

CHAPTER 1

INTRODUCTION

1.1 Overview of Research Object

Shopee is a leading e-commerce platform that has been operating in Southeast Asia and Taiwan, widely known as a successful online shopping service provider. Founded in 2015 by Forrest Li, Shopee has grown rapidly and now operates in various countries, including Indonesia, which was built under the auspices of the SEA group. With a business model that prioritizes user experience, Shopee offers a variety of products and services that can be easily accessed through its website and application. The product categories include fashion, electronics, household appliances, health and fitness, and daily necessities. In addition, Shopee offers services such as fast delivery, attractive promotions, and loyalty programs that allow users to get more benefits from each transaction. With features such as Shopee Live that allow direct interaction between sellers and buyers, Shopee creates a more intimate and interactive shopping experience (Careers.shopee.co.id, 2024).



Figure 1. 1 Shopee e-commerce platform logo

Source: Shopee.co.id

Initially, Shopee was a platform with a customer-to-customer market concept. But eventually, Shopee shifted to a hybrid business-to-customer or customer-to-customer approach. This has happened since the emergence of Shopee Mall, a well-known customer or company portal distributing goods from well-known companies (Puspita, M.2020).

Shopee started its operations with a focus on a fun and safe shopping experience (Careers.shopee.co.id,2024). This platform provides interactive features such as games, promotions, and payment systems that make it easier for users to make transactions. This innovation has changed the way people shop online, making Shopee one of the top choices for consumers in the region.

Headquartered in Singapore, Shopee has managed to attract millions of users by offering various product categories, ranging from fashion, electronics, to daily necessities. With offices spread across various cities in Indonesia such as Jakarta, Medan, Solo, Yogyakarta, Bandung, and Bekasi, Shopee strives to be closer to its users. This presence helps the Shopee team understand local needs and preferences (Careers.shopee.co.id, 2024).

Shopee is also committed to supporting local salespeople and small businesses, providing them with a platform to reach more customers. With various initiatives, such as training and marketing support, Shopee strives to empower its seller community (Careers.shopee.co.id,2024).

Despite facing stiff competition from other platforms such as Tokopedia and Bukalapak, Shopee continues to innovate and improve its services to maintain its position in the market (Puspita, M.2020). Focusing on E-Service Quality, user experience, and adapting to local needs has made Shopee one of the leaders in the e-commerce industry in Indonesia and Southeast Asia (Careers.shopee.co.id,2024).

1.1.1 Company Vision and Mission

Shopee, as a pioneer in the e-commerce industry, is committed to providing extraordinary shopping experience for its users worldwide with the following vision and mission:

Vision:

“We believe that providing the best experience for employees, partners and customers is crucial.” (Careers.shopee.co.id,2024)

Shopee is committed to achieving the above vision by continuously innovating in technology and content, meeting the evolving needs of customers, and maintaining a pleasant and high-quality shopping experience.

Mission:

1. Make it easier for users to find and purchase products quickly.
2. Support local sellers and small businesses to thrive.
3. Using the latest technology to improve user experience.
4. Building a positive and trusting community between users and sellers.

1.1.2 Shopee Features

Shopee, as one of the leading e-commerce applications, has interesting features to facilitate its users, both sellers and buyers. Here are some of the main features offered:

1. ShopeePay

ShopeePay is an electronic payment service designed to simplify various transactions within the Shopee application. To start using ShopeePay, users must activate the service and link to their bank account. This setup allows for seamless balance top-ups and hassle-free withdrawals.

2. ShopeePay Later

With ShopeePay Later, users can enjoy installment payment facilities in a more flexible way. This service collaborates with various financing companies and P2P lending, allowing users to get loans easily.

3. Promotions

gives sellers the opportunity to promote their products through promotional features. With special prices and attractive offers, sellers can increase their sales and reach more customers.

