) claims that technology developments forced organizations to go above and beyond in order to provide consumers with high-quality services. In a competitive business environment, of course organizations must offer high- quality service to maintain customer loyalty especially in e-wallet services because in nowadays it plays a key role in customers lives with fast, easy, and global services to retailers, manufacturers, businesses, and all essentials of life.

According to Fandy (2019) customer loyalty is described as a long-term commitment to a brand or company to make purchases based on very positive characteristics. Loyalty, can lead to both satisfaction and dissatisfaction. Wu et al. (2019) describe customer loyalty as a desire and tolerance for purchasing at a greater price. According to previous research, customer loyalty is a set of logically organized beliefs guiding a series of purchasing actions among competing enterprises (Liana et al., 2023). The research explains that customer loyalty is a combination of attitudes and behaviors exhibited by customers, resulting in rivalry among service providers.

To find out how customer loyalty is, as researchers we have to look from the customer's perspective. Bhatnagar et al. (2019) in their research revealed there was an unfulfilled services, improper practices, and bad communication between customer and service provider. This highlights the importance of understanding service quality among e-

wallet customers. Several previous studies by Herhausen et al. (2019), Supriyanto et al. (2021), Melián-Alzola & Martín-Santana (2020), Robb & Paelo (2020), Teeroovengadum (2022) stated that service quality is influenced customer loyalty. These research, which focused on banking, blood donation, and educational services, arguing that commitment and trust, not attitude and behavior, are what build loyalty. Furthermore, Fianto et al. (2020) created a concept of service quality in Islamic banking services, this is quite similar to e-wallet. The difference is that e-wallets operate in an online network which means all transactions are carried out using internet related services.

There are several research that focused on the e-wallet. The first is conducted by Ajina et al. (2023) showed that service quality has a significant positive impact on the customer loyalty but it is not focusing on the customer attitude and loyal behavior. Second, Ridhwan et al. (2021) considered e-wallet customer loyalty based on e-brand, love, trust, and experience, which doesn't cover customer attitudes and loyal behaviors. In such situations, further research is definitely required to clarify how customer loyalty is created or maintained or how each service provider handles, acquires, and maintains its customers.

In this research, service quality, functional quality, and technical quality will be defined where service quality is the customers opinion of the company's qualities, functional quality is how the service is done, and technical quality is the result of the service. Previously, the view of technical quality, functional quality, and reputational quality is based on the credibility, quickness, customer satisfaction, and company's performance (Birch-Jensen et al., 2020; Zarei et al., 2019; Närvänen et al., 2020). Although previous researches did not focus on customer loyalty, the research is used to base this research.

In Indonesia most people are familiar with e-wallets. According to the E-Wallet Industry Outlook 2023 report from Insight Asia on Katadata, 74% of the 1,300 urban people reported using a e-wallet.

No.	Nama Data	Nilai
1	Gopay	71
2	OVO	70
3	Dana	61
4	ShopeePay	60
5	LinkAja	27

Figure 1.1

E-Wallet Industry Outlook 2023

Source: <https://databoks.katadata.co.id>

Based on the table above the most widely used platform is Gopay, with a user proportion of 71% of the 1300 urban people. However, Gopay competes very closely with OVO, whose user proportion reaches 70%. Meanwhile, the proportion of users of other digital wallet platforms such as Dana, ShopeePay and LinkAja is smaller as seen in the graph. Based on Insight Asia mostly people use the e-wallet app for online shopping, top-up credit, transfer money, and pay household bills.

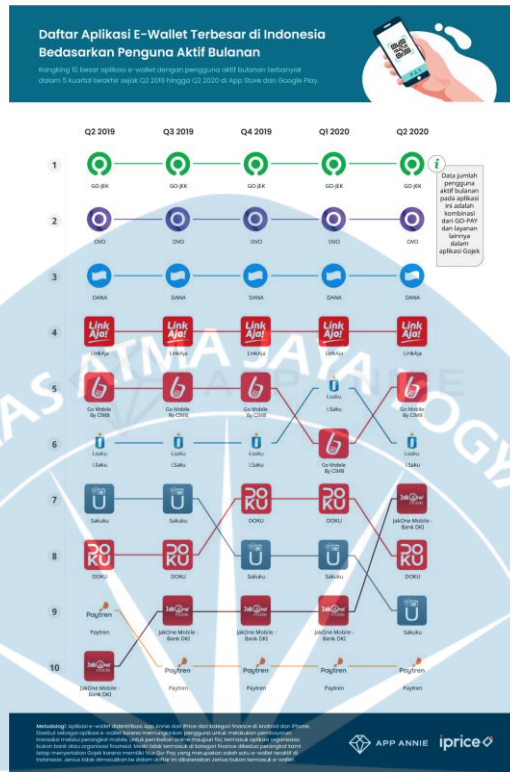


Figure 1.2

List of E-wallet Based on Monthly Active User

Source: <https://iprice.co.id/>

The picture above also showed that Gopay is the biggest e-wallet in Indonesia from the monthly active users. Owned by PT Aplikasi Karya Anak Bangsa (Go-Jek Indonesia) Go-Pay has become a practical solution for people's requirements, eliminating the need for them to leave their homes in order to make payments. This has left a favorable impression on the community and develops positive values. According to Hastuti (2019) on CNBC Indonesia, three survey organizations now claim that Gopay is the best option available in Indonesia. From this data we can conclude that there is intense competition amongst all e-wallet providers. Users are more likely to switch brands or providers while using e-wallets due to the more intense rivalry in the e-wallet market.

