CHAPTER 1
INTRODUCTION

1.1 Research Background

Industrial revolution has indeed changes human life. Since the existence of the first industrial revolution in the 18th century, human has made certain connection to the technology. From the human dependency towards the steam-power machine and until now, our dependency towards the network connection – or known as the internet. Right now, at industry 4.0, internet was the most important thing in human's life. Everyone and everything became dependent on internet. Even opening the front door can also be done by internet.

One of the aspects that drastically changed by the internet is business. Since the emergence of Internet of Things (IoT), transactions among each person are getting easier. Moreover since everything can be done in one smartphone. Databoks.katadata.co.id has predicted that smartphone user of Indonesia reached 92 million at 2019.
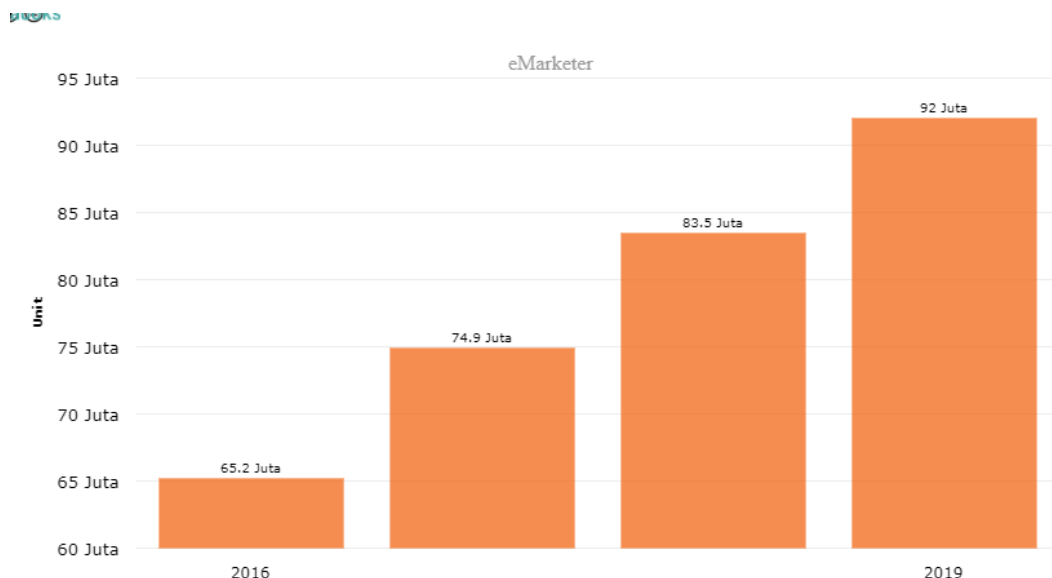

Figure 1.1. Indonesia's Smartphone User

Source: databoks.katadata.id (2016)

Based on the data shown by Graphic 1.1, on 2019, the number of Indonesia's smartphone user reached about one-third of Indonesian population.

The particular number has grown for about 0.4 percent since 2016 and is predicted to continue to grow. This shows that people in Indonesia has certain interests into the use of smartphones, especially since various jobs and activities can be completed only by using the smartphones. From shopping, studying, and even paying the bills can be done by just few clicks on their gadgets.

For the past few years the use of e-money transaction has grew rapidly, following the use of smartphone for almost everything. According to BI in table 1.1+, the e-money transactions per July 2019 was more than 2 billion of transactions with nominal value for about 69 trillion rupiah. The number of transactions was increased about 290% in just 2 years. This shows that there is a huge trend of using cashless payment in Indonesia, ever since government encouraging the community about the GNTT (Gerakan Nasional Non Tunai).

Table 1.1
E-money Transaction Table

Period	2017	2018	2019 (per July 2019)
Volume	943.319.933	2.922.698.905	2.736.518.374
Nominal	12.375.469	47.198.616	69.045.403

*volume in transaction and nominal value in million rupiah
Source: bi.go.id (2019)

The trends of online transaction also stimulate banks and companies to launch their own versions of e-money products, resulting in fierce competition between them. Since banks works in services industry and specialized in managing people's money, they need to acquire the users and customers trusts towards the brand. Trust towards the brand is based on the consumer's belief that the brand has specific qualities that make it consistent, competent, honest, and responsible. It means that the consumer already believe that the brand were able to keep promises and keep satisfies customers with fulfilling their needs (Ballester, and Aleman, 2005).

Companies can build emotional trust with the customers if they can prove that the brand is only for the customers and meet their expectations. It also

means that customers are already experienced the satisfaction before they trusted the brand. The customer satisfaction can be interpreted to what extend customers are happy with the product or services provided to them, meaning the company should provide them with excellent products or services. It is a customers' feeling after they use or purchases the products or services, regardless the products or services meet the expectation or not. (Rizwan, Ahmad, and Haq, 2014)

Naturally, customers' satisfaction is based on their perception about the value of the products or services they get. Iqbal (2012) defined perceived value as relative preferences (comparative, personal and situational) which gave characteristics to experiences in interaction with objects. A person could decide whether the price or the value of the products or services is acceptable. It is based on personal feelings and can be comparable to previous experience on another situation. When customers feels that the products or services were beyond their expectation, they would feel satisfied with the particular products or services.

Zehir, *et al.* (2014) explained about the classification of four different consumers' definition of value : (1) value is low price, (2) value is whatever I want in a product, (3) value is the quality I get for the price I pay, and (4) value is what I get for what I give. This proves that when customers get good quality of products or services, their perceived value could also be good. Another researchers also reveal that e-service quality influence customers' perceived value (Marimon *et al.*,2009; Blasco *et al.*,2010).