4. Cash On Delivery (COD)

Cash on Delivery payment method allows buyers to pay for their orders after receiving the goods from the courier. With the support of various delivery services such as J&T Express and Shopee Express, this process becomes safer and more convenient for consumers.

5. Shopee Coins

Shopee Coins are points that users can earn from various activities, such as getting cashback vouchers, writing product reviews, or playing games on the application. These points can be used to reduce payment costs when shopping and can even be sent as gifts to friends.

6. Shopee Pinjam

Launched in 2020, Shopee Pinjam offers cash credit for users who need additional funds. The size of the loan depends on the user's credit rating, providing convenience for those who need financial assistance.

7. Shopee Food

Since 2021, Shopee has introduced the Shopee Food service, which allows users to order food easily through the application. With the active location feature, users can choose from thousands of menus offered by various partners and enjoy fast delivery without sacrificing food quality.

1.2 Research Background

The rapid advancement of internet technology has significantly influenced various aspects of human life. According to Mamakou et al. (2024), the internet has not only changed the way people work and communicate, but also influenced behavior in daily activities, including transportation and shopping patterns. A similar thing was expressed by Indra Riztyawan and Rahayu (2023), who stated that the internet has a broad impact on various fields, from communication, work, entertainment, to transportation. Indonesia is among the countries experiencing consistent growth in internet users year after year, highlighting the crucial role of this technology in driving social and economic progress. In 2024, the statistics below show a significant spike in the number of internet users in Indonesia, confirming the role of the internet as a major driver of innovation and lifestyle change in the digital era.

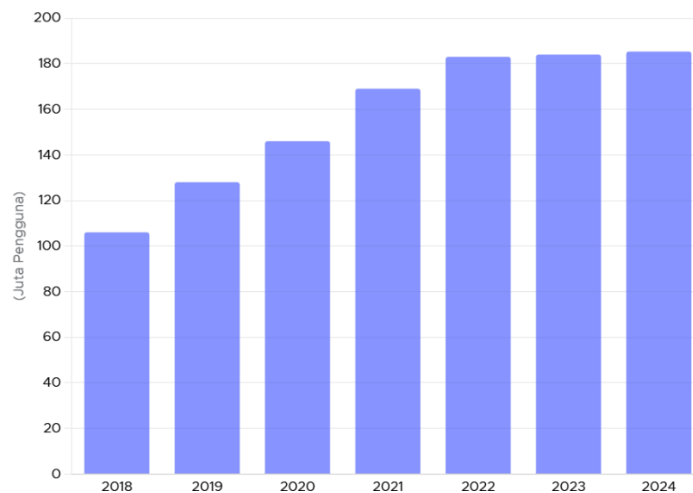


Figure 1. 2 Number of internet users in Indonesia

Source: (Goodstats,2024)

According to Figure 1.2, Data on the number of Indonesian internet users collected by reportal data reveals that our internet users have consistently increased from year to year from 2018 to 2024, with the largest spike of 24.6% in 2018 (Goodstats, 2024). This shift highlights how consumers are increasingly embracing a more flexible digital experience. Accordidng to Mamakou et al. (2024), the evolution of the internet has created new business opportunities and transformed customer behaviors globally, particularly in the e-commerce sector. The growing number of internet users presents significant opportunities for online buying and selling activities (Widodo & Avania, 2023). The internet not only simplifies transactions but also enables users to tailor their shopping experiences to match their unique preferences. E-commerce platforms like Shopee leverage this advantage to offer a more personalized and enjoyable shopping experience, enhancing customer convenience and satisfaction. This easy and flexible access allows consumers to enjoy services anytime and anywhere, making e-commerce the main choice for many people.

