

CHAPTER I

INTRODUCTION

1.1 Background Research

Indonesia is the 11th largest market for e-commerce, with a predicted revenue of US\$44,814.3 million by 2023, placing it ahead of Brazil. The e-commerce market in Indonesia is projected to grow by 10.41% (2023- 2027) resulting in a market volume of US\$67.30 billion in 2027. According to a recent survey by DataReportal conducted by Uzunoglu, (2023), 62.6% of Indonesian internet users aged 16 to 64 have purchased a product or service online in 2022, a 3.3% increase from the previous year . The number of e-commerce users in Indonesia is expected to increase to over 189 million, making up approximately 65% of the total population by 2024. The Indonesian e-commerce market is fueled by young, tech-savvy consumers, and the country's rapid digital transformation, fueled by widespread internet access via mobile phones, has driven a shift towards online shopping. The largest markets in the Indonesian e-commerce market are Food and Personal Care, Electronics and media, Toys, Hobby and DIY, Fashion, and Furniture and appliances (Tanuwijaya and Reyes, 2021). While there are other public e-commerce markets in Indonesia, Tokopedia, Bukalapak, and Shopee are the three most well-known; Tokopedia has the largest traffic (Nisafani et al., 2017).

Tokopedia is an Indonesian technology company that aims to democratize commerce through technology. The company was founded in 2009 by William Tanuwijaya and Leontinus Alpha Edison, with the vision of helping connect businesses and people in a country spread out across over 17,500 islands (Tanuwijaya and Reyes, 2021). Since then, Tokopedia has expanded its business to the fintech, payments, logistics, and retail sectors. Today, Tokopedia empowers more than 14 million merchants, offers more than 40 digital products that simplify life, and has more than 1.8 billion products listed. Tokopedia is an invaluable bridge that connects over 11 million merchants on its platform to more than a

hundred million customers sprawled across 17,500 islands. The merchant community on Tokopedia alone contributes to more than 1% of Indonesia's economy. Tokopedia's CEO and Founder, William Tanuwijaya, has said that the company's vision is to build an ecosystem where anyone can get on to start and discover anything they want.

Recently, there has been a new method of marketing that has been catching the market's attention due to its uniqueness, known as gamification. Gamification is a concept that involves incorporating game design elements into non-game contexts to enhance motivation and engagement (Dichev and Dicheva, 2017). It is defined in various ways, such as "the use of game design elements in non-game contexts" or "the process of making activities more game-like." Gamification has been applied in diverse fields like education, marketing, healthcare, and more, to foster motivation, behavioral changes, competition, and collaboration (Smiderle et al., 2020).

Research on gamification in education highlights the importance of systematically designed studies to confirm its effectiveness as an instructional approach. The result is also supported by other research that concludes that gamification can positively impact students' learning, engagement, and behavior. Still, its effects can vary based on learners' personality traits. Adapting gamification elements to learners' personalities can help enhance motivation, knowledge gain, and satisfaction (Smiderle et al., 2020). In addition, research done by Khoshnoodifar et al. (2023) stated even further that gamification can effectively improve the attitude of undergraduate students of medical sciences towards learning statistics. Moreover, gamified learning activities have been found to yield similar results to conventional learning activities in electronic learning environments, making them a time-efficient solution for managing large populations of learners without requiring direct instructor involvement.

In the marketing field, gamification has proven to be able to create social and shopping motivation, which leads to a positive attitude to continue using the e-commerce app and spread word of mouth (Kusumawardani et al., 2023). Another study proves that retailers can enhance their understanding of customers'

perceptions and benefit from gamification, which has become more relevant due to the pandemic's impact on retail. Gamification is proven to be able to increase brand loyalty, improve brand recognition, and attract new customers (Sheetal et al., 2023).

According to the previous explanation, it can be concluded that several kinds of research done by Smiderle et al. (2020), and Khoshnoodifar et al. (2023) have proven that gamification has a positive effect on student's academic performance. On the other hand, in the marketing field, research done by Kusumawardani et al. (2023) and Sheetal et al. (2023) also proves that gamification has a positive effect on customers for certain services. Following previous research, the author would like to study the phenomenon of gamification on one of the largest e-commerce platforms in Indonesia ; namely Tokopedia, to understand the effect of gamification on Tokopedia's customers; precisely on the customer loyalty toward Tokopedia. Previous research on gamification in various fields found that gamification has consistently a positive effect on the study's subject, such as on students' academic performance and customer satisfaction, even though both are from different fields. The author found the importance of studying the topic since there has not been any research in the marketing field which has a big scope like on one of the biggest e-commerce platforms, especially in Indonesia. It attracts the author to whether gamification will also have a positive effect on customer loyalty in the Tokopedia e-commerce platform like in the previous research. Hence, the author would like to study the effect of Tokopedia's gamification strategy, known as Tokopedia Membership, on customer loyalty.