Customers' Satisfaction also could be built upon the quality of the products or services itself. Tjiptono (2012) said that there are four main characteristics of service that should be focused on, which are (1) intangibility, (2) heterogeneity, (3) inseparability and (4) perishability. Services was different with products which has specific measurement, services is intangible, which means can't be seen or touch before consumption. The only way to assess the quality of the services was to experience the services itself. Heterogeneity was also another character of services, which means the quality was varied depends

on who, how, and where the services was done. People also experience the consumption right after they got it, which also means the services was perishable.

Usually, the better the quality of the products or services also resulting in happier customers. But one happy customer doesn't mean that the products or services have better qualities. Perception of customers about the value is also the highlight, moreover if the company provide services, not products. A customer could be pleased enough to low quality of services, and at the same time, other customers could be unsatisfied with better quality of services.

OVO is one of Indonesia's leading fintech platform and it has grown significantly since its launch in September 2017. According to survey held by Dailysocial.id, OVO now occupies the second position of user fintech's choices with 58% vote. The application has also been recorded to be downloaded on Android for over 5 million times.

Table 1.2
Fintech Report Table

	DANA	GO PAY	OVO	cash
Company	EMTEK Group, Alibaba Group	Gojek	Lippo Group	Telkomsel
Download on Android (2018)	500,000+	10,000,000+ (Gojek)	5,000,000+	5,000,000+
Service Integration	BBM, Bukalapak, Tix.id	Gojek, Go-life, Loket, JD.id	Grab, Tokopedia	-
Rank in Fintech Report 2018	4th (34,18%)	1st (79,39%)	2nd (58,42%)	3rd (55,52%)

Source: DailySocial.id (2018)

Right now, OVO has already making several partnerships with leading malls, merchants, and acceptance partners like Mandiri, Moka, and large use partners like Grab and Tokopedia. Not only with the leading and large user partners, has OVO also partnered with more than 300,000 UMKM merchants around Indonesia to increase the user scope.

Partnering with several large partners and thousands of UMKM doesn't mean that OVO already had great service. According to mediakonsumen.com,

there are burglary account that still occur within their application, causing the customer losing money. There also several errors such as top up failure and unable to withdraw the money. There are also several errors reported in Kompas.com and suratpembaca.web.id, like losing their points and failed transactions.

Based on the cases shown above, authors conclude that OVO still has negative value perceived by customers towards OVO and that OVO still needs improvements in their e-service quality. The lack of e-service quality and value perceived by customers could cause the customer feeling unsatisfied with OVO and eventually lose their trust towards OVO. The authors choose OVO as the object because the fintech's excitement in society recently and its fame among the fintech provider. This study would analyze how e-service quality and perceived value has impact on OVO's brand trust mediated by e-customer satisfaction.

1.2 Research Questions

Based in the background explained, problem statements are formulated as follows:

a. Does e-service quality significantly affect OVO's perceived value?

b. Does e-service quality significantly affect OVO's customer e-satisfaction?

c. Does perceived value significantly affect OVO's customer e-satisfaction?

d. Does customer e-satisfaction significantly affect OVO's brand trust?

e. Does customer e-satisfaction mediates the relationship between OVO's e-service quality and brand trust?

f. Does customer e-satisfaction mediates the relationship between OVO's perceived value and brand trust?

1.3 Research Objectives

Based in the background and problem statement explained, the research objectives are formulated as follows:

a. To analyze whether e-service quality significantly affect OVO's perceived value.

b. To analyze whether e-service quality significantly affect OVO's e-customer satisfaction.

c. To analyze whether perceived value significantly affect OVO's e-customer satisfaction.

d. To analyze whether e-customer satisfaction significantly affect OVO's brand trust.

e. To analyze whether e-customer satisfaction mediates the relationship between OVO's e-service quality and brand trust.

f. To analyze whether e-customer satisfaction mediates the relationship between OVO's perceived value and brand trust.

1.4.Significance of the Study

1.4.1. Academic Benefit

This research study hopefully can bring these benefits:

1. To provide more evidence on the relationship between e-service quality, perceived value, e-customer satisfaction, and brand trust.

1.4.2. Practical Benefit

This research study hopefully can bring these benefits:

1. This study would be helpful for OVO and other fintech company to know about strategy they create to give great service and gain brand trust.

2. This study also can help OVO to evaluate their company when they create new strategy to improve their e-service quality and also know the suggestion about OVO in the result of the study.

1.5. Writing Systematic

Writing systematics used in this research will be described as follows:

CHAPTER 1. INTRODUCTION

This chapter will discuss about research background, research questions, research objectives, significance of the study, and the writing systematic.

CHAPTER 2. LITERATURE REVIEW

This chapter will describe the literature review, previous research, and relationships between variables, and research framework.

CHAPTER 3. RESEARCH METHOD

This chapter explains how to carry out activities research, among others: research design, identification of variables, operational definitions, types and sources of data, data collection methods, population, sample, sampling technique, data analysis technique, and

hypothesis testing procedure.

CHAPTER 4. ANALYSIS AND DISCUSSION

This chapter describes the general description, data display obtained from the results of research, analysis and discussion, testing hypothesis and discussion of research results.

CHAPTER 5. CONCLUSIONS AND SUGGESTIONS

This chapter contains conclusions from the descriptions as a whole by including the suggestions considered need.