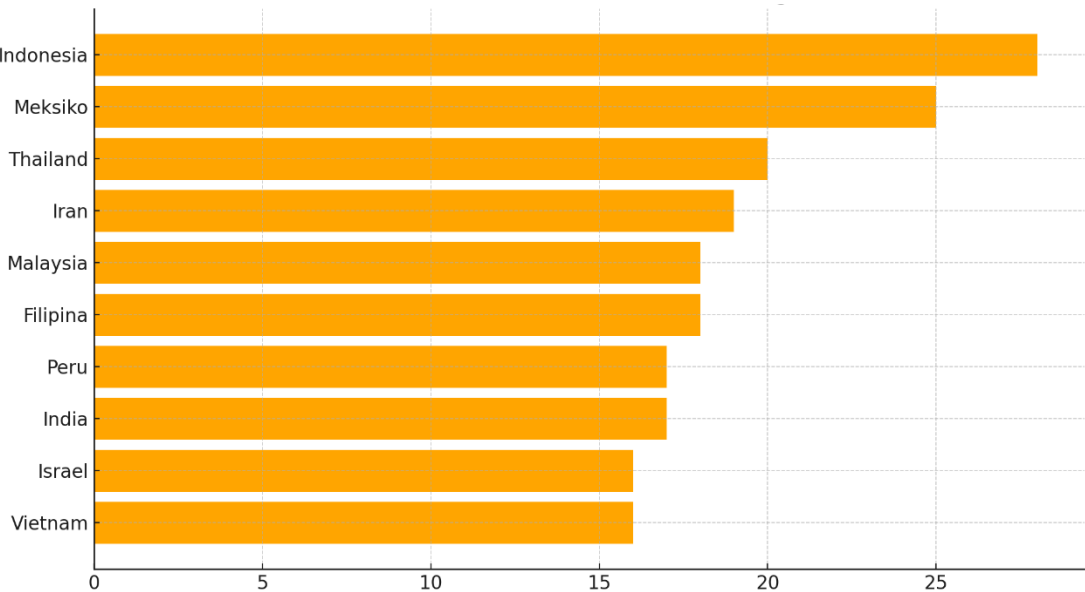


Figure 1. 3 Countries with the Highest E-Commerce Growth Projections 2024

Source: (Goodstats,2024)

Based on figure 1.3 above, global e-commerce growth in 2024 is predicted to reach 10.4%. Meanwhile, Indonesia is predicted to become the country with the highest e-commerce growth in the world, which is 30.5%, almost 3 times the average global growth in 2024 (Goodstats, 2024). Indonesia shows the highest percentage in terms of increasing internet users among several other countries, such as Mexico and Thailand, which also experienced significant increases. This growth highlights the digital transformation in Indonesia, where internet adoption is increasingly widespread and rapid.

This change has also influenced the development of the e-commerce sector, as stated by (Annur, 2023) stated that the digital economy, especially the e-commerce sector, is one of the main contributors to Indonesia's economic growth. This increase is in line with the increase in internet usage which provides great opportunities for the e-commerce sector to reach consumers more widely and provide a more personal and flexible shopping experience. According to Mamakou et al. (2024), the internet creates new business opportunities and changes consumer habits globally. This phenomenon shows how important the internet is as a major driver for e-commerce growth in Indonesia and other developing countries from 2018 to 2024.

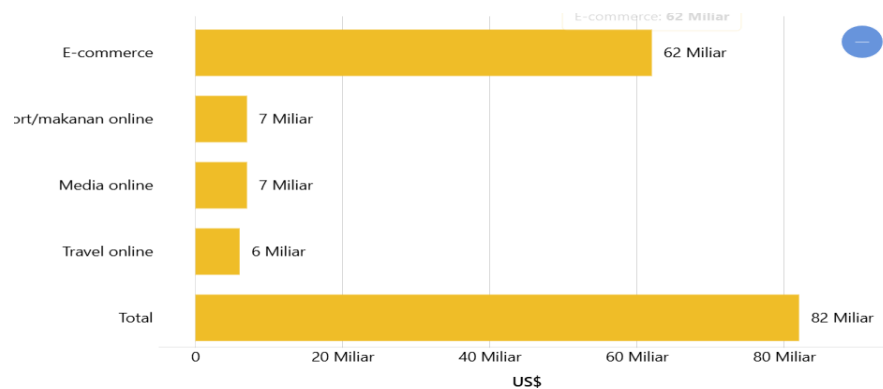


Figure 1. 4 Projection of Gross Transaction Value of Indonesia's Digital Economy (2023)