Due to an intense rivalry in the e-wallet market we need to keep the loyalty of the customer, to prevent switching to another brand provider.

In this research the study is using the theory of planned behavior, the theory was propounded by Ajzen (1991), the service quality model by Gronroos (Kang & James, 2004), and customer loyalty framework by Dick & Basu (1994). The theory of planned behavior itself is explained by behavioral intentions which explain the factors that influence behavior and the extent to which a person can agree to carry out a behavior. According to Hawkins on Disha et al (2023) attitudinal loyalty can be defined as a deeply held commitment to repurchase or patronize a preferred product/ service consistently in the future, thereby causing repetitive same brand-set purchases despite situational influences and marketing efforts having the potential to cause switching behavior, while behavioral loyalty is "an ongoing propensity to use the brand, usually as one of several options. Attitude loyalty refers to the perception and preference that customers have towards a certain firm compared to other organizations providing similar services. On the other hand, behavioral loyalty, also known as repurchases, is the actual purchasing behavior exhibited by customers (Salem et al., 2019).

After mentioning several previous studies, it is known that most researchers only use the SERVQUAL method in their research (Kukuh Argitama & Suryoko., 2020), (Saragih et al., 2023). Therefore, to fill this gap, the author in this research uses the service quality method which involves technical quality, reputational quality, and functional quality. The only similar research is conducted by Liana et al. (2023) in Dar es Salaam, Tanzania. In that research, they have a gender as a moderating variable that is not present in this research because the author wants to know the direct effect of service quality on customer loyalty without being moderated by gender. Also, the object studied is about m-payment, not e-wallet.

In Indonesia, the number of people who use e-wallets is very large and there are various e-wallet service providers based on Katadata. Each person tends to use more than one e-wallet on their smartphone. The statement above raises the issue of why an individual cannot exhibit loyalty by exclusively using a single e-wallet and does the quality of the service offered have the potential to impact an individual's attitude and behavior leading them to become a loyal customer. Since there are still many gaps and the issue mentioned before, the author is interested to know the effect of service quality on customer loyalty in GoPay Application.

1.2. Research Questions

Based on the problem formulation that has been described, the questions of the research are:

1. Does technical quality effect attitudinal customer loyalty?
2. Does technical quality effect behavioral customer loyalty?
3. Does functional quality effect attitudinal customer loyalty?
4. Does functional quality effect behavioral customer loyalty?
5. Does reputational quality effect attitudinal customer loyalty?
6. Does reputational quality effect behavioral customer loyalty?

1.3. Objective of the study

Based on the research questions that has been described, the objectives of the research are:

1. To find out the effect of technical quality to attitudinal customer loyalty.
2. To find out the effect of technical quality to behavioral customer loyalty.
3. To find out the effect of functional quality to attitudinal customer loyalty.
4. To find out the effect of functional quality to attitudinal customer loyalty.
5. To find out the effect of reputational quality to attitudinal customer loyalty.
6. To find out the effect of reputational quality to attitudinal customer loyalty.

1.4. Research Benefits

1. For the company

It is hoped that this research can contribute, in the form of scientific value as they are useful for managerial decisions and forming marketing strategies, which are necessary for e-wallet companies. With this thesis the company can also consider which parts must be improved.

2. For academics

This research is expected to be a reference material in conducting similar research in the future.

3. For the author

This research is useful to add insight for the author. The author can apply the theories that have been studied and obtained during lectures and add experience for writers in analyzing the effect of service quality towards customer loyalty in E-wallet Gopay.

1.5. Scope of The Study

This research has established restrictions to narrow down the scope of investigation, aiming to enhance its specificity.

1. This research will use Gopay as the one of most used E-wallet in Indonesia.
2. The respondents for this research are Indonesian citizen who use Gopay as their e-wallet

1.6. Writing Systematics

This thesis report is written systematically as follows:

CHAPTER 1: Introduction

This chapter contains the background of the problem, problem formulation, benefits of the problem, problem objectives, problem restrictions and systematics of report writing.

CHAPTER 2: Literature Review

This chapter contains an explanation of the research that has been done related to the topic discussed and the formulation of the problem, and a comparison between research that has been done before and research that will be done.

CHAPTER 3: Research Methodology

This chapter contains an explanation of the theoretical basis related to the problems discussed

CHAPTER 4: Results and Discussion of Research

This chapter contains an analysis of the problems to be overcome and the theory that will be used to determine the effect of service quality on customer loyalty.

CHAPTER 5: Conclusions and Suggestions

This chapter contains conclusions from the overall discussion and suggestions for further development.