CHAPTER I

INTRODUCTION

1.1. Company Profile

TABLE 1. 1

LAZADA'S COMPANY PROFILE

Company Name	Lazada Group
Address	Capital Place, Level 20 & 21, Jalan Jenderal Gatot Subroto Kav 18 Jakarta Selatan 12710
Website	www.lazada.co.id
Instagram	https://www.instagram.com/lazada_id
Facebook	https://www.facebook.com/LazadaIndonesia/
Twitter	www.twitter.com/lazadaid

Source: (www.lazada.co.id, accessed in September 2021)

Lazada group, founded in 2012, is the foremost e-commerce platform in Southeast Asia. Operating in six countries, namely Indonesia, Malaysia, Philippines, Singapore, Thailand, and Vietnam, Lazada facilitates connectivity throughout this extensive and diverse region by leveraging their advanced technology, logistics, and payment systems. Currently, Lazada boasts an extensive collection of brands and sellers, and their future goal is to cater to 300 million customers by 2030. In 2016, Lazada joined forces with Alibaba Group, becoming their regional flagship and benefiting from Alibaba's cutting-edge technological infrastructure.

There are three core pillars of Lazada as follows:

a. Logistics

Lazada's comprehensive logistics capabilities and full command of their supply chain make virtually any product easily accessible with a simple click. Covering 17 Southeast Asian cities, Lazada operates fulfillment centers, warehouses, sorting centers, and utilizes advanced digital technology to enhance their partner network, cross-border operations, and last-mile arrangements within each country. This ensures a seamless and efficient delivery process for their customers.

b. Technology

Lazada employs current and cutting-edge technologies to revolutionize the retail

journey. By utilizing real-time data, they swiftly adjust to evolving demands and circumstances. Lazada establishes a link between consumers and brands, curating personalized experiences, and transforming into a retail hub where customers seek both shopping and entertainment. Furthermore, their pursuit of innovation continues, exemplified by Project Voyager, a collaborative technology stack developed alongside Alibaba. This initiative equips Lazada with highly scalable and competitive products and technology solutions for the upcoming decade.

c. Payments

The primary goal is to create a secure and smooth transaction process, which is the driving force behind developing the most robust payment and financial services infrastructure in Southeast Asia. Considering the varying stages of electronic payment and e-commerce adoption in the region, we have devised multiple options that cater to different preferences while offering customers user-friendly and reliable solutions they can rely on. Our aim is to facilitate digital payments seamlessly.

Lazada goes beyond serving just buyers; they also cater to sellers through LazMall, Lazada Marketplace, and Lazada Cross-Border. Introduced on their platform in 2018, LazMall stands as Southeast Asia's largest virtual mall, connecting customers to over 18,000 renowned international and local brands. Setting a new retail benchmark, LazMall guarantees 100% product authenticity, fast delivery, and a 15-day return policy to enhance consumer confidence. It has become the preferred platform for brands and sellers to directly engage with customers and offer tailored experiences. On the other hand, Lazada Marketplace, launched in 2013, provides retailers instant access to millions of potential customers. This platform offers a comprehensive range of services, including secure payment options, customer support, an extensive distribution network, and marketing analytics to empower sellers to boost sales. Within its 18 categories, Lazada Marketplace retailers sell a diverse array of products, from rapidly growing health and beauty and fashion items to home and lifestyle, mother and baby, and home appliances. Lazada's cross-border business encompasses domestic brands and sellers from various markets like China, Hong Kong SAR, Korea, Japan, the United States, and Europe. Utilizing their global channels, Lazada offers an extensive selection of products, covering fashion, electronics, sports,

and outdoor items. Leveraging Alibaba's advanced technology infrastructure and unparalleled logistics network, Lazada ensures that purchases reach customers within an impressive seven-day timeframe from placing an order (source: www.lazada.com, accessed in September 2021).

1.1.1. Company's Logo

The figure 1.1 below is the logo of Lazada:

Figure 1. 1 Lazada's Logo

Source: (www.lazada.co.id, accessed in September 2021)

1.1.2. Company's Vision & Mision

a. Vision

    1) Serve 300 million customers.

    2) Create millions of jobs in the e-commerce ecosystems.

    3) Power real, profitable SMEs across SEA.

b. Mission

    Accelerating Progress in Southeast Asia Through Commerce & Technology.

