

# Factors Influencing Customer Loyalty towards Online Transportation Companies in Jakarta – Indonesia

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## **Abstract:**

The purpose of this research was to determine factors that influence customer loyalty towards companies that provide online transportation services. The research uses a descriptive design to determine the relationship between variables and descriptive variables. The object used in this research were GOJEK and GRAB (Indonesia's two biggest online transportation company) users in DKI Jakarta province, with a sample size of 306 people. Sample selection was based on simple random sampling and the research method used is descriptive statistic using Lisrel application version 8.80 to process and analyze Structural Equation Modeling (SEM) data.

The conclusion of this research would state the relationship among variables, such as; a) Partial relationship between Customer Value and Service Quality towards Customer Loyalty; b) Customer Satisfaction towards Customer Attachment; c) Partial relationship between Service Quality and Relational Benefits towards Customer Satisfaction; d) Quality of Service towards Customer Value and e) Quality of Service towards Relational Benefits.

**Keywords:** *customer attachment, customer loyalty, customer satisfaction, customer value, relational benefits, service quality.*

## **I. INTRODUCTION**

In Indonesia, online transportation was pioneered by GOJEK, a company which has received positive response ever since its formation by both the market and government due to its affordability and its role to reduce traffic, prompting many similar companies to follow suit in providing online transportation services. International companies who have gained global reputation such as UBER and GRAB have also taken its services to the Indonesian market. This has prompted tougher competition and tighter market share among the providers. To be able to compete in this market, companies will need to focus its attention in maintaining its customer loyalty (Calisir, Ecem Basak, & Calisir, 2016), which is linked to emotional commitment whether its conscious or unconscious in the form of attitude or behavior (Li, et al, 2018). Additionally, by improving the quality of service, this will lead passengers to use transportation services continuously (Tao, Corcoran, & Mateo-Babiano, 2017). Relational benefits in the form of trust, social

benefits, special treatment, and respect encourages the sustainability of relationships in the long run therefore resulting in customer loyalty and customer attachment (Odoom, Boateng & Asante, 2017). Customer value in this industry is also an important determinant on strengthening customer loyalty (Lierop, Badami, & Elgeneidy, 2017; Leppäniemi, Karjaluoto, & Saarijärvi, 2017). Customer satisfaction is also an important factor that plays a role in influencing the loyalty of users of online transportation services (Fu, Zhang, & Chan, 2018). While customer attachment refers to psychological state that occurs based on interactive customer experiences with objects focused in service relationships (Brodie, Hollebeek, Juric, & Ilic, 2011).

The challenge in strengthening customer loyalty will be even tougher based on Yayasan Lembaga Konsumen Indonesia's (2017) findings which shows that 41 percent of respondents claimed to have been disappointed with online transportation services. The cause of this disappointment came from driver who

asked for order to be cancelled (22.3%), the difficulty in getting a driver (21.9%), the driver canceled the order unilaterally (16.22%), application map error (13.11 %), the driver did not come (6.34%), the condition of the vehicle was not good (6.04%), reckless driver (4.73%), the vehicle smelled bad (4.61%), and the driver smoked when driving (0.75%).

Based on the above findings, the research problem can be formulated as "Factors influencing customer loyalty towards online transportation companies in Jakarta - Indonesia ". For this reason, the researchers conducted a research and have concluded that:

1. Factors that impact both directly and indirectly towards loyalty are Service Quality, Customer Value, Relational Benefit, Customer Satisfaction and Customer Attachment.

2. Customer Attachment is influenced by Service Quality, Customer Value, Customer Satisfaction Relational Benefits
3. Customer Satisfaction is influenced by Service Quality, Customer Value, Relational Benefits
4. Study literature: Descriptive quantitative research methods and techniques for analyzing latent variables, indicator variables using Structural Equation Modeling (SEM).