Source: (Databoks, 2023)

According to Figure 1.4 by Temasek, and Bain & Company titled Economy SEA 2023, the e-commerce sector is the largest contributor to the digital economy in Indonesia in 2023 (Temasek,2023). According to figure 1.4 This shows how important the role of e-commerce is in supporting the country's economic growth. E-commerce in Indonesia has grown rapidly, driven by the increasing adoption of technology, changes in consumer shopping preferences, and widespread internet access, especially among the younger generation. Although Shopee is one of the main players, it is not the only major platform in this industry.

Tokopedia, Lazada, Blibli, and Bukalapak are also important players competing fiercely in the Indonesian market, each offering various promotions and innovations to attract consumers. This fierce competition encourages each platform to continue to improve its services to get more users and maintain their loyalty. To better understand this competition, the figure 1.5 below shows the five e-commerce with the most visitors throughout 2023. This data provides an overview of how e-commerce in Indonesia continues to grow and strengthen its position as a pillar of the digital economy.

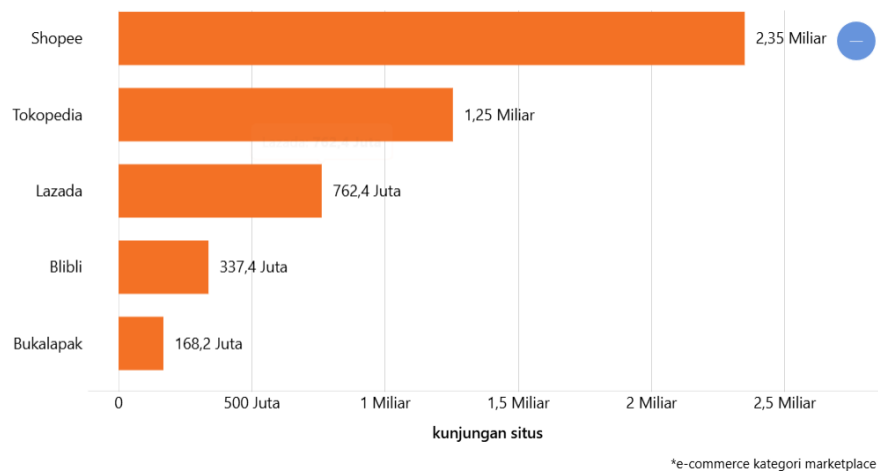


Figure 1. 5 E-Commerce with the Most Visitors Throughout 2023

Source: (Databoks, 2024)

Based on data from figure 1.5, Shopee dominated the e-commerce market in Indonesia throughout 2023, recording approximately 2.3 billion cumulative visits from January to December, far surpassing its competitors (Ahdiat, A., 2024). Shopee not only excelled in the number of visits but also demonstrated significant growth, with a year-to-date (ytd) increase of 41.39%, reflecting growing consumer interest and preference for this platform. In contrast, Shopee's main competitors experienced substantial declines, with Tokopedia recording a 21.08% decrease in visits (ytd), Lazada 46.72%, and Bukalapak 56.5% (Databoks, 2024).

This data highlights Shopee's ability to maintain its position as the leading e-commerce platform in Indonesia while continuing to attract more users despite intense competition. However, despite their dominance in market visits, challenges such as customer complaints indicate areas for improvement, particularly in terms of user experience and the quality of the electronic services provided. These challenges underscore the importance of addressing customer satisfaction as a critical factor in sustaining Shopee's growth. The selection of Shopee as the focus of this study is based on its significant market presence and rapid growth rate, which set it apart from other

platforms in Indonesia's e-commerce landscape. With its large user base encompassing both individual consumers and small business owners, Shopee has effectively leveraged digitalization through innovative marketing strategies and user-friendly features to solidify its position in the market.

