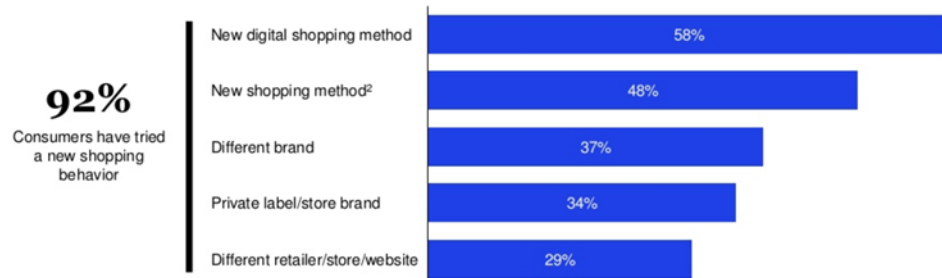# CHAPTER I INTRODUCTION

## 1.1. Research Background

People nowadays are looking for a more convenient way of fulfilling their needs. They are intended to have less effort in their buying process. The pandemic of COVID-19 is driving this to escalation. The reluctance to make contact with another person is getting worse, making the practicality of the buying process even more indispensable. The Indonesian government regulation (PSBB) to stop the spreading of the Coronavirus also made the business operation is not running well, including many retailers that are opened their stores in the shopping malls. Therefore, many retailers experienced a decreasing number of visitors who are shopping in their stores.

The following figure showed that there's a shifting customer purchase behavior in Indonesia during the pandemic COVID 19 since there's 92% of consumers have tried a new shopping behavior and 58% adapted the new digital shopping method. A new shopping behavior will be chosen by consumers by considering all the health protocol, such as less contact with other people, a more hygienic environment, and a faster process if they had to do it onsite.

**Nearly all consumers have changed shopping behaviors, particularly digital shopping methods, since the start of COVID-19**

Have you used any of the following since COVID-19 started[1]
% of respondents

**92%**
Consumers have tried a new shopping behavior

| | |
|---|---|
| New digital shopping method | 58% |
| New shopping method[2] | 48% |
| Different brand | 37% |
| Private label/store brand | 34% |
| Different retailer/store/website | 29% |

[1] Q: Since the coronavirus (COVID-19) situation started (i.e., in the past ~3 months), which of the following have you done? 8% consumers selected "None of these"
[2] New Shopping method includes curb-side pickup and delivery apps
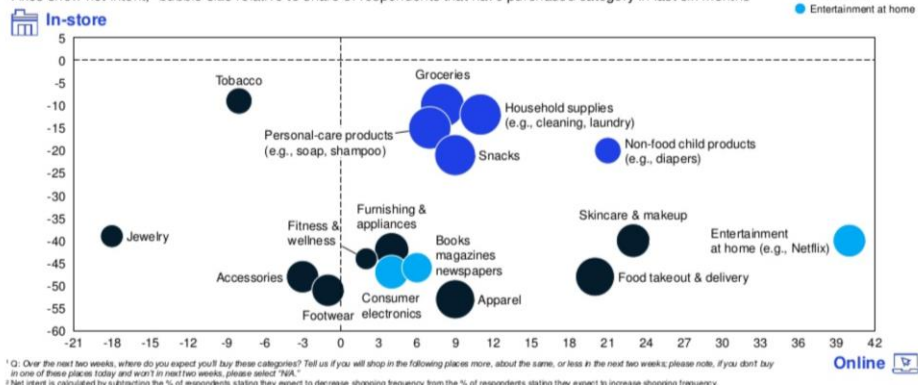
Source:  McKinsey, 2020

*Figure 1.Changing of Indonesia shopping behavior in During the COVID 19 Pandemic*

Also, during pandemic COVID 19, more Indonesian customers are preferred to purchase books, magazines, and newspapers through the online store as shown in Figure 2.