## 2. RESEARCH RESULTS AND DISCUSSION

### 2.1. Analysis of Influence Among Variables

Based on influential value and t distribution value upon one variable to another, we have concluded significant impact have taken place with magnitudes as follow:

**Table 1. The magnitude of influence between variables (table 1,96)**

Influence Between Variables	Symbol	Value of Influence	Statistic t Score	Significance of Influence
Service Quality to Customer Loyalty	$\gamma_{51}$	0,33	0,90	Insignificant
Relational Benefits to Customer Loyalty	$\beta_{51}$	0,51	-0,62	Insignificant
Customer Value to Customer Loyalty	$\beta_{52}$	0,26	2,34	Significant
Customer Satisfaction to Customer Loyalty	$\beta_{53}$	0,13	0,55	Insignificant
Customer Attachment to Customer Loyalty	$\beta_{54}$	0,13	1,86	Insignificant
Service Quality to Customer Attachment	$\gamma_{41}$	0,091	3,85	Significant
Relational Benefits to Customer Attachment	$\beta_{41}$	0,34	0,24	Insignificant
Customer Value to Customer Attachment	$\beta_{42}$	0,17	-0,25	Insignificant
Customer Satisfaction to Customer Attachment	$\beta_{43}$	0,36	-2,59	Insignificant
Service Quality to Customer Satisfaction	$\gamma_{31}$	0,056	4,17	Significant
Relational Benefits to Customer Satisfaction	$\beta_{31}$	0,20	4,97	Significant
Customer Value to Customer Satisfaction	$\beta_{32}$	0,23	0,92	Insignificant
Service Quality to Customer Value	$\gamma_{21}$	0,041	4,18	Significant
Relational Benefits to Customer Value	$\beta_{21}$	0,14	0,14	Insignificant
Customer Service to Relational Benefits	$\gamma_{11}$	0,037	3,48	Significant

Source: *The researcher, 2019*

### Table 2. Direct, Indirect and Total Influence

Initiative of Model	Direct Influence	Influence Through Variable and Value	Total Influence
Service Quality to Relational Benefits	0,037	-	0,037
Service Quality to Customer Value	0,041	Relational Benefits $0,037 \times 0,14 = 0,005$	0,045
Service Quality to Customer Satisfaction	0,05	Relational Benefits $0,037 \times 0,20 = 0,007$	0,057
		Customer Value $0,041 \times 0,23 = 0,009$	0,059
Service Quality to Customer Attachment	0,091	Customer Value $0,041 \times 0,17 = 0,007$	0,097
		Relational Benefits $0,037 \times 0,34 = 0,012$	0,103
		Customer Satisfaction $0,056 \times 0,36 = 0,020$	0,111
Service Quality to Customer Loyalty	0,33	Relational Benefits $0,037 \times 0,51 = 0,019$	0,348
		Customer Satisfaction $0,056 \times 0,13 = 0,007$	0,337
		Customer Value $0,041 \times 0,26 = 0,010$	0,340
		Customer Attachment $0,091 \times 0,13 = 0,012$	0,342
Relational Benefits to Customer Value	0,140	-	0,140
Relational Benefits to Customer Satisfaction	0,200	Customer Value $0,14 \times 0,23 = 0,032$	0,230
Relational Benefits to Customer Attachment	0,340	Customer Value $0,14 \times 0,17 = 0,024$	0,360
		Customer Satisfaction $0,20 \times 0,36 = 0,07$	0,410
Relational Benefits to Customer Loyalty	0,510	Customer Satisfaction $0,20 \times 0,13 = 0,026$	0,536
		Customer Value $0,14 \times 0,26 = 0,036$	0,546
		Customer Attachment $0,34 \times 0,13 = 0,044$	0,554
Customer Value to Customer Satisfaction	0,230	-	0,230
Customer Value to Customer Attachment	0,170	-	0,170
Customer Value to Customer Loyalty	0,260	Customer Attachment $0,17 \times 0,13 = 0,022$	0,282
		Customer Satisfaction $0,23 \times 0,13 = 0,030$	0,290
Customer Attachment to Customer Loyalty	0,360	-	0,360

Customer Satisfaction	to	0,130	Customer Attachment	0,177
Customer Loyalty			$0,36 \times 0,13 = 0,047$	
Customer Satisfaction	to	0,100	-	0,100
Customer Attachment				

Source: The researcher, 2019

## 2.2. Descriptive Analysis

As a result of the descriptive analysis, the researchers found various indicators with unproportioned percentage as define below:

- Increase in tariffs without improved service quality will result in customers moving to another provider,
- Disturbances that result in delays to customer destination,
- Incompetent driving while carrying passengers,
- The quality of the vehicle used is unacceptable, long waiting period and drivers are not obedient in traffic.
- Relatively high anxiety in using online transportation mode.
- My preferred online transportation service is no more valuable than using private vehicles or public transportation.
- Driver's quality of service and condition of the vehicle used is not better than the quality of service I provide to my boss, client, friends at work.
- Customers are not enthusiastic about discussing their choice of online transportation services; as well as not interested in getting more information about the industry as a whole. They are also not willing to exchange or share ideas with other customers within the online transportation community.

## DISCUSSION OF THE MANAGERIAL IMPLICATIONS

**Customer Loyalty** is an invaluable asset for every business organization, no exception for companies engaged in online transportation since it needs to pay attention to the benefits perceived by customers as a result from the questionnaire data processing in order to create consistent customer loyalty.

Service providers can save money in identifying new customers and existing customers can participate in promotions or recommend to family members and

colleagues. With loyalty, we can expect repeat purchase behavior, proportion of purchase, order of purchase, and the possibility of purchase (Pantouvakis & Lymperopoulos, 2008). Based on these loyalty issues, online transportation companies that are still relatively new need to review all marketing strategies and policies of the company in providing the entire marketing mix that they can implement in serving their customers and to meet customer expectations. With the fulfillment of customer expectations, it will increase customer loyalty and improve company performance.

According to Allen, Eboli, Mazzulla, and Ortúzar (2018) **Service Quality** is very important to retain existing users or customers and attract new ones. With this in mind, there must be an ongoing policy aimed at improving service quality, among others by identifying service attributes that can improve customer satisfaction. Based on analysis made on the data collected from the questionnaires, by meeting customer expectations in regards to comfort, traffic obedience and timeliness of travel customer are likely to be more appreciative and become less worried or afraid in using online transportation of choice (Maruvada and Bellamkonda 2010).

New companies in the online transportation industry should reevaluate the service quality it offers and their full go-to-market strategy. Service quality improvement should focus on setting standard quality, responsiveness to customer complaints, provide consistently good service, physical aspects, the company's empathy represented by the drivers, and human resources behavior. Service quality is indeed different from the quality of goods that can be measured quantitatively, making it challenging for the online transportation industry to control its desired quality of service.

**Relational Benefits** are interpreted as benefits obtained by customers from a continuous relationship that goes beyond the core service offered. Gwinner, Gremler, and Bitner (1998) introduced Relational Benefits as consisting of trust



benefits, social benefits, and special care benefits. The results of the customer questionnaire prioritize the benefits of trust, whereas customers are not worried and receive fast services when using online transportation services, in addition customers are satisfied with the social relationship developed by online transportation providers through the voice of their drivers. Emphasize on relational problem can be improved by the company's marketing mix from just a mere transactional approach towards an intense communication relationship.

**Customer Value** is defined as an exchange of what customer purchase or monetary sacrifice with what service or product they receive. Customer expectations and needs is a fundamental element of customer value creation. Based on the results of the descriptive data processing, customers feel that the monetary and sacrificial value are equivalent to the service rendered in addition to convenience (Wang, Yang, and Li, 2017) obtained from the online transportation service provider. Customers also feel that same satisfaction and ease to that of mass transportation. This indicates the advantages of using online transportation with straight forward transaction.

The concept of **Customer Satisfaction** implies to the need in achieving customer expectation and goals (Martí Martín-Consuegra, Molina, and Esteban, 2007). In other words, satisfaction can be realized once customer expectations can be fulfilled, which includes simple and user friendly online transportation application.

**Customer Attachment** according to So, King, and Sparks, (2014), customers who identify themselves as part of the online transportation provider or company may tend to see criticism towards their provider as a personal insult. Customers see themselves as part of the online transportation company's success. Once there is a weak attachment between customers and providers, online transportation companies should be able to improve relationship through promotion, better communication and attentive drivers.

