

CHAPTER I

INTRODUCTION

A. Research Background

In Indonesia, the use of digital platforms has progressed rapidly over the past few decades. People are increasingly using e-retail platform to engage in a variety of activities, including shopping, social media, entertainment, health, learning, traveling, and food ordering (Tseng and Wei., 2020). At present, buying and selling online is a popular choice for consumers because of their busy lifestyles. The e-retail platform is expanding rapidly, providing a great opportunity for online retailers. In Indonesia, the online retail industry is seeing a new phase of competition as different companies try to outdo each other in terms of service and product offerings (Taruli et al., 2021).

According to the data from Annur (2022), as of January 2022, there were 204.7 million people in Indonesia who have access to the internet. Compared to the previous year, this figure showed a very tiny rise of 1.03 percent. It was reported that there were 202.6 million people using the internet in Indonesia during the month of January 2021. Over the course of the last five years, there has been a consistent rise in the number of people in Indonesia who utilize the internet (Annur, 2022).

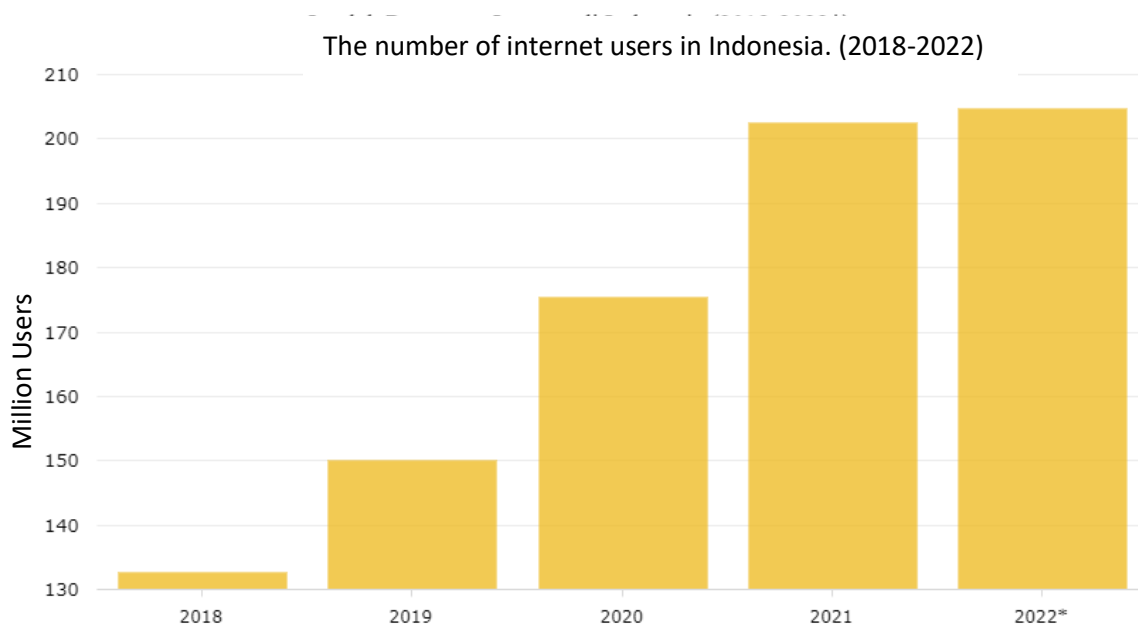
As of right now, the total number of internet users throughout the country has climbed by 54.25 percent as compared to the number of users in 2018 (Annur, 2022). The percentage of the whole population that has access to the internet in Indonesia reached 73.7 percent by the beginning of 2022 (Annur, 2022). In January of 2022, it was estimated that the overall population of Indonesia was somewhere about 277.7 million people (Annur, 2022). This indicates that there has been a significant growth in

the rate of internet penetration throughout the country during the last several years (Annur, 2022).

The need of the Indonesian people for quick and simple access to products and services online is driving the fast rise of internet usage in the country of Indonesia. The rise in the number of people using the internet fueled the expansion of businesses that offer services related to online shopping. This causes many consumers to choose to make purchases online to meet their daily needs (Won & Kim.,2020).

Table 1.1

The number of internet users in Indonesia, (2018-2022).



Source: Annur, 2022

Under these circumstances, e-retailing is a wise choice for consumers to make a purchase (Izogo & Jayawardhena, 2018). People's needs and desires can be met

through e-retail by using only smartphones and internet networks due to the ease with which transactions can be bought and sold (Heksarini & Putri., 2022).

As a result, competition in Indonesia's e-retailing market is inevitable as the number of e-commerce users grows. The fast growth of e-retailing in Indonesia has an effect on the severe commercial rivalry faced by enterprises in the e-retailing sector (Heksarini & Putri., 2022). The number of e-retail that appears, such as Tokopedia, Shopee, Lazada, Zalora, BukaLapak, and Sociolla, makes e-commerce companies compete to attract customers to use their products (Heksarini & Putri., 2022). Here is the lists of the most visited e-retailers company of the year from 2018 to 2022 in Indonesia.

Tables 1.2

Most visited e-retailers company from the year of 2018 to 2022

Rank	Company	2018	2019	2020	2021	2022
1	Tokopedia	117,000,000	137,200,900	71,533,300	135,076,700	157,233,300
2	Shopee	34,510,800	74,995,300	69,800,000	127,400,000	132,776,700
3	Bukalapak	93,589,900	115,256,600	37,633,300	34,170,000	24,686,700
4	Lazada	118,000,000	52,044,500	24,400,000	30,516,700	23,096,700

Source (iPrice,2022)

According to the data that is presented in the table above, Tokopedia is the second most visited online retailer during the year of 2018, and then it becomes the

most visited online retailer during the year of 2019 and continues to hold that position until 2022.