1.1.3. Company's Core Value

a. Customer first, employee second, shareholder third

b. Trust makes everything simple

c. Change is the only constant

d. Today's best performance is tomorrow's baseline

e. If not now, when? If not me, who?

f. Live seriously, work happily

1.2. Research Background

In the present day, there has been a significant surge in the advancement of digital technology, and its widespread adoption is evident among people worldwide (source: www.kompasiana.com, accessed in 2022). This ever-evolving digital landscape proves immensely beneficial across various facets of life, influencing people's

lifestyles, banking habits, educational pursuits, and business endeavors. The internet serves as the core foundation for most of these technologies, facilitating seamless connectivity and accessibility for users.
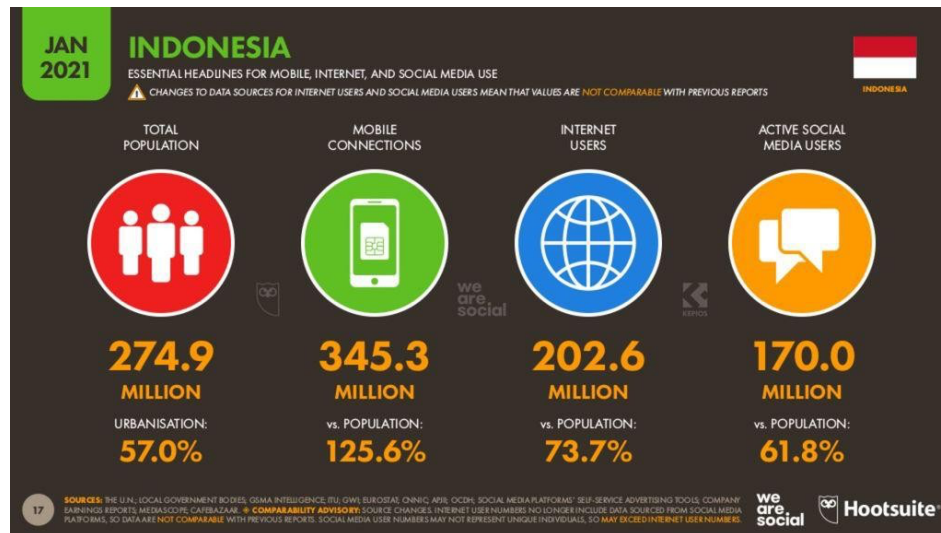

Figure 1. 2 The Number of Internet Users in Indonesia, 2021

Source: (www.inet.detik.com, accessed in 2022)

Based on the data presented in Figure 1.2, Indonesia's population stands at approximately 272.1 million, with 175.4 million being Internet users. This indicates a 64% internet penetration rate among the Indonesian population. Moreover, the number of social media users reaches around 160 million, corresponding to a 59% social media penetration rate concerning the total population. In 2020, social media users increased by 12 million, accounting for 8.1% of the growth rate. Remarkably, 124% of Indonesia's total population utilizes smartphones, highlighting the widespread adoption of mobile technology. Notably, there was a 4.6% increase in connected smartphones from 2019 to 2020. Given this data, it becomes evident that the internet has played a significant role in the shift from traditional to modern business practices. Many companies have adapted to this change by establishing online platforms for buying and selling, catering to Indonesia's shopping needs. As the number of internet users continues to grow, it has transformed the way businesses operate, shifting consumer behavior from traditional market shopping to e-commerce, where various online platforms offer purchase and sale transactions. Online shopping has emerged as a pivotal aspect of this transformation.

The rapid growth of digital technology and the Internet has opened up new avenues for businesses, particularly in the realm of e-commerce. Online shopping has become a prevailing trend for purchasing goods and services, reshaping the dynamics of the market. In this modern era, e-commerce enterprises face the challenge of re-evaluating their vision, business mission, and marketing strategies to stand out from competitors and captivate consumers' interest in online transactions. As described by Goyal, Sergi, and Esposito (2019), e-commerce encompasses a collective of electronic platforms used for receiving customer orders, processing payments, providing customer service, gathering market information, and conducting marketing and promotional activities. Consequently, e-commerce has spurred the growth of online businesses, which are diversified into various aspects, such as online marketing, advertising, sales, product delivery, service provisions, billing, and payment systems.

