CHAPTER 1
INTRODUCTION

1.1 Background

Purchasing goods and services over the internet has become a common occurrence for many people all over the world. Almost all people in the world want to shop because it's very easy, and there are other reasons that is very important such as "low price". The digital shoppers can be tossed around by the digital utilities for example is a product review and brand email. E-commerce or online commerce is the newest business concept in this digital era. E-commerce can make the companies sell their products or services through the internet which can be accessed on smartphones, tablets, and laptops.

Fashion e-commerce businesses usually have an official website for online shopping as well as direct retail sales to customers. Fashion is the most revenue-generating e-commerce vertical with online shoppers spending an average of 3.83 U.S. dollars per visit to premium clothing properties and 3.10 U.S. dollars per visit to general apparel properties. In 2018, e-commerce retail sales for apparel and accessory stores amounted $10.9 billion US dollars.

Fashion is the second most spent group by people over Indonesia. According to Kemp & Moey, (2019) Indonesia invested $2.307 billion in fashion. According to Statista, (2021) Fashion is the industry's largest segment with an estimated market volume of US$12,556 million.

Many businesses must adapt to changing market conditions. Companies must realize the value of customer satisfaction from online service quality in order to achieve a competitive advantage. The importance of service quality in online commerce is becoming more widely recognized (e-commerce). According to Lee & Lin, (2005) there are 5 important indicators of online service quality consist of reliability, responsiveness, trust, customer preferences, and site design.

Oliver (1993; in Wang & Shieh, 2006) said that service quality will predict customer satisfaction. Empirical evidence has been discovered by some scholars

to support the above-mentioned viewpoint. Fornell et al (1996; Spreng & Macky 1996; Anderson & Sullivan, 1993 in Wang & Shieh, 2006); said that customer satisfaction was the result of the service quality.

In an attempt to determine the relationship between service quality and customer satisfaction, Ruyter et al. (1997; in Wang & Shieh, 2006) modified the SERVQUAL scale and used it to test the scale in the medical department. According to the findings, service quality should be considered as a predictor of customer satisfaction. Brady et al. (2001; in Wang & Shieh, 2006) have used LISREL to study customers of fast-food restaurants in America and Latin America. The findings revealed depending on one's cultural background there was a link between service quality & customer satisfaction. Furthermore, the quality of service had a significant effect on customer satisfaction. Sureshchandar et al. (2002; in Wang & Shieh, 2006) found a strong link between service quality and customer satisfaction.

Then there's the customer-perceived value which is a very crucial concept in marketing. This concept is very important because it defines the appeal of the products or services to customers and this is the reason why customers are interested in particular products. Customers' perceptions of value can have a big impact on their attitudes, satisfaction, and repurchase intentions. Capturing the core of customer-perceived value makes the customers become more demanding and value-conscious which is vital for businesses. In the fierce market competition brands and products will more eager to explore consumer value and they will be more likely to take the lead. To gain a sustained competitive edge the company needs to analyze and understand the part of perceived value and improve it (Liu et al., 2020).

To survive a market which is very competitive, the managers should understand their perceived value (Slater and Narver (2000); Lusch and Vargo 2014; in Mbango, 2019). Then Gallarza & Saura, (2006; Martinez-Ruiz et al. 2010; in Tran & Le, 2020) said that customer satisfaction is influenced by perceived value and perceived value offers a different perspective than simply focusing on service quality or satisfaction.
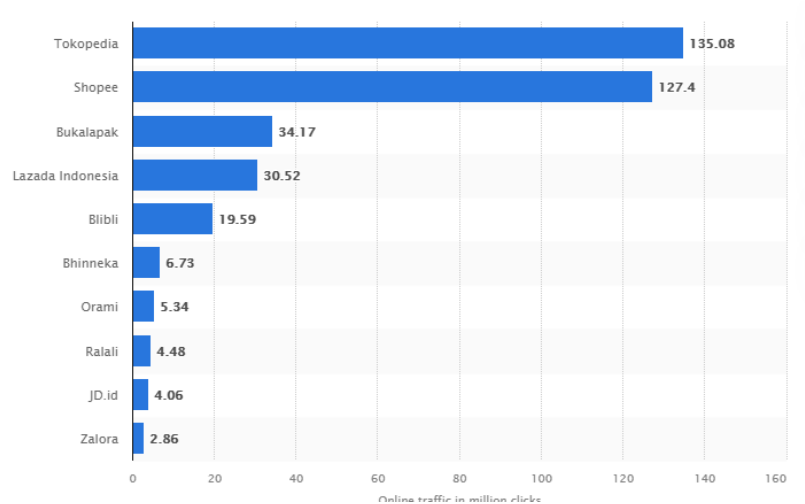
. Then Kotler, et al. (2011; in Handoko, 2016) Customer Satisfaction is the secret to establishing sustainable relationships with customers, maintain and growing customers, and reaping their customer lifetime value according to the study. The customer who is satisfied will purchase the product again and give the recommendation to their friends, family, and others, Minimizing the attention from the competitors' product and purchase different products from the company.

