CHAPTER I
INTRODUCTION

1.1 Overview of Research Object
1.1.1 Lazada Company Overview

Lazada Indonesia was founded in 2012 and is a branch of Lazada Southeast Asia's online retail network. Lazada is a region in Southeast Asia, including Lazada Indonesia, Lazada Malaysia, Lazada Philippines and Lazada Thailand. Rocket Internet's subsidiary Lazada Southeast Asia Network, an Internet network based in Berlin, Germany. Rocket Internet is an online incubator which has successfully set up ingenious online businesses worldwide. Lazada Indonesia currently sells 13 types of product categories with 200 thousand products, namely: health and beauty, watches, cellphones and tablets, fashion, electronic equipment, household appliances, cameras, computers and laptops, household electronics, toys, automotive and hobbies, bags and luggage, sports and outdoors.

Lazada is a company that develops an internet also purchasing sales platform. The company sells goods in a variety consisting of consumer gadgets, commodities for the home, toys, clothing, sports equipment, and consumables. Lazada offers a variety of payment methods including, cash on delivery, bank transfer, credit cart, LazPaylater, virtual account, e-wallet. Lazada also provides a refund system. Lazada Indonesia has the following logos:

Figure 1. 1 Logo of Lazada

Source: www.lazada.co.id (2022)

Lazada Indonesia's advantages, namely:

1. Return of goods in 14 days to customers to do exchange goods or refund if there is damage or mismatch of ordered items,

2. A variety of payment systems, namely: Lazpaylater, Bank Transfer, Credit Card, Cash on Delivery (COD), Virtual Account, E-Wallet, and others,

3. The security system uses; Norton Secured, PCI DSS approved more security-USD,

4. Shipping services using JNE, Pandu Logistics, First Logistics. However, not only that Lazada Indonesia has a shipping service on its behalf namely Lazada express,

5. Apart from the website, Lazada Indonesia also has a smartphone application: Appstore, play store and windows phone.
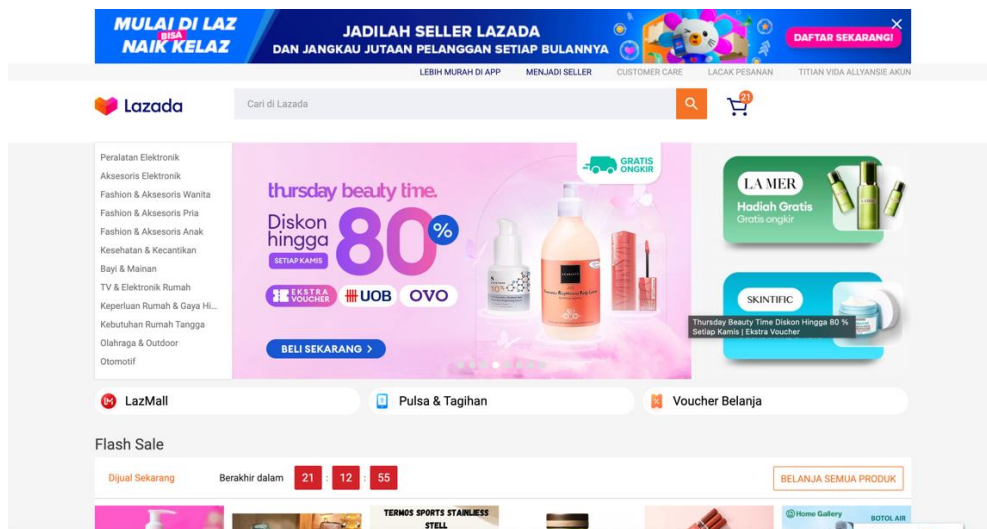

Figure 1. 2 Website of Lazada

Source: www.lazada.co.id

1.1.2 Vision and Mission of Lazada

Vision

Become a trusted online shopping place and provide the best quality and service to consumers.

Mission

Serve all buyers' needs, from ordering to buying goods to the place of the buyer.