**Consumers plan to shop more online for most categories; in-store purchase intent remains negative across the board**

Expected change in shopping channel per category over the next two weeks[1]
Axes show net intent,[2] bubble size relative to share of respondents that have purchased category in last six months

● Household essentials
● Discretionary
● Entertainment at home

In-store

Tobacco, Groceries, Household supplies (e.g., cleaning, laundry), Personal-care products (e.g., soap, shampoo), Snacks, Non-food child products (e.g., diapers), Jewelry, Fitness & wellness, Furnishing & appliances, Books magazines newspapers, Skincare & makeup, Entertainment at home (e.g., Netflix), Accessories, Consumer electronics, Footwear, Apparel, Food takeout & delivery

Online

[1] Q: Over the next two weeks, where do you expect you'll buy these categories? Tell us if you will shop in the following places more, about the same, or less in the next two weeks; please note, if you don't buy in one of these places today and won't in next two weeks, please select "N/A."
[2] Net intent is calculated by subtracting the % of respondents stating they expect to decrease shopping frequency from the % of respondents stating they expect to increase shopping frequency

Source:  McKinsey, 2020

*Figure 2. Expected Change in Shopping Channel During the COVID 19 Pandemic in Indonesia*

Meanwhile, Figure 3 showed that COVID 19 pandemic had encouraged Indonesian customers to purchase the products through an online system. There's a 43% growth of customers who purchase books/magazines/newspapers through the online system. This growing number of online customers brought a huge opportunity for Gramedia to survive and at the same time expand its businesses.
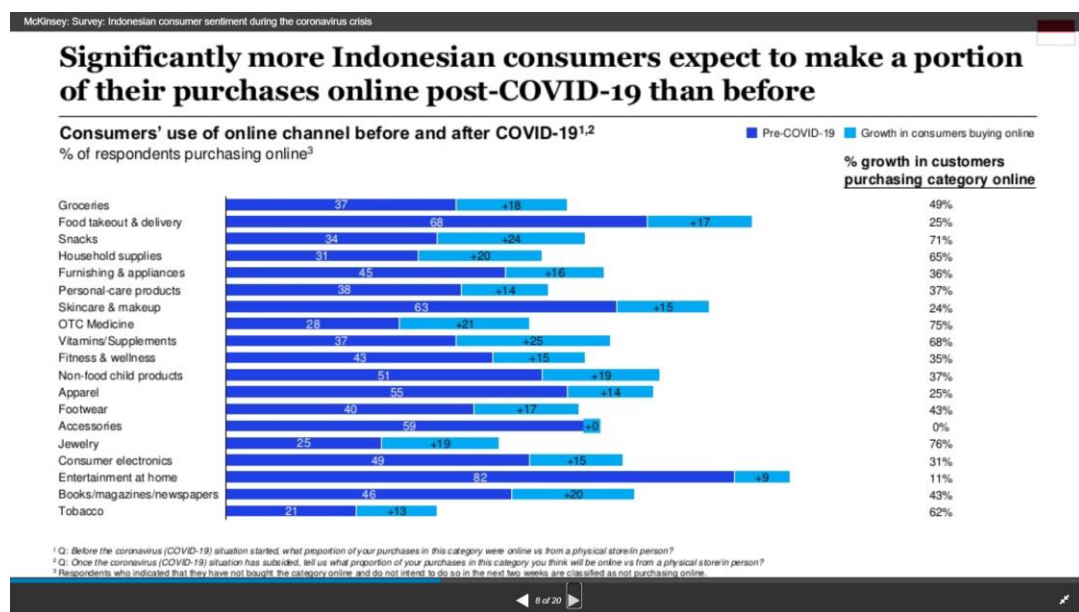


Source: McKinsey, 2020

*Figure 3. Comparison of Consumers' use of online channel before and after*

Covid-19

To make attract more customers to shop online, Gramedia had to start offering excellent services through innovation services. A recent study conducted by McKinsey explained that value and product availability are the key drivers for customers to do online shopping. As stated in Figure 4, 46% of customers are looking for better prices/promotions when doing online shopping, 38% of

customers are looking for product availability and 28% of customers considered the delivery cost as an additional value.