This study aims to evaluate how user experience and electronic E-Service Quality influence customer satisfaction among Shopee's active users experience, making it the main choice for consumers in Indonesia. The reviews and analysis of user sentiment towards the Shopee application in Indonesia that will be presented below aim to provide a deeper picture of users' views on this platform, the factors that drive their loyalty, and how Shopee has managed to maintain its position as a leader in this highly competitive e-commerce market.



Figure 1. 6 Analysis of reviews and sentiment of the Shopee Indonesia application

Source: (Appbot, 2024)

The Shopee app rating data presented in Figure 1.6, obtained from the Google Play Store and App Store via the commercial text analysis service Appbot, shows that between July 30, 2024, and October 28, 2024, customers gave the app a generally positive response, with an average rating of 4.1 stars out of 5 based on nearly 128,000 reviews. Interestingly, more than 78% of these reviews gave a 5-star rating, and 63% of the total sentiment analyzed showed a positive view.

However, challenges remain as around 22% of the reviews reflect negative sentiment, indicating areas for improvement to enhance user experience and address customer concerns. As stated by Mamakou et al. (2024), the quality of e-services

Including timely delivery and confidentiality of payment systems are important components in maintaining customer loyalty. Therefore, attention to user feedback is essential to improve services and increase overall satisfaction. Below are some less than satisfactory reviews from several consumers on the Shopee app that affect the average rating of 4.1 stars above.



Figure 1. 7 Unsatisfactory consumer reviews on Shopee

Source: (Shopee, 2024)

Based on Figure 1.7, there are several reasons that cause negative sentiment towards the Shopee application even though it received an overall rating of 4.1 stars (Figure 1.6). One of the main causes of negative sentiment is the unsatisfactory user experience, both in terms of service and product quality. Several customers complained about the slow response of the service and the absence of a clear solution to their complaints. In addition, criticism was also directed at the condition of the product received, such as an open box or minor damage to the goods.

These problems indicate shortcomings in the quality of digital services, product quality control, and logistics management, which overall can have a negative impact on customer satisfaction levels. To address this challenge, this study focused on active Shopee users in Indonesia, to evaluate the influence of user experience and electronic E-Service Quality on customer satisfaction levels.

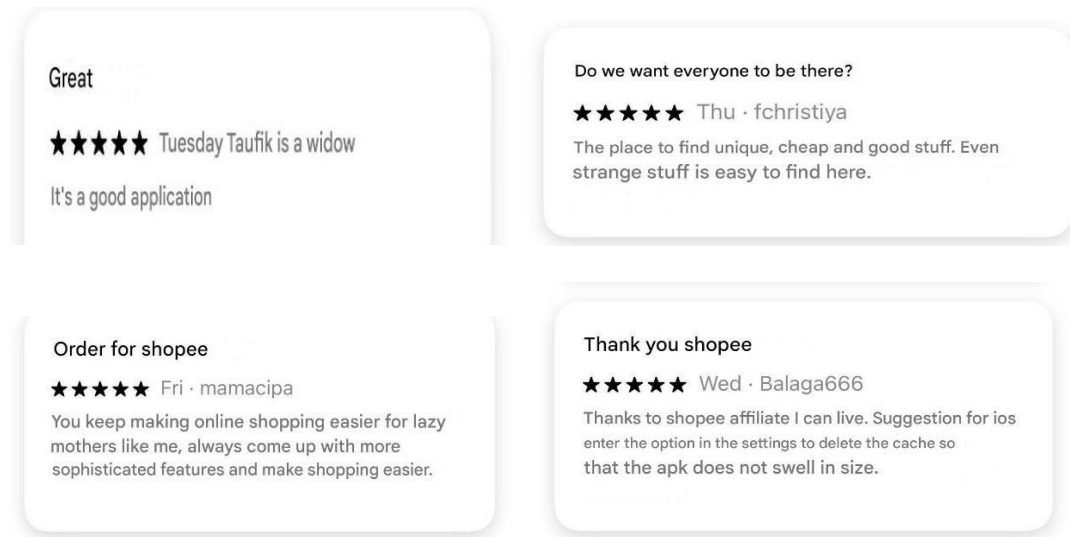


Figure 1. 8 Shopee User Experience comments

Source: (Appstore,2024)

