CHAPTER I

INTRODUCTION

A. Research Background

The COVID-19 pandemic has certainly accelerated the pace of digital transformation in many industries and organizations. The pandemic has resulted in widespread lockdowns, social distancing measures, and other restrictions that have made it necessary for many businesses to move their operations online and for individuals to rely more on digital technologies for work, shopping, and communication.

As a result, there has been a significant increase in the use of digital technologies, such as video conferencing, e-commerce, and online learning. Companies that were previously slow to adopt digital technologies have been forced to quickly embrace them in order to continue operating and serving their customers.

The pandemic has also brought attention to the necessity for companies to have a solid digital infrastructure and the capacity to quickly pivot and adapt to changing circumstances. Those that have been able to successfully do so have been better able to weather the storm and come out stronger on the other side.

The COVID-19 pandemic has certainly played a major role in driving the digital transformation era and has accelerated the pace of change in many industries. The lessons learned and the changes made during this time are likely to have a lasting impact on the way businesses operate in the future.

Additionally enables public and private schools to conduct online learning, and several offices provide work-from-home options. Besides work or education that has limited facilities, food supplies were very limited too. We can not buy groceries or

foods by going to a restaurant since the store is generally closed or only available for take-out, and because the percentage of visitors allowed to enter the grocery store or restaurant is quite limited. These things have caused a surge in demand for online food delivery services. With people staying at home to minimize the spread of the virus, they are turning to food delivery services as a convenient and safe way to get their food.

According to Celia (2021), the Gross Merchendise Value (GMV) of food delivery service business in Asia increased by 183 percent in 2020, while in 2019 it only reached 91 percent. After that, in 2021, the GMV figure increased by 30 percent (Hariyanti, 2022). Afterward, from the prior year, it only increased 5% in 2022 (Nabila, 2023).
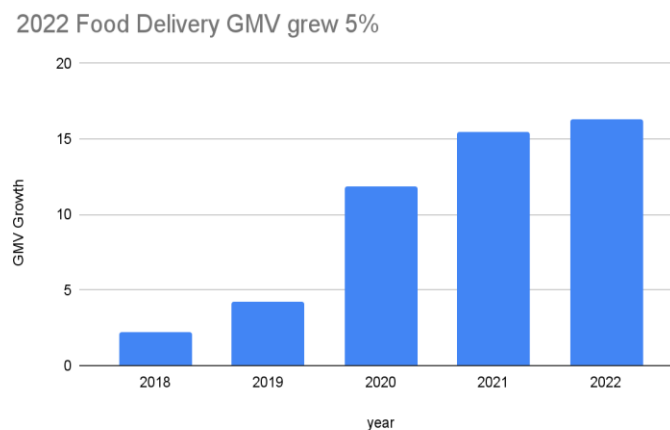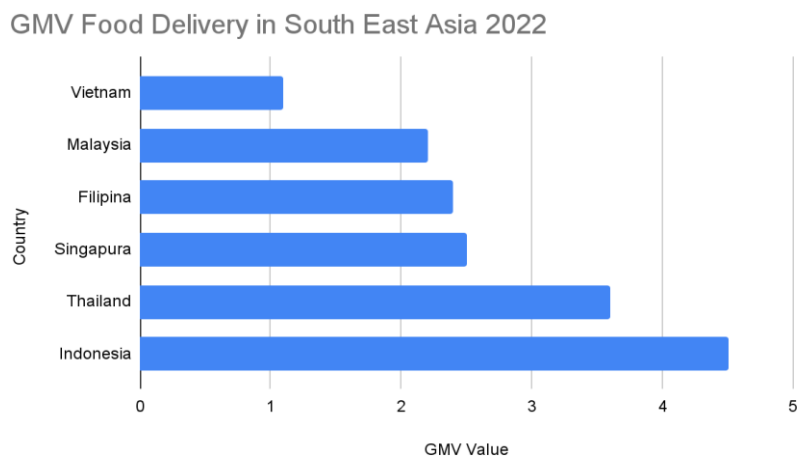

Source : Momentum Works, 2023.

Figure 1.1

Growth of GMV SEA food delivery in recent years

According to Investopedia, GMV is the total value of purchases made by users through websites or applications over a specific time period. In general, GMV is used as a measure of business growth in startups (Adieb, 2020).

Then online food delivery services were proliferating in Indonesia. Even in Darmawan (2022) survey, consumers in Indonesia spent around 4.6 billion US dollars on food delivery services in 2021. There is an increase of 24 percent from 2020. Based on this data, Indonesia became the largest food delivery market by contributing almost 30 percent of the total Gross Merchandise Value (GMV) in Southeast Asia in 2021. According to the most recent Momentum Works report, the GMV of food delivery services in Southeast Asia reached US$16.3 billion in 2022, with Indonesia still having the highest GMV in the region (Sadya, 2023).
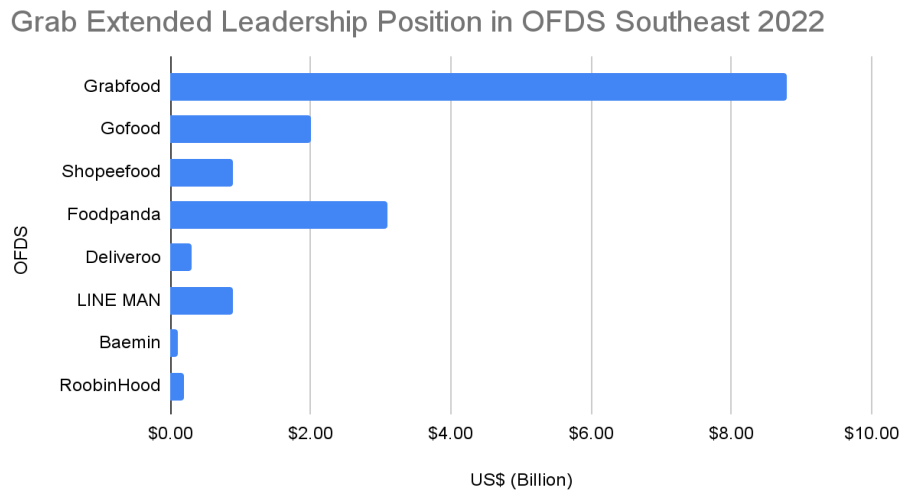

