

# CHAPTER I

## INTRODUCTION

### 1.1 The Background of The Study

The development of technology nowadays is going to the next level that create a changes in consumer buying-selling behavior. In the past buyer and seller need to meet each other in order to do a transaction. But today, buyer and seller can do a transaction in the different place by using a computer or a smartphone. The technology provide simplicity and efficiency in transaction that make people tend to do online transaction (e.g website, mobile app) rather than traditional transaction (brick-and-mortar). In Indonesia, the growth of e-commerce and online transaction is going up from year to year. According to the research conducted by Think With Google, the GMV (Gross Merchandise Value) of Indonesian e-commerce in 2018 is US\$12,2 billion, which means the total online transactions in Indonesia is the highest online transaction in Southeast Asia. As the biggest online market in Shouth East Asia, e-commerce in Indonesia have a huge opportunities to gain profit and build a loyal customer base.

In this digital era, the competition especially in the online market is very tight. A lot of e-commerce fail to compete beause they cannot fight and win in the online competition. One of the reasen why they are fail the competition is because they cannot meet the need and want of the customers. it was a challenge for a e-commerce

to create a nurture and loyal customers. According to (Kotler & S Philip, 2000), a companies inevitably should be able to win the competition by offering the best products and services that meet the changing tastes and needs of consumers. One of the strategy that can be implemented by a e-commerce is differentiation strategy, because it represents a source of competitive advantages. The core idea of differentiation is to identify the market segments and design a products to optimally satisfy the needs of the customers. One of the strategy form differentiation is the concept of customization. According to (Coelho & Henseler, 2012), customization is the degree to which the firm's offering is tailored to meet heterogeneous customers' needs. Moreover, today a business can customize advertising messages and products to the particular characteristics and needs of customers Bernhardt, Liu & Serfes (2007).

In line with the development of technologies, now customers can create their products based on their interest and preference on online platform. For an example is Nike one of the largest sport gear companies, they provides a customized option by which customers can create their personal choices of shoes by selecting the available options – color, raw materials, design, etc at their website. In Indonesia one of the company that provide customization option is [www.iwearzule.com](http://www.iwearzule.com), they provide a choices of customization to customize products that customers want to buy (shirts, chino, jackets, types of denim, t-shirts, or jogger pants), by choosing size, color, and material of the product to the full fill customers' preferences.

In relation to the online customization strategy, there are several antecedents that play an important role in influencing e-loyalty of online customers on online customization, which are e-satisfaction, and e-trust. One of the benchmark to measure the success of online customization is the level of customers e-satisfaction. According to Oliver (1997), satisfaction is “the summary psychological state resulting when the emotion surrounding disconfirmed expectations is coupled with a consumer’s prior feelings about the consumer experience.” From this definition, e-satisfaction can be defined as an ongoing evaluation of the surprise inherent in product acquisition and/or consumption experience in the online behavior of the customers.

According to Morgan and Hunt (1994), trust is the “confidence in the exchange partner’s reliability and integrity. The main reason for the importance of e-trust in an online business is the perceived level of risk associated with online purchasing. Medintz (1998) stated that customer concerns about security, privacy, and protection against business scams are very high and have created a market for rating agencies and seals. Moreover, providing the credit card information to an online business that has no physical location increases the perception of risk for certain customers Shannon (1998). In the e-commerce context, customers who do not trust an e-business will not be loyal even though they are generally satisfied with the e-business. Therefore, it seems apparent that e-satisfaction is likely to result in stronger e-loyalty when customers have a higher level of trust in e-business.

According to Jacoby (1971) loyalty is “a biased behavioral purchase process that results from a psychological process”. Assael (1992) defined loyalty as “a

favorable attitude toward a brand resulting in the consistent purchase of the brand over time”. E-loyalty is present when favorable attitudes for the e-brand are manifested in repeat buying behavior. In this research, e-loyalty is defined as the customer’s attitude toward an e-commerce company resulting in repeat buying behavior as the manifestation of good customer e-satisfaction and e-trust toward the online customization e-commerce.

Measuring customer satisfaction is one kind of importance criteria to understand whether the expectation of the customer meet the reality or the product offered by e-commerce. When a company figures out that its customers are happy or satisfied with the products or services being offered, the company may expect referrals and repeat business from them. Beside e-trust also one of important factor to create a loyal customer, especially in an online business. E-trust is one of an important factor that make the customer believe and willing to put expectation to the e-commerce. Once the e-commerce get the trust from the customer, the possibility for the customer to get loyal is become higher. Furthermore, the company is in turn required to retain a long-term customer relationship, loyalty. The final goal of all is a continued profitable business. This research study is aimed at investigating the indirect effects of customer e-satisfaction, e-trust, and e-loyalty of online customization on e-commerce.

## **1.2 Problem Formulation**

- 1) Does online customization attributes have a positive impact on e-satisfaction?
- 2) Does online customization attributes have a positive impact on e-trust?
- 3) Does online customization attributes have a positive impact on e-loyalty?
- 4) Does e-satisfaction have a positive impact on e-loyalty?
- 5) Does e-trust have a positive impact on e-loyalty?

## **1.3 Research Limitations**

- 1) This research study is limited to the relationship between online customization and e-loyalty which results in contradictory findings. Furthermore, it will be likely to spur future possible research to strengthen the results of the study.
- 2) Online customization is considered a new trend in Indonesia, as there are only a few people in a specific social class who know it.
- 3) This research study was conducted with the millennial generation born between 1992s – 2000s as the research subjects.

## **1.4 Study Objectives**

- 1) To describe whether online customization attributes have a positive impact on e-satisfaction.
- 2) To describe whether online customization attributes have a positive impact on e-trust.

- 3) To describe whether online customization attributes have a positive impact on e-loyalty.
- 4) To describe whether e-satisfaction has a positive impact on e-loyalty.
- 5) To describe whether e-trust has a positive impact on e-loyalty.

### **1.5 Research Contribution**

This research study provides benefits theoretically and practically. Theoretically, it would make a significant contribution to the field of management, especially marketing, concerning the relationship between online customization, e-satisfaction, e-trust, e-loyalty, and important strategic implications contributing to the marketing business strategy. Furthermore, it can be a reference for other researchers to conduct further studies.

Practically, organizations may take advantage of the research findings as they can be a reference in the decision-making process on marketing concepts (e-satisfaction, e-trust, and e-loyalty) for creating effective strategies which lead to competitive advantages.

### **1.6 Systematics of Writing**

- 1) Chapter I: Introduction

This chapter contains the background of the study, problem formulation, research limitations, research objectives, research contribution and systematics of writing.

2) Chapter II: Literature Review

This chapter presents the theoretical basis of this study, a few hypotheses are also presented here based on scholarly literature review.

3) Chapter III: Research Design And Method

This section presents the population and the study sample, the type and sources of data, methods of data collection and the methods of data analysis and research data.

4) Chapter IV: Data Analysis And Discussions

This chapter analyzes the general description and information of the findings of this research, data testing and discussions of the results.

5) Chapter V: Conclusions And Recommendations

This chapter provides conclusions based on the results of data processing and suggestions related to future possible studies.

6) References

It contains the resources or references employed in this study.