According to user reviews on Shopee (Appstore, 2024), several key elements such as attractiveness, perspicuity, dependability, stimulation and novelty play an important role in building customer satisfaction (Mamakou et al., 2024). This makes Shopee more than just a shopping platform it has evolved into an ecosystem that can meet user needs comprehensively.

The importance of a deep understanding of customer preferences is increasingly apparent amidst the fierce competition in the e-commerce industry. In the ever-evolving digital world, exceptional user experience is a determining factor in attracting and retaining customers. According to Anuradha et al. (2024), intuitive design and easy-to-use features are essential to creating a positive user experience.

Rinjani (2019) emphasized that a user-friendly interface not only makes navigation easier but also reduces the frustration that users may experience when searching for the products or services they need. In addition, an effective recommendation system also plays an important role in increasing user engagement. Tzavlopoulos et al. (2019), explains that by providing relevant and timely

recommendations, e-commerce platforms can significantly increase user engagement. Recommendations tailored to users' preferences and behaviors not only help them find products that suit their needs but also create a closer relationship with the platform.

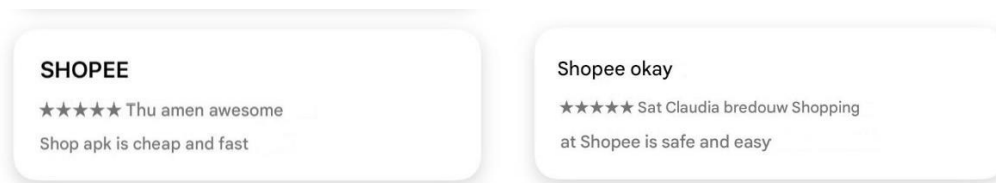


Figure 1. 9 Shopee E-Service Quality comments

Source: (Appstore,2024)

E-Service Quality also have crucial role in shaping overall customer satisfaction, especially on platforms like Shopee. According to Nafi'ah Azhaar (2022), key factors such as efficiency, system availability, fulfillment, and privacy contribute significantly to users' perceptions of E-Service Quality. Mamakou et al. (2024) highlight the importance of attributes like fast page access and prompt responses to inquiries in maintaining a positive user experience. Rinjani (2019) further emphasizes how elements like ease of navigation and page loading speed are critical for enhancing user satisfaction. When E-Service Quality improves, it reduces the likelihood of customer dissatisfaction, which can incur financial and operational costs.

High quality service not only boosts customer satisfaction but also strengthens user loyalty, as noted by Tzavlopoulos et al. (2019). For Shopee, attributes such as efficiency, which enables a seamless and quick shopping experience, and compliance with data protection policies, are vital in fostering trust and security. Additionally, ensuring stable system availability and safeguarding user privacy are priorities that make the platform more reliable and user-friendly. Together, these attributes form the foundation of a satisfying, secure, and trustworthy shopping environment that drives customer loyalty and supports Shopee's competitiveness in the e-commerce industry.