Tokopedia itself has already implemented the strategy of using gamification, which in this case involves the use of game elements like rewards, points, levels, and leaderboards to enhance user engagement and influence behaviors such as repurchase intentions and brand engagement, known as Tokopedia Membership. On the other hand, Tokopedia also utilizes other gamification features like Lucky Egg and TokoPoints to create a playful and interactive experience for customers, encouraging loyalty and repeat purchases (Sundjaja et al., 2022). Gamification in Tokopedia is designed to increase customer engagement, offer rewards, and

maintain a fun and innovative platform for users (Muhammad et al., 2023). The strategy aims to monitor consumer behavior patterns, particularly targeting millennial consumers who enjoy online games. By implementing gamification, Tokopedia seeks to enhance customer experiences, increase loyalty, and drive repurchase intentions (Nur Afiat et al., 2023).

1.2 Research Questions

Researchers for the study combine the problem statements that will be thoroughly investigated during the research, which are:

1. Does gamification affect customer loyalty, customer experience, customer engagement, and customer satisfaction in Tokopedia?
2. Does customer experience affect customer loyalty, customer engagement, and customer satisfaction in Tokopedia?
3. Does customer engagement affect customer loyalty and customer satisfaction in Tokopedia?
4. Does customer satisfaction affect customer loyalty in Tokopedia?

1.3 Research Objectives

Based on the previous problem formulation, the objectives of the study are:

1. To determine whether gamification influences customer loyalty, customer experience, customer engagement, and customer satisfaction in Tokopedia.
2. To determine whether customer experience influences customer loyalty, customer engagement, and customer satisfaction in Tokopedia.
3. To determine whether customer engagement influences customer loyalty and customer satisfaction in Tokopedia.
4. To determine whether customer satisfaction influences customer loyalty in Tokopedia.

1.4 Research Contribution

Following an analysis of the goal and research question, this study seeks to provide several advantages. Marketers, particularly those operating e-commerce platforms, may find the results of this study useful in developing their plans in advance. It is anticipated that marketers will be able to identify the most successful gamification technique to grow and impact their clientele based on the outcome of this research.

a. Theoretical Benefit

The purpose of this research is to theoretically provide information on how gamification functions as a new kind of marketing strategy can influence customer experience, customer engagement, and customer satisfaction, resulting in increased customer loyalty. Studying the impact of gamification on customer behavior may help businesses design more effective gamified loyalty programs that enhance the customer experience, increase engagement, and foster lasting psychological and emotional bonds with customers. This can ultimately lead to higher customer retention rates, increased brand loyalty, and improved business success.

b. Practical Benefit

The practical benefit of studying the effect of Tokopedia's gamification on customer loyalty is to gain insights into how gamification can be used to increase customer engagement and loyalty. Understanding the factors that influence customer loyalty, such as playfulness, reward attractiveness, and affective commitment, can help Tokopedia management improve their gamification strategies and create a more engaging and rewarding experience for their customers. This can lead to increased customer retention, repeat purchases, and overall growth for the company. Additionally, studying the effect of gamification on customer loyalty can provide valuable insights for other e-commerce companies looking to implement similar strategies.

1.5 Research Systematics

The writing system used in this research is divided into five chapters with the following outline:

Chapter I: Introduction

The first chapter of the thesis is an introduction that provides a summary of the preparation. The five chapters that comprise the research are the background of the problem, the research question, the research purposes, the research benefits, and the research systematic. The author assembles these chapters from the synopsis of each chapter's content.

Chapter II: Literature Review

The second chapter explains the critical literature review, prior studies, development of hypotheses, and theoretical framework. This is done in order to provide an interim response and point of reference for the research conducted

Chapter III: Research Methodology

The third chapter will cover the scope of the study, sampling strategies, data collection tactics, data measurement strategies, instrument testing strategies, and data analysis strategies.

Chapter IV: Data Analysis

The fourth chapter will cover the overview, data analysis, and computation results of the data processing based on predefined hypotheses, along with the measurement scale, analytical tools, and quantitative research tests.

Chapter V: Conclusion

The fifth chapter explains the findings and recommendations for the completed research. Conclusions drawn from the study's outline of its findings will be discussed. Subsequently, elucidate the recommendations that offer insights for businesses or researchers performing future research.