1.2   Research Background

Its quick development of science and technology at this time was initiated to help the community lighten the burden of daily activities and assist in providing fast, precise, and accurate information. In particular, the advancement of information technology in Indonesia is getting faster every day. This is due to several factors, including growing internet users and users who understand it. Expanding the area covered by the internet, increasing online capacity, and using modern internet and communication technologies to be faster and more efficient. Other influences such as the development of smartphones, the emergence of various types of social media and e-commerce, and the number of active internet users have influenced the rapid growth of science and technology (Lipsus, 2019).

The development and improvement of science and technology also has an impact on the world's economy. For example, the emergence of the Unicorn company. One of the countries that has a Unicorn company is Indonesia. According to *investopedia.com*, the Unicorn company is a company that has a valuation value of US $1 billion or equivalent to Rp14.2 trillion (exchange rate of Rp14.225 per US dollar). The nickname unicorn was first coined by venture capitalist and founder of Cowboy Ventures, namely Aileen Lee in 2013. The following is data from trenasia.com, a start-up company that is a unicorn company in ASEAN, which can be seen in Figure 1.3 as follows:
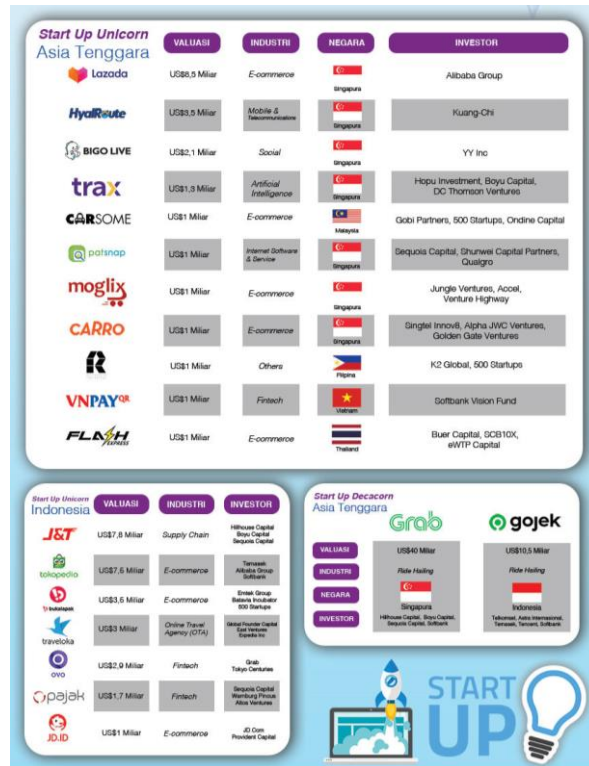
Figure 1. 3 Start Up Unicorn Company's in ASEAN in 2021

Source: trenasia.com (2021)

According to *trenasia.com*, Indonesia will contribute to several unicorn start-up companies in Southeast Asia in 2021. One of them is Lazada e-commerce. Lazada is the number 1 start-up with a valuation of up to US$8.5 billion. Lazada originates from Singapore. Lazada is one of the unicorn companies in Southeast Asia. Of course, also affects the value of the e-commerce. Lazada's company should be able to convey the value of their company well, as well as Lazada in Indonesia. With Lazada having a high valuation value as a start-up company in Southeast Asia, Lazada Indonesia should also be able to maintain its value so as not to experience a decline in valuation in the following years. And remains the e-commerce chosen by its customers.