Tokopedia is established in the year of 2009 and also identify as one of the largest online marketplace providers in Indonesia (Hidayat et al., 2022). Tokopedia is the e-retailer selected to be the setting in this research study because it has the best reputation and the most visited e-retailer in Indonesia, and most importantly, Tokopedia is one of the largest ecommerce websites in Indonesia that has a vision of distributing the digital economy in Indonesia (Marina et al., 2022). Tokopedia's vision is consistent with its mission, which began with providing technology as an online buying and selling solution that could encourage Indonesians to engage in online or digital commerce. Tokopedia has successfully carried out its vision and mission, as evidenced by the fact that it has more users in Indonesia than any other e-commerce site (Rozalena, 2020).

Previous studies have utilized some of the same variables on their research. According to first, findings found shows that customer experience has significant impact on customer engagement (Zaid & Patwayati., 2021). The second finding from Mahira, (2020). with variables of customer experience and customer satisfaction revealed that there was a significant effect of customer experience on customer satisfaction. Third finding conducted by Mokha et al., (2022). that examines the relationship between customer satisfaction and customer loyalty, discovered that customer satisfaction has a substantial impact on customer loyalty. Fourth finding conducted by Al-Dmour et al.,(2019). discovered that customer engagement has a direct and significant effect on customer loyalty.

This research is a form of direct replication of research conducted in Indonesia with the title “Impact of Customer Experience and Customer Engagement on Satisfaction and Loyalty: A Case Study in Indonesia” (Zaid & Patwayati., 2021).

Based on my main reference journal conducted by Zaid & Patwayati., (2021) they had seven hypotheses with variables of customer experience, customer engagement, satisfaction, and customer loyalty were developed. In this research the author decided to propose two additional hypotheses on four variables. The author main intention of adding the two additional hypothesis is to find out the mediating role of customer engagement and customer satisfaction between customer experience towards customer loyalty.

The first hypothesis that the author added, are the influence of customer experience on customer loyalty through customer engagement and according to the research conducted by Tuguinay et al., (2022). it has confirm that customer experience has a significant impact toward customer loyalty, mediated by customer engagement.

The second hypotheses that the author propose, are the influence of customer experience on customer loyalty through customer satisfaction and according to the research conducted by Chandra S., (2014). it describe that customer experience has significant impact toward customer loyalty, mediated by customer satisfaction.

According to the description provided above, the author selects Tokopedia as the research object using customer experience as an independent variable, customer engagement and customer satisfaction as a mediation variables and customer loyalty as a dependent variable for my novelty research and employs the replication and modification method of the reference journal because it employs the same research

model and variables but adds two additional hypotheses. The two additional hypotheses are to find out the mediating role of customer engagement and customer satisfaction between customer experience towards customer loyalty, which entitled “Examining The Role Of Customer Experience On Customer Loyalty Using Customer Engagement And Satisfaction As Mediation Variables ”.

B. Research Problem Formulations

Based on the description of the background above, the formulation of the problem that can be formulated, among others, as follows:

1. Does Customer Experience have a positive and significant influence on Customer Engagement at e-retail platform?
2. Does Customer Experience have a positive and significant influence on Customer Satisfaction at e-retail platform?
3. Does Customer Experience have a positive and significant influence on Customer Loyalty at e-retail platform?
4. Does Customer Experience have a positive and significant influence on Customer Loyalty through Customer Engagement at e-retail platform?
5. Does Customer Experience have a positive and significant influence on Customer Loyalty through Customer Satisfaction at e-retail platform?
6. Does Customer Engagement have a positive and significant influence on Customer Satisfaction of consumers at e-retail platform?
7. Does Customer Engagement have a positive and significant influence on Customer Loyalty at e-retail platform?

8. Does Customer Satisfaction have a positive and significant influence on Customer Loyalty at e-retail platform?

C. Research Objectives

The objectives of this research are as follows:

1. To understand whether Customer Experience has a positive and significant effect on Customer Engagement at e-retail platform.
2. To understand whether Customer Experience has a positive and significant effect on Customer Satisfaction at e-retail platform.
3. To understand whether Customer Experience has a positive and significant effect on Customer Loyalty at e-retail platform.
4. To understand whether Customer Experience has a positive and significant effect on Loyalty through Customer Engagement of consumer at e-retail platform.
5. To understand whether Customer Experience has a positive and significant effect on Customer Loyalty through Customer Satisfaction at e-retail platform.
6. To understand whether Customer Engagement has a positive and significant effect on Customer Satisfaction at e-retail platform.
7. To understand whether Customer Engagement has a positive and significant effect on Customer Satisfaction at e-retail platform.
8. To understand whether Customer Satisfaction has a positive and significant effect on Loyalty at e-retail platform.

D. Research Benefit

1. Theoretical Benefit

The theoretical purpose of this study is to provide additional research on the development of management science, particularly in relation to e-retail, and this research is intended to inform the reader about the significant influence of customer experience on loyalty via customer engagement and customer satisfaction at an e-retail platform.

2. Practical Benefits:

The results of this study are expected to be an input for the retail company to provides a more in-depth insight into theoretical comprehension and knowledge on the effect of customer experience, customer engagement, customer satisfaction and customer loyalty. It also shows the role of customer experience towards customer loyalty with customer engagement and customer satisfaction as mediation.