Figure 1. 3 An Overview of E-Commerce Activity in Indonesia 2021
Source: (www.literasinews.pikiran-rakyat.com, accessed in September 2021)

As depicted in Figure 1.3 above, a substantial 93% of Indonesians engage in e-commerce and online searches for purchasing products or services, highlighting a significant trend. Likewise, a noteworthy 87.3% of individuals explore online retail websites or virtual stores. The prevalence of shopping apps on mobile devices is also striking, with 87.1% of users opting for online purchases through this medium. Moreover, an impressive 79.1% of transactions involve buying products via mobile phones. Tekno.sindonews provides insightful data that ranks the dominant players in the e-commerce sector, considering metrics such as average website visitors, app rankings, social media followers, and employee count, each quarter. The following

presents a glimpse into the most notable e-commerce accomplishments in Indonesia during the year 2019:

Telusuri Persaingan Toko Online di Indonesia

Filter berdasarkan [Bisnis Model ▼] [Tipe Toko ▼] [Asal Toko ▼]   Pilih Data per Kuartal [Q1-2019 ▼]

Toko Online	Pengunjung Web Bulanan	Ranking AppStore	Ranking PlayStore	Twitter	Instagram	Facebook	Jumlah Karyawan
1 Tokopedia	137,200,900	#2	#2	192,100	1,148,500	6,049,900	2,677
2 Bukalapak	115,256,600	#3	#4	161,500	711,700	2,423,200	2,575
3 Shopee	74,995,300	#1	#1	69,300	2,164,100	14,409,600	2,748
4 Lazada	52,044,500	#4	#3	365,300	1,173,200	28,245,000	2,212
5 Blibli	32,597,200	#7	#6	483,300	627,400	8,244,800	1,217
6 JD ID	10,656,900	#5	#5	22,800	406,300	778,300	1,021
7 Orami	8,380,600	#28	#28	6,200	72,900	357,600	106
8 Sociolla	4,838,300	n/a	n/a	700	462,800	4,900	157

Figure 1. 4 Top 8 Performance of E-commerce in Indonesia, 2019

Source: (www.tekno.sindonews.com, accessed in September, 2021)

As illustrated in Figure 1.4 above, the e-commerce landscape of 2019 comes into focus, revealing intriguing insights. Leading the pack, Tokopedia emerges as the most frequented platform with a staggering 137,200,900 visitors, closely pursued by Bukalapak at 115,256,600 visitors. Securing the third spot is Shopee, drawing in 74,995,300 visitors, while Lazada captures fourth place with 52,044,500 visitors. The prominence of Tokopedia as the preferred destination for visitors underscores the effectiveness of its marketing strategy, while Lazada's positioning in fourth raises questions about factors driving users towards other e-commerce platforms, possibly including aspects like user experience. This data hints at the nuanced dynamics shaping consumer choices within the e-commerce realm. Lazada Group is an international e-commerce company and one of the largest e-commerce operators in Southeast Asia offers a shopping experience that is safe, seamless and enjoyable
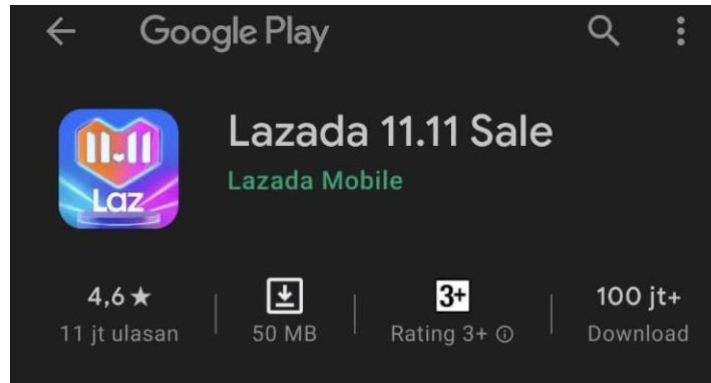
Figure 1. 5 Lazada's Application Rating in Google Play Store, 2021

Source: Google Play Store, 2021

Figure 1. 6 Lazada's Application Rating in App Store, 2021

Source: App Store, 2021

On the digital landscape, Lazada's application garners a rating of around 4.6 on the Google PlayStore, a number that holds significant weight in shaping the perception of the company. In contrast, Lazada's standing in the App Store paints a rosier picture with an impressive rating of approximately 4.8. The potential repercussions of subpar ratings on the company's overall value underscore the critical importance of delivering exceptional experiences to their clientele.