The number of Internet users attracts companies to promote the goods they sell

on the internet. The internet can impact any business area, from large-scale ownership contracts to Internet usage to product branding, marketing, sales, or other business functions. The internet is not just an economy. The internet can potentially change how communities to shop, whether for goods or services. The internet has grown so fast that there are now online stores, blogs, and social media outlets to make friends and sell many of the tools you need. According to APJII *(Asosiasi Penyelenggara Jasa Internet Indonesia)*, 2021-2022, the data is as follows:
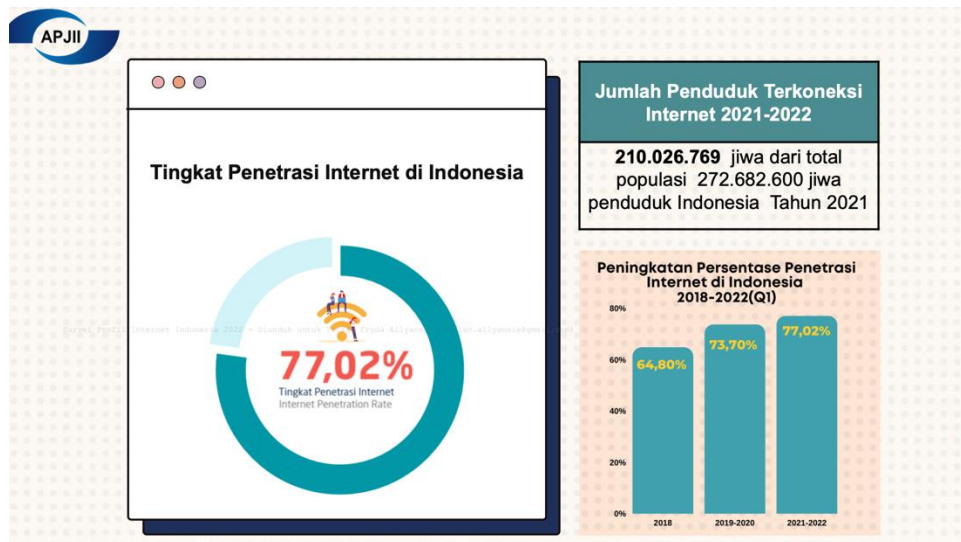

Figure 1. 4 Graph of Number Internet Users in Indonesia in 2021-2022

Source: Association of Indonesian Internet Service Provider

Based on Figure 1.4 above, there are 210.026.769 Indonesian citizens from a total of 272.682.600 people who are connected to the internet in 2021–2022. The increase in internet penetration in Indonesia in 2018 was 64,80%, in 2019-2020 it was 73,70%, and in 2021-2022, it was 77,02%.

From the data above, it is evident that online shopping enthusiasts in Indonesia are increasing year after year. Given the rising number of netizens who shop online, online stores also increase. With this development, e-commerce has emerged. The act of buying, selling, transferring, or exchanging goods, services, or information

online while using a computer is known as e-commerce (Ikmah & Widawati, 2018). The Lazada application is one of the e-commerce platforms used by Indonesians in addition to Tokopedia, Elevania, Bukalapak, and others. According to the iPrice Group report, Lazada is a local e-commerce unicorn that managed to attract the attention of national shopping consumers in 2017. Lazada became the most popular e-commerce site in Indonesia on 2017. The average quantity of Lazada website page users based on iPrice data in 2017 reached 131,8 million visits/month. In this regard, the following is the data for the most known e-commerce website in 2017:

Table 1. 1 The Most Known E-Commerce Website 2017

Website	Visitors/month
Lazada	131,8 million
Tokopedia	115,3 million
Bukalapak	80,1 million
Blibli	52,2 million
Shopee	27,9 million
JD ID	16,6 million

Source: iPrice Indonesia (2017)