Then, The results by Ibzan et al., (2016) indicate that there is a great relationship between customer satisfaction and repurchase intentions. According to Tsai, Huang, Jaw, and Chen (2006; in Ibzan et al., 2016) The studies of cross-sectional and longitudinal satisfaction have shown that consumers who are satisfied will keep to continuing their relationship with the company than consumers who dissatisfied.

Established in early 2012, Zalora.com is Southeast Asia's largest online fashion retailer, with operations in eight countries: Singapore, Indonesia, Malaysia, Brunei, Philippines, Thailand, Vietnam, and Hong Kong. Zalora Indonesia is part of the Zalora Group which was founded by Rocket Internet GmbH in late 2011. According to Dapas et al., (2019) Customers can shop online for men's and women's fashion at Zalora.com which has a collection of over 500 local and international brands.

Below are the best top 10 e-commerce sites in Indonesia based on monthly traffic by Statitsta.

Figure 1. 1

Top 10 E-Commerce in Indonesia Based on Monthly Traffic

Source: Statista, (2021)

From the figure above can be summarized that Zalora has a very low monthly traffic and placed in 10th position. It can be concluded too that Zalora has a low transaction activity compared to other e-commerce. Then table 1.1 is the number of e-commerce ratings referred from the Google Play Store.

Table 1. 1

The Best E-commerce in Indonesia based on Ratings

No	E-Commerce	Ratings
1.	Bukalapak	4.7
2.	Shopee	4.6
3.	Tokopedia	4.6
4.	Blibli	4,6
5.	Zalora Indonesia	4.5
6.	Lazada	4,4
7.	JD.id	4.4
8.	Ralali	4.4
9.	Bhinneka	3.6
10.	Orami	2.9

From the explanation above, the best e-commerce online service quality in Indonesia is Bukalapak and the worst online service quality is Orami. Then Zalora placed in the fifth rank with a rating value of 4.5 above Lazada and below Blibli. It can be concluded that Zalora has a good online service quality in Indonesia. According to the Google Play Store, Zalora has a good service quality such as polite customer service despite many people use harsh and demonic words to that online store Zalora still provide compensation for all the customer, such as 30 days free return of the product which has poor quality and unsatisfactory. Then Zalora can give a refund to the customer if the order status is still unclear (Google Play, n.d.).

Zalora holds a famous brand in Southeast Asia such as Cotton On, Converse, DC, The North Face, H&M, Alexandre Christie, and Indonesian brand such as Carvil, which product is luxurious and has a high quality. Luxury goods are a necessity for many people. Luxury products can boost your confidence in addition to providing quality and status. ZALORA Indonesia is the right solution for you because it only offers the best luxury products in its class. We carry the most well-known top luxury brands so that you can always find the perfect fashion item, no matter where you are. Luxury women, men, accessories, to fashion sports are very closely related to several lovers and collectors of branded goods and seem to have become a basic necessity. Therefore, ZALORA Indonesia continues to strive to answer your needs by offering various luxury fashion products such as apparel, shoes, accessories, and sports at special prices from world-renowned brands" (Zalora, n.d.-b).

Then Zalora always held a promotion to the famous brands for example: Harbolnas Sale 12.12, discounts of up to 90% from thousands of local and international fashion brands such as, Adidas, Vans, Converse, Hush Puppies, MANGO, Nike, Herschel, Reebok, Onitsuka Tiger, Pomelo, and Cotton On (Zalora, n.d.-a). Other promotions such as Zalora Birthday 2021 gave discount 80% off for all brands, cashback 19% unlimited, flash sale 49%, free delivery over Indonesia, and the special promo is lucky treats who customers can buy famous brand only Rp 10.000 (Ten thousand rupiah), make the middle-class society

interested and satisfied with that promo (Google Play, n.d.).