Customer experience, a multifaceted construct encompassing both cognitive and emotional facets, plays a pivotal role here. Positive performance in this arena ripples forward, casting a favourable influence on forthcoming customer interactions (Godovykh and Tasci, 2020). In the realm of customer experience evaluation, Keiningham et al. (2020) have outlined a range of dimensions, encompassing cognitive, physical, sensory, emotional, and social elements. The ensuing figure offers a snapshot of customers' post-usage reviews of the Lazada application, shedding light

on their first-hand encounters. This illuminating glimpse reinforces the significance of fostering a gratifying and holistic customer journey.

Figure 1. 7 Customers' Review About Lazada in App Store and Play Store

Source: App Store and Play Store, 2021

Examining Figure 1.5 presented above, a noticeable pattern emerges where certain customers express dissatisfaction through negative reviews, particularly directed at aspects such as application design, payment methods, and service quality. However, a glimmer of positivity shines through as one customer showcases genuine enthusiasm for the Lazada platform. This sentiment resonates with Wongso's research (2020), suggesting that a favorable customer experience is highly likely to pave the way for repeated visits, ultimately fostering a sense of trust and, concurrently, customer loyalty. Drawing insights from the Cambridge Dictionary, trust is defined as more than mere belief; it encompasses the conviction that someone or something is both principled and dependable, thus safeguarding against harm (Cambridge Dictionary, n.d.). Delving deeper, trust can be dissected into dimensions elucidated by Tiago Oliveira et al. (2017) - competence, integrity, and benevolence. As stated by Dharmesta (2017: 103), customer loyalty finds its footing in the interplay between a steadfast attitude indicative of brand loyalty and repeated engagement that exemplifies loyalty in action. Expanding on this, Hegner et al. (2018) map out five dimensions for gauging customer loyalty: customer profitability, action loyalty, conative loyalty, affective loyalty, and cognitive loyalty.

The present study aligns itself with the research of Vallejo-Bojorque et al. (2021), titled "Customer experience, trust and loyalty of millennials in banking at Cuenca-Ecuador". Their findings underscore a significant correlation between customer experience and trust, paralleling the interconnection between customer trust and loyalty. This observation strengthens the premise that trust occupies a pivotal role preceding loyalty (Kohlmeyer, 2016).

Recognizing the pivotal importance of comprehending the intricate web connecting customer experience, trust, and its cascading impact on Lazada's customer loyalty, the researcher is motivated to delve into this realm. Grounded in the backdrop elucidated earlier, the study sets out with the ambitious title of "The Effect Of Customer Experience On Lazada's Customer Loyalty Through Trust As Intervening Variable".

1.3. Problem Statements

Building upon the contextual foundation established earlier, this study addresses a series of pivotal problem statements, which are outlined as follows:

a. How's the effect of customer experience on customers' trust of Lazada?

b. How's the effect of customer experience on customer loyalty of Lazada?

c. How's the effect of customers' trust on customer loyalty of Lazada?

d. How's the effect of customer experience on customer loyalty through trust of Lazada?

1.4. Research Objectives

The research objectives in this study are as follows:

a. To analyze the effect of customer experience on customers' trust of Lazada.

b. To analyze the effect of customer experience on customer loyalty of Lazada.

c. To analyze the effect of customers' trust on customer loyalty of Lazada

d. To analyze the effect of customer experience on customer loyalty through trust of Lazada.

1.5. Research Benefits

The expected benefits of this study as follows:

a. Practical Benefits

This research is valuable because it aims to show important information about

Lazada. It also offers suggestions and extra details that can help create better strategies, especially for competing with other e-commerce companies in Indonesia. The goal is to keep customers loyal to Lazada by improving their experience and trust in the platform.

b. Theoretical Benefits

The findings from this study are anticipated to offer a wealth of knowledge and act as a valuable resource for future research endeavors. As a result, these results can contribute to enhancing and reinforcing theories related to customer experience, trust, and customer loyalty.

1.6. Writing Structure

There are some systematics of writing in this study as follows:

Chapter I

Chapter I consists of general description of a company, research background, problem statement, research objectives, research benefits, and writing structure.

Chapter II

Chapter II consists of literature review, previous research, conceptual framework, and scope of research.

Chapter III

Chapter III consists of type of research, data collection tools, operational variables, measurement scale, population and sample, data testing techniques, and data analysis techniques.

Chapter IV

In chapter IV contains characteristics of respondents, the results of research and discussion of research.

Chapter V

In chapter V contains the conclusions and suggestions regarding the results of research.