**Value and product availability are key drivers for consumers to try new places to shop**

Reason for shopping at a new retailer/store/website in the past three months[1]
% of respondents selecting reason as top-three

| | | |
|---|---|---|
| **Value** | Better prices / promotions | 46% |
| | Better shipping / delivery cost | 28% |
| | Better value | 13% |
| **Availability** | Products are in stock | 38% |
| **Convenience** | I can get all the items I need from one place | 27% |
| | More easily accessible from my home | 26% |
| | Less crowded / has shorter lines | 18% |
| | Offers good delivery / pick-up options | 14% |
| **Health/Hygiene** | Cleaner / has better hygiene measures | 20% |
| | Supporting local businesses | 16% |
| **Purpose-driven** | The company treats its employees well | 1% |
| | Better quality | 11% |
| **Quality/Organic** | Offers natural / organic offerings | 9% |

[1] Q: You mentioned you shopped from a new retailer/store/website since the coronavirus (COVID-19) situation started. What was the main reason you decided to try this new retailer/store/website? Select up to 3

Source: McKinsey, 2020

*Figure 4. Customers Key Drivers in Doing Online Shopping*

Therefore, to make the Omni Channel strategy successfully implemented, Gramedia had to start intensifying its strategy by creating an innovative process to attract more customers to visit and purchasing the product online. The strategy covers both in terms of utilizing the information technology infrastructure and at the same time creating value as expected by the customers.

Gramedia is the biggest bookstore chain in Indonesia, with almost 80% of the market shares also experienced this difficult situation. Gramedia relied on the sales of its bookstores that operated in major shopping malls across the country. Gramedia started the business in 1970 as a bookstore but now expanded the business and positioning itself as a family store that not only selling books but also provides schools & office supplies, hobbies items such as sports & music as well. Gramedia

has expanded its sales channel not only with the physical store but also as an online store. Before the pandemic, the sales contribution of online stores is still small it's only 0.33%, see Table 1. Even though it increases by about 45% and makes its contribution increasing from 0.33% to 1.81%, but it still not enough. It is clear that customers do not prefer online channels to buy books and other goods sold on Gramedia. For this reason, Gramedia continuously wants to improve customer experience when visiting stores.

*Table 1.Sales Revenue and Channel Contribution Before and After Pandemic*

| Sales Channel | Feb 2020 | | Sep 2020 | | Revenue Impact | | Contributions Impact |
|---|---|---|---|---|---|---|---|
| | Revenue | Contribution | Revenue | Contribution | | % | % |
| Physical Store | 501,722 | 96.04 | 127,690 | 93.03 | -374,032 | -75 | -3 |
| Online Store | 1,712 | 0.33 | 2,490 | 1.81 | 778 | 45 | 454 |
| Wholesale (B2B) | 18,989 | 3.63 | 7,080 | 5.16 | -11,909 | -63 | 42 |
| | 522,423 | | 137, 260 | | -385,163 | -74 | |

Source: Gramedia Financial Report, 2020

To increase customer experience in the store, Gramedia has launched some innovative features. In 2019, a mobile POS is provided, to help customers settle the transactions on the spot. Customers don't have to queue in the cashier line, so this will save their time. This feature will work for the store which is located in the office building, or malls that are integrated into an office area, during weekdays

where most of the customers are workers or employees whose office is near the store.

Currently, Gramedia is in the project to prepare a self-checkout concept in one of the stores. The initiatives are driven by the Internal Auditor whose concern about the fraud that happened in the stores such as lost items, bad cashiers, etc. The self-checkout process is expected to reduce those risks, by providing sensors in the gate and equipped the items with RFID. Before the Covid-19 pandemic, customer convenience was the main concern, whether they are able and prefer to do the self-checkout or would rather choose the traditional way with the help of the cashiers.

After the pandemic, all of this became very clear. People today prefer to do things on their own, without involving other people. That is why self-checkout will be the most preferred way to close the transactions. Hopefully, this improvement will attract customers to visit the stores again and increase their purchase intention. This new concept was finally launched with the brand name Gramedia Pay&Go in September 2020 at Gramedia Puri Lippo Mall as the pilot project.