Customers can easily access Zalora's website because it is simple and elegant. Product information at the Zalora Online store indicates that the website quality is clear and detailed. The product information on the Zalora online store is reliable. The Zalora online store has a positive reputation and offers customer service communication. The Zalora website has product search lists and is always responsive (no errors). The menu, navigation, image, and color features on the Zalora Online store website are all very innovative and interesting. Customers were interested in buying after reading product reviews on the Zalora Online store, according to the website's indicators (Dapas et al., 2019).

From the previous research by Rita et al., (2019) the overall service quality such as reliability, responsiveness, and site design which includes online service quality has the significant impact on customer satisfaction and repurchase intention. Then, from the second previous research, by Tran & Le, (2020) There are results that service quality and perceived value have a great impact on Customer Satisfaction and Behavioral or Intention to Repurchase (Frendy, 2013). Research by Pavlou, (2014), there is insignificant relation between customer satisfaction and repurchase intention in online shopping. According to Tirtayani & Sukaatmaja, (2018), there is insignificant relationship between service quality, customer satisfaction, and repurchase intention for the e-commence consumers in Denpasar, because there is bad service quality such as the products ordered by the customers do not match what is received. Bad service quality created less satisfaction, then the consumer's desire to shop on the same website will be diminished. The research conducted by Shin et al., (2013; in Bulut, 2015), Customer satisfaction has a negative impact on repurchase intention because they had a negative purchasing experience in there.

Based on the ratings, monthly traffic, phenomenon, and the inconsistency of the previous studies in this thesis, and the researcher want to know how online service quality and perceived value can create customer satisfaction and repurchase intention of Zalora in Surabaya.

1.2 Research Questions

The following research topics can be presented based on the problem's background below

1. Does the influence of Online Service Quality have the significant impact on Customer Satisfaction of Zalora in Surabaya?

2. Does the influence Online Service Quality have the significant impact on Repurchase Intention of Zalora in Surabaya?

3. Does the influence of Perceived Value have the significant impact on Customer Satisfaction of Zalora in Surabaya?

4. Does the influence of Perceived Value have the significant impact on Repurchase Intention of Zalora in Surabaya?

5. Does the influence of Customer Satisfaction have the significant impact on Repurchase Intention of Zalora in Surabaya?

1.3 Objectives of the Study

The following research objectives might be offered based on the background of the problems

1. To know and analyse the influence of Online Service Quality towards Customer Satisfaction of Zalora in Surabaya.

2. To know and analyse the influence of Online Service Quality towards Repurchase Intention of Zalora in Surabaya.

3. To know and analyse the influence of Perceived Value towards Customer Satisfaction of Zalora in Surabaya

4. To know and analyse the influence of Perceived Value towards Repurchase Intention of Zalora in Surabaya.

5. To know and analyse the influence of Customer Satisfaction towards Repurchase Intention of Zalora in Surabaya.

1.4 Significance of the Study

This study provides significant benefits based from the explained objectives above. This significance consists of theoretical and practical significance.

1.4.1 Theoretical Significance

The results expected in this study can provide donations that have benefits as information in the Online Service Quality and Perceived towards Customer Satisfaction and Repurchase Intention.

1.4.2 Practical Significance

Provides information for Zalora and other e-commerce regarding the influences of online service quality and perceived value towards customer satisfaction and repurchase intention in Surabaya. Also provides the right strategy for Zalora to improve their customer satisfaction and repurchase intention in Surabaya.

1.5 Writing Structure

This research writing is divided into five chapters. Below is the description of each chapter's explanation.

CHAPTER 1 - INTRODUCTION

This chapter explain the background, research questions, objective of the research, the significance of the study, and writing structure.

CHAPTER 2 - LITERATURE REVIEW

This chapter describes theoretical background, previous research, hypothesis development, and conceptual framework.

CHAPTER 3 - RESEARCH METHOD

This chapter describes the research design, variable identification and operational definition, variable measurement, sources of data, tools for data collection method, population, sampling, sampling technique, and Data Analysis

CHAPTER 4 - DATA ANALYSIS AND DISCUSSION

This chapter will contain data result, hypothesis testing, and discussion.

CHAPTER 5 - CONCLUSIONS AND SUGGESTIONS

This chapter contains conclusions from the results of the research discussion and suggestions to the parties involved that related with the topic of research.