Building on the background and prior research, the researcher intends to conduct a study titled is **"THE EFFECT OF USER EXPERIENCE AND E-SERVICE QUALITY ON USER SATISFACTION ON THE SHOPEE APPLICATION IN INDONESIA."**

1.3 Problem Formulation

The rapid development of technology and e-commerce, such as Shopee, has succeeded in attracting the attention of many consumers with various attractive offers. However, despite its increasing popularity, the main challenge faced by Shopee is maintaining customer satisfaction. One of the most striking issues is negative reviews from users; although the application has an average rating of 4.1 stars, about 22% of reviews reflect negative sentiment, indicating problems in user experience and E-Service Quality. This dissatisfaction can have a significant impact on the consumer shopping experience. Therefore, this study aims to better understand the relationship between user experience factors and e-E-Service Quality, and how both contribute to customer satisfaction. By analyzing negative reviews and factors that influence user satisfaction, it is hoped that this study can provide valuable insights for Shopee to improve its services and user experience, so that it can overcome the challenges of maintaining customer satisfaction in the increasingly competitive e-commerce market. Therefore, the problem formulation of this paper is:

1. How data collected through descriptive analysis describe user perceptions of user experience and E-Service Quality on the Shopee application in Indonesia?
2. Does User experience positively affect E-Service Quality?
3. Does Electronic E-Service Quality positively affect customer satisfaction?
4. Does User Experience positively affect customer satisfaction?
5. Does E-Service Quality mediate the relationship between User Experience and Customer Satisfaction?

1.4 Research Objectives

Based on the problem identification above, the objectives of this study are as follows:

1. To Explain user perceptions of user experience and e-service quality on the Shopee application in Indonesia through descriptive analysis.
2. To Assess that User experience positively affects E-Service Quality.
3. To Assess that Electronic E-Service Quality positively affects customer satisfaction.
4. To Assess that User Experience positively affects customer satisfaction.
5. To Assess that E-Service Quality mediates the relationship between User Experience and Customer Satisfaction.

1.5 Benefits of Research

a. Theoretical Benefits

The researcher really hopes that this research can be useful theoretically by providing contributions to the development of knowledge and insight for both the author and the readers of the research related to the effect of user experience and E-Service Quality on user satisfaction, which is the essence of the discussion in this research. It will become a reference for further similar research.

b. Practical Benefits

This research is expected to provide practical benefits for Shopee to improve E-Service Quality through a deeper understanding of the influence of user experience on consumer satisfaction in Indonesia. This research is expected to

provide practical benefits for Shopee to improve E-Service Quality through a deeper understanding of the influence of user experience on consumer satisfaction in Indonesia. The results of this study can help the e-commerce industry in identifying factors that influence user satisfaction. In addition, this study also provides insight into application developers and technology startups regarding the importance of user experience in creating a more intuitive and attractive platform. Indirectly, this study can improve the shopping experience and satisfaction for Shopee consumers in Indonesia, thereby supporting user loyalty to the platform.

1.6 Systematics of Writing Final Assignments

The systematics of writing this final assignment include several things regarding the procedures and presentation of the research work which consists of CHAPTER I to CHAPTER V.

1. INTRODUCTION

This section provides a brief, concise and in-depth explanation of the research content, which includes information about a general description of the research object, research background, problem formulation, research objectives, research benefits and procedures for compiling the research.

2. CHAPTER II LITERATURE REVIEW

This section provides an explanation of general and specific theories, as well as information about previous research. Next, is the framework for thinking about the research and ends with the researcher's initial assumptions.

3. CHAPTER III RESEARCH METHODOLOGY

This section explains the approach, research methods, and techniques used in obtaining and analytically processing research results. This section also contains the type of research, variable operations, population and sample (this is if using quantitative research) and social situations (if using qualitative research), data collection, and analysis tests used.

4. CHAPTER IV RESEARCH RESULTS AND DISCUSSION

This section presents the research output and discussion under separate subheadings, organized sequentially in alignment with the problem formulation and research objectives. It consists of two parts: the first outlines the research findings, while the second provides an analysis and interpretation of those findings. Every aspect of the discussion begins with the results of data analysis, followed by interpretation and the formulation of conclusions.

5. CHAPTER V CONCLUSION AND SUGGESTIONS

This chapter outlines the conclusions which are the answers to the research questions and recommendations or suggestions about its benefits.