As Figure 1.5 below shows that in the past few years, Lazada experienced a decrease in visitors. According to the iPrice Group report, Tokopedia will be Indonesia's most visited e-commerce site in 2022. Followed by Shopee and Bukalapak, Lazada is in 4th place with 28.58 million visitors. Of course, it doesn't always go as planned or expected in the business world. Especially in the world of digital business such as e-commerce which depends on the tastes and satisfaction of buyers. Lazada is no exception, with a large number of customers, it does not guarantee that customers will be loyal and stay at Lazada. All of this is inseparable from the many shortcomings in Lazada's e-commerce. This is proven by Lazada experiencing a decrease in visitors from 131.8 million in 2017 to 28.58 million in
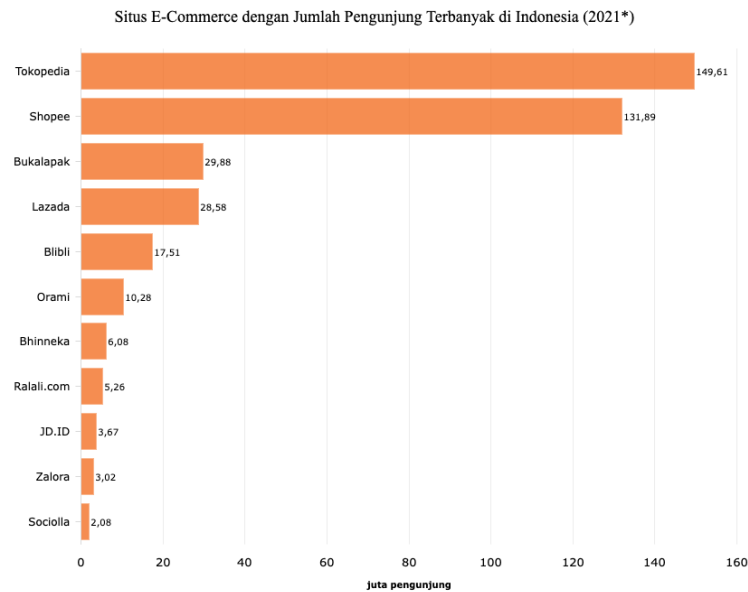
2021.

Situs E-Commerce dengan Jumlah Pengunjung Terbanyak di Indonesia (2021*)

E-Commerce	juta pengunjung
Tokopedia	149,61
Shopee	131,89
Bukalapak	29,88
Lazada	28,58
Blibli	17,51
Orami	10,28
Bhinneka	6,08
Ralali.com	5,26
JD.ID	3,67
Zalora	3,02
Sociolla	2,08

Figure 1. 5 The Most Known E-Commerce Website 2021

Source: iPrice Indonesia (2021)

Lazada's change from 1st place in 2017 to 4th in 2021 is undoubtedly due to several factors. Customer reviews are also an important factor in the decline in the order of Lazada and the number of visitors to Lazada. For example, customers feel dissatisfied based on their shopping experience at Lazada and the bad customer complaint service from Lazada. According to YLKI *(Yayasan Lembaga Konsumen Indonesia)*, in 2017, there was an increase in customer complaints regarding online shopping. Based on data from YLKI *(Yayasan Lembaga Konsumen Indonesia)* the following consumer complaints can be seen in Table 1.2 as follows:

Table 1. 2 Complaints on YLKI (Yayasan Lembaga Konsumen Indonesia) about Lazada Website 2017

Tittle of Complaint	Percentage
Konsumen sering mengeluh tentang lambatnya respon terhadap keluhan	44%
Belum menerima barang	36%

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Sistem loss	20%
Tidak untuk penghargaan pengembalian dana	17%
Dugaan penipuan	11%
Barang yang dibeli tidak sesuai	9%
Diduga kejahatan cyber	8%
Produk yang cacat	6%
Jasa	2%
Harga	1%
Informasi	1%
Keterlambatan pengiriman barang	1%

Source: Yayasan Lembaga Kosumen Indonesia (2017)

In 2017, Lazada was in 1st place, with e-commerce having the most complaints. According to YLKI (Indonesian Consumers Foundation), the following are common consumer complaints in 2018. It can be seen in Table 1.3 below:

Table 1. 3 General Complaints from Consumer on YLKI (Yayasan Lembaga Konsumen Indonesia) Website 2018

Name of Complaints	Percentage
Lazada	18%
Akulaku	14%
Bukalapak	9%
Shopee	7%
Blibli	5%
JD.ID	4%
Elevania	3%
Personal blog	8%
Social media	6%
Others	16%

Source: Yayasan Lembaga Kosumen Indonesia (2018)