## 1.2. Problem Statement

The initiatives to provide a self-checkout of the machine in the store beginning in early 2019. The main issue that occurs in the business is the fraud caused by the cashier and the lost items stolen by the customer. Based on the data from Internal Audit Department, this problem has cost Gramedia an average of **5 %** of revenue per year. To overcome this problem, there is an idea to attach all of the items by the RFID label which will be scanned by the RFID reader at the gate,

if the item has not been paid. However, there are so many concerns to be considered before applying this idea. The investment value, the preparation process, and how to choose the exact technology have been discussed in so many meetings. Besides protecting the store from stolen items, the RFID solutions would also be expected to reduce the number of employees. This might be happened by replacing the traditional cashier with a machine that can read the item and continue to the automated payment process. After seeing this opportunity, In February 2020, the project is kicked off.

During the pandemic, the project is still running, and an additional benefit is to provide fewer contact services in the store. The Gramedia Pay & Go was launched in September 2020. After two months running, the management needs to review the implementation of the self-checkout. Is there any benefit achieved that expected previously? They need to decide whether this feature will be roll out to other stores or not. They find so many issues during the implementation. The preparation process in labeling six hundred thousand items with RFID sticker is become an extra effort involving many people and consume much time. The sales in the store do not significantly increase after the implementation of a self-checkout. The technology of the self-checkout and devices needed in this project also requires an investment. To overcome this problem, the management of Gramedia needs to evaluate comprehensively whether the implementation of self-checks out achieved the business goals.

1.3. Purpose of Research

After two months of Gramedia Pay & Go launching in the store, the management of Gramedia should review and evaluate the implementation from all aspects starting from technology readiness, store operation preparation efforts, the total cost of ownership, and most importantly is Overall Customer Satisfaction. Overall Customer Satisfaction plays the most important part. If the customers are satisfied with this new shopping concept in store, hopefully, it will increase their repurchase intention. If these goals are achieved, then the operation efforts and technology should be considered to improve at all costs. The objective of this research as follows:

1. To measure the influence of self-checkout perceived quality using self-checkout attributes [speed, ease-of-use, reliability, enjoyment, and perceived control] on Overall Customer Satisfaction.

2. To measure the influence of self-checkout perceived quality on usage frequency.

3. To measure the influence of usage frequency on Overall Customer Satisfaction.

4. To measure the influence of perceived quality of self-checkout on repurchase intention.

5. To measure the influence of Overall Customer Satisfaction on repurchase intention.

6. To measure the influence of usage frequency on repurchase intention.

7. To measure the influence of overall customer satisfaction in mediating customer perceived quality of self-checkout with their intention to make another purchase

8. To measure the influence of overall customer satisfaction in mediating customer usage frequency with their intention to make another purchase

9. To measure the influence of usage in mediating customer perceived quality of self-checkout with their overall satisfaction.

## 1.4. Benefit of Research

By using a research method where a survey was carried out to customers who have to use the self-checkout, it can be determined whether Gramedia Pay & Go meet the company's expectations, which is improving the shopping experience at the store and make the customer feel comfortable shopping at the store to have an intention to repurchase. Also, with this research, customer demographic patterns will be obtained, so that it can be decided whether Gramedia Pay & Go can be continued to be implemented in other stores, with better preparation, and in the right store location. The benefit of the research are :

1. The company will get the information of what factors affect user satisfaction in using *Gramedia Pay & Go* to determine the strategies that can be applied to increase their repurchase intention.

2. The company can make necessary improvements in the technology of the self-checkout based on what customers need using the TAM

attribute: speed, ease of use, reliability, enjoyment, and perceived control.

3. The company will be able to determine whether Gramedia pay & Go will be rolled out to another store based on the research result.

4. For academics, this research will provide additional confirmation whether the TAM model can still be used to examine user acceptance of new technology such as SST.

5. Also to reconfirmation the hypothesis that has been studied before with the case of the bookstore in Indonesia during the pandemic.