Source : Momentum Works, 2023

Figure 1.2

Food   Delivery GMV Value in Southeast Asia 2022

According to Momentum Works' report titled "Food delivery platforms in Southeast Asia (SEA) Jan 2023," GrabFood, a food delivery platform owned by Grab, is said to have led the Southeast Asian food delivery market for three years in a row from 2020 to 2022. GrabFood's estimated GMV is $8.8 billion, out of a total GMV in Southeast Asia of $16.3 billion, According to a Nabila survey (2023). DeliveryHero ($3.1 billion), GoFood ($2 billion), and ShopeeFood ($0.9 billion) were next in line.

The market share of GrabFood is 49% in Indonesia alone. GoFood (44%) and ShopeeFood (7%) came next (Nabila, 2023).

Grab Extended Leadership Position in OFDS Southeast 2022

Source : Momentum Works

Figure 1.3

Grab Extended Leadership Position in OFDS Southeast Asia 2022

GrabFood is a popular food delivery service in Indonesia. It is a subsidiary of Grab, which is a Southeast Asian ride-hailing and logistics company. GrabFood allows customers to order food from their favorite restaurants and has it delivered to their doorstep. GrabFood is available in many cities throughout Indonesia, including Jakarta, Bandung, Surabaya, Yogyakarta, and Bali. The service has a large network of restaurant partners, ranging from local street vendors to popular chain restaurants. Delivery times may vary depending on the location and demand, but customers can track their orders in real time through the app.

Although the market for online food delivery services appears to be very promising, little is known about its composition. In order to gain a competitive edge,

providing superior service is essential to boosting client satisfaction and loyalty (Yusra and Agus, 2019).

It was found in the prior study that there is a positive correlation between service quality and customer satisfaction. The study's findings also suggest that the dimensions of service quality are positively correlated with customer loyalty (Yusra and Agus, 2019). In earlier studies, brand image was also demonstrated to be a predictor of customer satisfaction and to have a favorable effect on customer satisfaction (Anwar et al., 2019). A connection between brand image and client loyalty was also found in some earlier studies. Additionally, previous empirical findings have demonstrated athat a positive image (i.e., brand, shop, or retail) will lead to loyalty (Dam & Dam, 2021). The final point is that customer loyalty is significantly influenced by customer satisfaction (Jannah et al., 2019).

The study conducted by the researcher is an adaptation of a study by Dam and Dam (2021) also Syahfudin and Ruswanti (2015) research. Dam and Dam's research (2021) examines how service quality and brand image influence customer satisfaction and loyalty in a supermarket in Ho Chi Min City, Vietnam. Meanwhile Syahfudin and Ruswanti's research (2015) investigates how service quality and brand image affect customer satisfaction and loyalty in the Indonesia banking business. Whereas the researcher use customer satisfaction as a novelty in this research as an intervening variable and use grabfood online food delivery service as an object. In connection with this, the authors decided to assign this problem with the title "The Influence of Service Quality and Brand Image on Customer Loyalty Through Customer Satisfaction As An Intervening Variable (Study On Grabfoof OFDS)".

B. Research Questions

Referring to the above research, the researcher makes the study consider eight research questions:

1. Does service quality has a positive and significant impact on customer satisfaction?

2. Does service quality has a positive and significant impact on customer loyalty?

3. Does brand image has a positive and significant impact on customer satisfaction?

4. Does brand image has a positive and significant impact on customer loyalty?

5. Does service quality has a positive and significant impact on customer loyalty mediated by customer satisfaction?

6. Does brand image has a positive and significant impact on customer loyalty mediated by customer satisfaction?

7. Does customer satisfaction has a positive and significant impact on customer loyalty?

C. Research Objectives

The purpose of doing this in this research is as follows:

1. To determine the positive and significant impact of service quality on customer satisfaction;

2. To determine the positive and significant impact of service quality on customer loyalty;

3. To determine the positive and significant impact of brand image on customer satisfaction;

4. To determine the positive and significant impact of brand image on customer loyalty;

5. To determine the positive and significant impact of service quality on customer loyalty through customer satisfaction;

6. To determine the positive and significant impact of brand image on customer loyalty through customer satisfaction;

7. To find out the positive and significant impact of customer satisfaction on customer loyalty.

D. Research Benefits

Researchers want to make sure that this study has several benefits in theory and practice as follows:

1. Theoretical Benefits

This researcher can provide marketing research references on service quality and brand image analysis on customer loyalty through customer satisfaction as a mediation.

2. Practical Benefits

The researcher hopes that the results of this study can be a reference and can help online food delivery services in improving service quality and brand image so that customers feel satisfied and can gain customer loyalty from its service and brand image that can consider and compare with other OFDS to provide good quality services and increase the brand image.