The highest percentage of the number of complaints given, as seen in Table 1.3 above, is for the Lazada Indonesia company. This should trigger Lazada Indonesia to make some improvements in its company system. At the same time, there were several complaints about Lazada Indonesia from several websites. In this study, gathered customer complaint data through reviews from the Media Konsumen website. Some of the complaint's reviews from Lazada customers are as in Table 1.4 below:

Table 1. 4 Complaints from Media Konsumen of Lazada

Title of Complaint	Year
Ada Masalah di Akun Lazada, Respon CS Sangat Mengecewakan	2019
Pishing di Lazada	2020
Lazada, ayo segera bayar uang penjualan saya!	2020
Penipuan dengan Modus Pesanan Dibatalkan Penjual, Lazada Kembalikan Uang Bukan Ke Rekening Saya	2020
Proses Pengembalian Barang *di Lazada Lama*	2021
Pengembalian Barang Telah Diterima di Gudang Lazada tapi Dana Belum Dikembalikan	2021
Lazada, Marketplace Besar tapi Sistem Payah dengan CS (Customer Service) Useless	2022
Barang Rusak Sudah Disetujui oleh Lazada tapi Belum Dibayarkan Sampai Saat Ini	2022
Team Dispute Lazada Memenangkan Video Unboxing Pembeli, Penjual Dirugikan Rp 3,6 Juta Produk Logam Mulia Antam	2022

Source: mediakonsumen.com (2022)

In Figures 1.4 and Tables 1.1, it can be seen from the graph that Lazada experienced a decline in visitors in 2021. This was ascertained due to several factors, one of which was the lack of quality of service provided by Lazada to customers. That must have caused the decline in the visitor chart, which in 2017 was at its highest point, to three level down in 2021. From the two figures and two tables above, Lazada has decreased in terms of the number of visitors. Starting from 2017

in Table 1.1, which is ranked first then went down in 2021 in Figure 1.4. Lazada should be able to increase the level of visits from buyers continuously. Increase in sales of goods and orders made by buyers to e-commerce Lazada by continuing to increase the trust of consumers and still make customers from Lazada feel satisfied when shopping at Lazada. In line with bad complaints about Lazada from consumers, security within Lazada also received particular customer complaints. According to *trenasia.com*, in 2020 Lazada was hacked until a certain amount of user data was retrieved. Some information and credit card numbers of the 1.1 million user accounts were taken. Illegally accessed user information includes names, phone numbers, emails, mailing addresses, encrypted passwords, and some credit card numbers by hackers.

According to Kotler and Keller in Priansah (2017), explains that someone's feelings of happiness or dissatisfaction, which follow from compare the expected of a product (results) to the predicted performance is known as customer satisfaction (or results). Customers are unsatisfied when performance doesn't live up to what was expected, whereas they're happy when performance fulfills expectations. Customers will feel happy if performance exceeds expectations.

1.3 Problem Statement

At present, the development of information technology in Indonesia is very rapid. Technology has changed from tertiary needs to primary needs. Technology also influences human nature and behavior. Humans today tend to look for practical ways to facilitate their daily lives. By utilizing advances in technology that is currently available, it is expected to provide benefits to businesspeople and customers. In creating an ideal and practical business world, it can be assisted with the implementation of technology in aspects of customer service to be practical and efficient. Explain that service quality as a comparison of the level of service received to the level of service expected from the consumer as a sort of consumer assessment (Kotler et al., 2022).

The current phenomenon is that with the increasing amount of e-commerce in Indonesia, problems that arise thanks to e-commerce surely chalk up a consequence on Lazada's e-commerce. Like the decrease in customer satisfaction caused by the lack of attention from the company to consumers, such as lack of services and product quality that is considered detrimental to consumers and other problems that cause consumer confidence in e-commerce to decline. Based on *sirclo.com*, people now prefer and feel more comfortable with online shopping. As many as 17,5% of people have moved from offline to online shopping. According to *kompas.com*, the development of the e-commerce industry in the country and the advancement of technology will make businesspeople more adaptive to implement several business strategies. In addition to the factors that affect customers shopping at Lazada, Lazada must also focus on solving problems on the website. This is because some customers still prefer to use the website to carry out their transactions.