### 3. CONCLUSION AND RECOMMENDATION

#### 3.1. Conclusion

**Service Quality** does not significantly influence the

loyalty of users of online transportation services. It can be concluded that customers who use online transportation applications often change online transportation service providers. The discount factor provided by each online transportation service provider is the main reason that causes users to switch applications.

**Relational Benefits** do not have a significant effect on the loyalty of users of online transportation services. One reason is that users have no choice of either to use private vehicles or take the traditional public transport. Whereas online transportation provides definite fast dan affordable solution.

**Customer Value** influences the loyalty of users of online transportation services. With the current road conditions in Indonesia, especially in the capitol city of Jakarta, roads have become heavily congested and damaged in addition to the governments odd and even police numbers (GAGE) policy, customers of online transportation services see a clear value of not using private vehicles.

**Customer Satisfaction** does not have a significant effect on the loyalty of users of online transportation services. Facts found in the field shows that the most dominant users of online transportation services are women with an average of less than 5 times/trips per week. Other factors are driver's hospitality do not meet customer expectation and promotional offers.

**Customer Attachment** has insignificant effect on loyalty of online transport service users, therefore proving that loyalty is not able to spur customers of online transportation services to be more affective, conative, and cognitive.

**Service Quality** has a significant influence on customer attachment, based on the attitude formed by a long-term and comprehensive evaluation of the company's appearance or performance, which will continually form customer attachment.

**Relational Benefits** do not have significant effect on customer attachment because the benefits received by customers cannot develop into a stronger relationship.

**Customer Value** does not significantly influence customer attachment of users of online transportation services. This can be concluded from the attachment between customer with driver, by which no added value was felt by customers,

creating no attraction to the customers.

**Customer Satisfaction** influences customer attachment of online transportation services. This provides emphasis that customer attachment presented through customer behavior and satisfaction with the services provided by the company, beyond just buying, it has to generate motivation, praise for service and good interaction between customers and providers of online transportation services.

**Service Quality** has a significant effect on customer satisfaction. This shows that service quality applied by online transportation company both in terms of appearance and behavior by paying attention to ethics, courtesy and hospitality that can attract customers.

**Relational Benefits** provide significant drive to customer satisfaction. This proves that customers are satisfied by the impact of the benefits obtained and felt from the fundamental conditions of a positive relationship between online transport service providers and customers. The impact on the company is the benefits of loyalty, long-term profitability, and sales growth while on the customer. relational benefits can meet the desired expectations and value added.

**Customer Value** has no significant effect on customer satisfaction, this shows the added value received by customers was not represented positively therefore creating unfavorable feelings of the service instead not as expected.

**Service Quality**, influences customer value. By providing excellent service quality through punctuality, short waiting time, safety and comfort level and cleanliness.

**Relational Benefits** does not affect customer value of users of online transportation services. This shows the service aspects which include comfort, safety, service equipment, convenience felt by customers were not the result of the relational benefits.

**Service Quality** has a significant influence on the relational benefits of online transportation service users. This is evident due to attention given by both drivers and company management in improving the quality of service such as comfort, driver skills, ethics, courtesy and timely accessibility.

### 3.2. Recommendation

Companies that engages in land transportation services will need to pay more attention to the quality of its service in regards to comfort, driver skills and timely accessibility. While simultaneously improve beneficial and value-added relations with customers of online transportation services, companies must consistently provide service excellence as a reciprocity of funds expended by users. Besides that, companies will need to create an appeal with promotion, and service quality by applying ethics, manners and neat appearance by its drivers as a working partner or employee of the company therefore develop customer engagement in the long run.

Online transportation companies should continuously meet customer expectation and satisfaction by providing top condition vehicles, well maintained and road ready in order to provide user with safe and timely journey to destination.

Drivers of online transportation services as partners with the corporation, will need to develop good communication with users to increase relationship which will lead to value-added services. GRAB and GOJEK will need to provide better quality of service through optimal driver skills, driver discipline and timely accessibility.

The government needs to issue regulations concerning insurance for both drivers and passengers of two-wheeled transportation services that should be fully borne by the company, namely GRAB and GOJEK. In addition, it needs to guarantee the safety of the driver from criminal disturbances while dropping or picking up passengers at certain locations.

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