CHAPTER I

INTRODUCTION

1.1 Background

Southeast Asia has fully embraced mobile internet and let the influence of it transform the lifestyle of their people within just a decade. With over 360 million internet users and over 90% connect to the internet mainly using mobile devices, Southeast Asians are the most engaged mobile internet users in the world (Google et al., 2019).

![Southeast Asia Internet users](source.png)

**Figure 1.1 Southeast Asia Internet Users in 2015 and 2019**

Source: [www.blog.google.com](http://www.blog.google.com) (Accessed February 5, 2020)

The ever-changing and swift adaptation of the consumers fuel the accelerating growth of Southeast Asia’s internet economy. Surging nearly 40% from 2018, Google estimated that the internet economy in Southeast Asia has exceeded 100 billion USD in 2019 through the four factors of Online Travel, e-commerce, Online Media and Ride Hailing.

Amongst the four factors, two of the fastest growing ones are e-commerce and ride hailing (including the food delivery services), ride hailing quadrupled in value from 3 billion USD in 2015 to 13 billion USD in 2019. One of the reasons
for its massive growth from 2015 is the added alternative services of finance services (e-payment) and food delivery. Food delivery services has become one of the underlying factors to their profitability as their popularity rises exponentially throughout Southeast Asia. From six major countries that has adapted food delivery brands, Indonesia has grown 13 times, Philippines 9 times, Thailand 8 times, Singapore 7 times, Malaysia 6 times, and Vietnam doubled ranging from 2016 to 2019.

Figure 1.2 Google Trends for selected Online Food Delivery Brands
Source: www.blog.google.com (Accessed February 5, 2020)

Indonesia has a whopping 264 million population, with 171 million being internet users (APJII 2019). With the internet penetration of 64.8% it is no surprise that they are also the biggest contributors to the popularity of ride hailing applications. Grab and Gojek are the leading ride hailing applications in Indonesia that provides multiple services that includes food delivery and digital payment (Fortune 2019). Both applications have major companies like Google, Microsoft, and many other big companies that invests in them.
Figure 1.3 Growth of Investment in Gojek and Grab

Source: [www.ft.com](http://www.ft.com) (Accessed February 6, 2020)

Gojek and Grab has been labelled as “super apps” that dominates this business in Southeast Asia, and especially Indonesia. Even though both apps have expanded internationally across the region, Indonesia remains as the priority market to both Gojek and Grab. Metro cities in Indonesia has a lot of traffic and parking issues, this was what sparked their initial popularity. Moreover, the Food Delivery service has grown surprisingly huge from niche markets with a limited scope of users to almost everyone who just wants food delivered to their house in order to avoid the hot weathers and traffic jams. Their “super app” title also comes from them being the main players in the digital payment field with Gopay and OVO. Gopay and OVO are used mostly together with all of Gojek and Grab’s transaction in almost all of their services, popular to those who seeks convenience in their transaction. (Laucereno, 2019).
Figure 1.4 The most popular mobile payment brand in Indonesia

Source: Jakpat 2018

Grab entered Indonesia in 2014, competing with both Gojek and Uber in the ride hailing competition. After acquiring Uber in 2018 they became Gojek’s only competitor in Indonesia and has expanded to 100 cities, doubling the cities Gojek has reached. Despite coming later than Gopay, OVO stands as the third most popular mobile payment option with 40.5% (Jakpat, 2018). Grab stated that GrabFood’s gross merchandise value grew three times in 2019, making it the fastest growing food delivery service in Indonesia and Southeast Asia.
According to App Annie, a California-based analytics group, Gojek beats Grab in terms of weekly active users. This amount does not reflect on the number of users who are actually transacting on Gojek as ABI research stated that Grab actually holds 62% of the ride-share market. Passengers choose to use ride transportation technology companies due to their functionality and transactional efficiency (Hamidi, 2019), in this case, both Gojek and Grab provide similar services. Many websites and news platform in Indonesia discuss the reason behind ride-hailing application’s success and the competition between the two “super apps” that leads this sector, some including that the popularity of their digital payment is the reason to their application’s success (Chandler, 2019). However, there are less studies on how Grab could flourish and compete with Gojek that is the home-grown pride of Indonesia (Venkatesan, 2018) when both provide similar services. Therefore, this study intends to investigate the factors behind Grab’s growing and steady popularity despite rivalling with Gojek, hence questioning various aspects assumed to be the factors to the intention to use this application which are
consumers’ perception of Trust, Convenience, and E-Service Quality of Grab; Trust is selected based on Morgan and Hunt (1994) and De Wulf et al. in Arcand’s (2017) research, convenience based on Zhou (2011) in Datta & Shankar’s (2018) research, and E-Service Quality based on Pitchayadejanant et al.’s (2019) research. Not to compare the two application, but to discover the reasons behind the consumer’s decision to use Grab. Therefore, research about “THE EFFECT OF PERCEIVED TRUST, CONVENIENCE, AND E-SERVICE QUALITY TOWARDS THE INTENTION TO USE GRAB APPLICATION” is important and crucial.

1.2 Problem Formulation

According to the provided background, the problem formulation for this research are:

1. Does the perceived trust towards a mobile application significantly affect the intention to use Grab?

2. Does the convenience provided by a mobile application significantly affect the intention to use Grab?

3. Does the e-service quality of a mobile application significantly affect the intention to use Grab?

1.3 Research Objective

The objective of this research is to discover whether or not the convenience, the quality, and the trust of Grab application affect the users’ intention to use the application.
1.4 Research Benefits

1.4.1 Theoretical Benefits

This research hopes to become a reference to other researchers to find out how features, convenience, service quality, promotion, and trust could affect the success and popularity of a product.

1.4.2 Practical Benefits

This research hopes to become a reference to other researchers or company owners that has a lot of competition to find out the factors that affects a company’s success and popularity despite having competitors in the same field. Furthermore, looking that Indonesia itself has blooming amount of mobile application developers and also application-based businesses, this research hopes to give insight to the aspiring or current developers in understanding why do mobile application users decide to use, and to continue to use a mobile application.

1.5 Research Scope

This research only investigates the factors that affects the success of a mobile application and it will be tested on the consumer side of the application and not the drivers of the ride-hailing application. This will be tested on Grab Application users in Universitas Ciputra to discover the effect of perceived trust, e-service quality, and convenience on the customers’ intention to use.