At the same time, the response regarding Lazada's e-commerce shows that Lazada has received a relatively low rating from one of the sources that have been obtained. Such as in Figure 1.5 below:
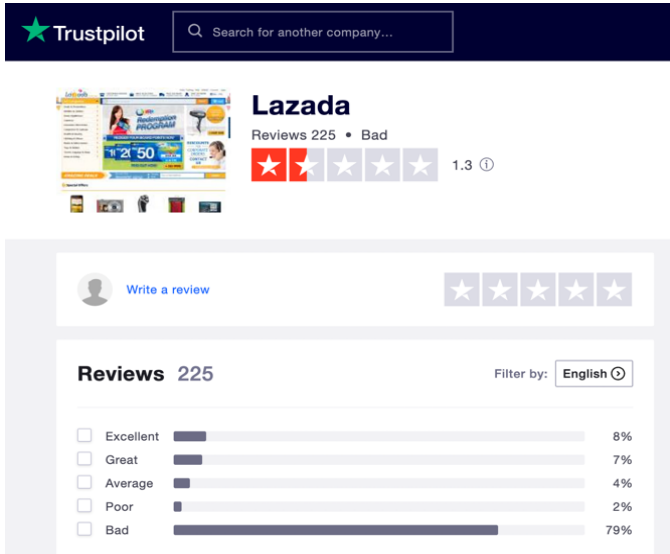

Figure 1. 6 Lazada Research Results According to Trustpilot

Based on the results of these responses, overall Lazada only received an assessment of 1.5 out of a scale of 5 and was in a low category. As for the 225 customer reviews who have shopped at Lazada, it was found that 79% gave 1 star for a very dissatisfied value (*trustpilot.com*, 2022).

However, the widespread use of the application has also led to some negative reviews about the Lazada application on the Appstore and PlayStore, such as negative reviews about Lazada's website often have errors. In addition, there are still some negative reviews found on the PlayStore and Appstore, as shown in Table 1.3 below:

Table 1. 5 Lazada Customer Complaints on the Appstore and PlayStore

Customer Negative Reviews	Indication	Year
Nyesel belanja di Lazada. Barang tidak sesuai, pengiriman lambat, CS (Customer Service) tidak membantu!	Bad service quality	2021
Sistem error terus!	Website features don't work properly	2021
Lazada marketplace paling buruk. Pengiriman selalu paling lama, padahal ongkir paling mahal. Kapok belanja di Lazada	Bad service quality	2021
Jangan pakai Lazada, refund susah	Bad service quality	2021
Jangan pake Lazada, mau sampai kiamat juga barang tidak sampai. Uang ratusan juta tidak dibayar Lazada	Bad service quality	2021
Banyak seller penipu di marketplace ini	Bad service quality	2021
Saya keluar dari akun tiba-tiba padahal lagi pesan barang dan sudah bayar	Website features don't work properly	2021

Source: Appstore and PlayStore (2022)

In addition to some negative reviews from the Appstore and PlayStore, there are also some negative user reviews found for Lazada's own website. Here are some

bad reviews about Lazada from the Lazada.co.id website, which can be seen in Table 1.5 below:

Table 1. 6 Lazada Customer Complaints on the Website Lazada

Customer Negative Reviews	Indication	Year
Error terus	Website features don't work properly	2022
Barang tidak sesuai dengan pesanan, pesan berapa datang berapa	Bad service quality	2022
Pengirimannya lama, barang yang dipesan tidak sesuai	Bad service quality	2022
Mengecewakan, barang tidak sesuai dengan gambar	Bad service quality	2022
Paketnya udah datang, tapi kurang teiti, sampe-sampe produk kosong dikirim	Bad service quality	2022
Pengirimannya lama banget	Bad service quality	2022

Source: lazada.co.id (2022)

Apart from some complaints from Playstore, AppStore, and Lazada's website. There are also complaints from customers about the Lazada website on other websites that are provided as a platform for users to issue complaints experienced on the website.

Table 1. 7 Lazada Customer Complaints about Website Lazada

Customer Negative Reviews	Indication	Year
Saya gabisa menerima email dari Lazada, setelah mengakses website	Bad service quality	2019
Akses Lazada.co.id error!	Website features don't work properly	2020
Gambar tidak bisa dibuka di website Lazada	Website features don't work properly	2020
Sebagian fitur Lazada tidak bisa dibuka	Website features don't work properly	2020
Tiba-tiba keluar dari akun	Website features don't work properly	2021
Iklan website Lazada menghalangi saat browsing, tolong hilang kan	Bad service quality	2021

In response to this, such complaints should serve as a model for Lazada to use to enhance its performance to compete with other e-commerce. The complaints for the website and e-service quality about Lazada include slow deliveries, the system that don't work well, websites that often have errors, and other unsatisfactory services from Lazada.

Based on the ratings and reviews above, the customer service quality aspect is still not good enough. Because of this, Lazada should e-service quality should be improved for Lazada customer's satisfaction. Based on data from mediaindonesia.com, the shopping style of Indonesian people is currently preferred online. Of course, this is a good opportunity for Lazada to improve its website to increase customer satisfaction. Currently, Lazada must analyze the factors that cause this decrease in customer satisfaction and therefore must be investigated. To what extent do the quality of customer service and website design system affect Lazada's customer satisfaction. One of the factors influencing customer retention is their satisfaction.

The presence of e-commerce certainly makes transactions easier and creates new opportunities in this era. According to data from the *Badan Pusat Statistik (BPS)*, 2.36 million e-commerce businesses were spread across the country in 2020. The highest number of e-commerce in Indonesia is in West Java. As can be seen in Figure 1.7, the highest number of e-commerce in Java West is as follows:
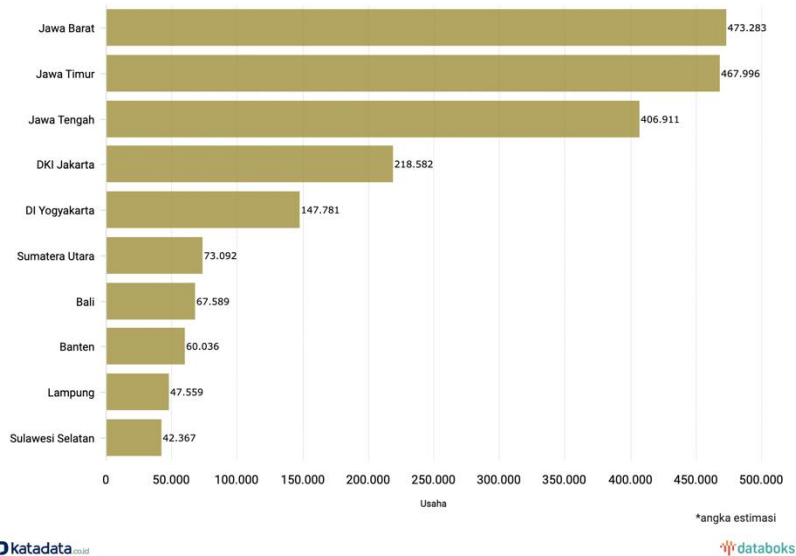
Figure 1. 7 The Largest Number of E-Commerce in Indonesia

Source: databoks.katadata.co.id (2021)

West Java is the area with the largest number of e-commerce businesses in Indonesia. There are at least 473.283 businesses (20,05%) in the province. Followed by East Java which has 467.996 e-commerce businesses (19,82%). Next, the number of e-commerce businesses in Central Java was recorded at 406.991 businesses (17,23%). Meanwhile, e-commerce businesses in DKI Jakarta and Yogyakarta are respectively 218.582 (9,25%) and 147.781 businesses (6,26%). Meanwhile, the province with the lowest number of e-commerce businesses is West Papua, which is only 1.685 businesses (0,07%). The next lowest province in North Maluku, with 1.817 businesses (0,08%).

According to *kompas.com*, West Java had the highest value of e-commerce transactions in the middle of the third quarter of 2021, growing 59,03% compared to 2020. West Java occupies the top position of the ten provinces with the largest transaction market share in Indonesia, both buying and selling through the marketplace. Total transactions in the third quarter of 2021 reached Rp15.02 trillion. This shows that West Java has an excellent opportunity in digitalization.

According to Kotler and Keller (2017), consumer satisfaction can be defined as the sentiments of joy or disappointment that a person has as a result of contrasting their opinion of how well a product works with the expectations that were had for that product. Supposedly, customer satisfaction is the focus for a service company in determining a strategy to win the competition. Therefore, excellent and satisfactory customer service is the primary goal of a company. However, unfortunately, Lazada has not been able to fulfill that. This study identified that the service from Lazada is still not good enough and needs to be improved. This is evident from the complaints that also impact the decline in the company's ranking. Several complaints and comments have been posted about this company, which should be enough reason for Lazada to improve the service. Because this must be watched out for because it will be detrimental to the company. This study used Multiple Regression Analysis, which is expected to help identify problems that negatively impact customer satisfaction and implement appropriate responses to ensure customer satisfaction at Lazada.

1.4 Problem Scope

A broad dimension of the problem is obtained from the identification of the problems above. However, aware of the limitations of time and ability, the researcher deems it necessary to focus on the boundaries of the problem. Furthermore, research is limited only to the analysis of service quality influencing Lazada customers' satisfaction. Based on the background and problem statement that has been described, this research is limited to knowing and analyzing *The Influence of E-Service Quality on Customer Satisfaction (Study on Lazada Indonesia)"*. The criteria in this study are to analyze customers who do online shopping using website Lazada Indonesia.

1.5 Research Questions

Based on the description above, in this research and analysis of e-service quality affecting Lazada customer satisfaction, the following question can be asked:

1. How is the influence of web design to customer satisfaction on Lazada users in

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Indonesia?

2. How is the influence of security to customer satisfaction on Lazada users in Indonesia?

3. How is the influence of fulfillment to customer satisfaction on Lazada users in Indonesia?

4. How is the influence of customer service to customer satisfaction on Lazada users in Indonesia?

5. How is the influence of e-service quality to customer satisfaction on Lazada users in Indonesia?

1.6 Research Purposed

Aim of the study in view of the problems identified in the above problem, it can be formulated as follows:

1. To know and analyze the influence of web design on customer satisfaction of Lazada Indonesia users.

2. To know and analyze the influence of security on customer satisfaction of Lazada Indonesia users.

3. To know and analyze the influence of fulfillment on customer satisfaction of Lazada Indonesia users.

4. To know and analyze the influence of customer service on customer satisfaction of Lazada Indonesia users.

5. To know and analyze the influence of e-service quality on customer satisfaction of Lazada Indonesia users.

1.7 Benefits of Research

The consequences of this contemplate are anticipated to institute many benefits, including:

1.7.1 Theoretical Aspects

Hopefully, the results of this research can develop, implement, and provide benefits for readers in the field of marketing management, especially Service Quality Management. Of course, it has been obtained through lectures and applied to the reality that happened.

1.7.2 Practical Aspects

This study is expected to help companies to develop better strategies in managing the company, providing quality services based on customer perceptions, and showing the relationship between both.

1.8 Research Writing Systematics

The systematic writing of the research carried out is as follows:

CHAPTER I: INTRODUCTION

The first chapter presents the subject of research, the background of phenomena and the research status related to the formation, the research question, the research goal, research utility and the research scope of the research question.

CHAPTER II: LITERATURE REVIEW

The second chapter explains the theories related to research, the description of previous research, the framework of thinking based on the theoretical basis in research.

CHAPTER III: RESEARCH METHODS

The third chapter describes the methods and techniques of data analysis carried out in research to answer the research problem to be carried out.