The Impact of Service Quality and Price on Customer Satisfaction: A Lesson from Grab Ride-Hailing Platform in Indonesia

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Abstract

Grab is a ride-hailing platform that offers booking service for taxis, private cars, and motorbikes in South East Asia, including Indonesia. In Indonesia, Grab was ranked second largest, after Go-Jek. Both of them experience very tight company competition, both in offering affordable prices and offering the latest services and features. This study aims to examine and analyze the influence of service quality (reliability, responsiveness, assurance, empathy, tangibles) and price on customer satisfaction of online transportation Grab. The research was designed by using a conclusive experiment, in causal research type, using quantitative and survey methods. The data was taken by providing a questionnaire to 406 respondents using a non-probability sampling method which is an accidental sampling and judgmental sampling method. Analysis method used in the research is Multiple Regression Linear. The result shows that the variable such as reliability, responsiveness, empathy, tangibles significantly gave impact to customer satisfaction. In other hands, assurance did not significantly give impact. The future research in the same topic can use probability sampling method, especially stratified random sampling so that all the consumer population characteristics of Grab which are heterogeneous from various cities will be covered.

Keywords: service quality, customer satisfaction, customer loyalty, online transportation.

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INTRODUCTION

Transportation is an important means of supporting human activities and mobility every day. Transportation has many roles in development, such as being a connection between regions, also plays an important role in economic, political, social-cultural, defense and security, tourism [1], even for human life quality [2]. Between land, sea and air transportation, land transportation is one that is given special attention by the government and users of transportation services. Therefore, to meet the needs of the community, companies offer various types of land transportation facilities [3].

On the other hand, the emergence of the internet has made the world enter a new era in providing customer service, where companies choose online strategies [4]. The way the company conducts transactions changes, from the conventional ways that the process of sacrificing large amounts of time and costs becomes a faster and easier process. The presence of online application (ride-hailing platform) transportation services that use the internet is very influential for the community in all activities quickly and efficiently. One business that is currently developing is the online transportation services business, which is a commercial business that provides transportation services for the public and is managed professionally [5].

One of the online transportation companies in Indonesia is Grab. The Grab was founded by Anthony Tan and Hooi Ling Tan, they saw a negative impact on the inefficient transportation system at the time. Grab, formerly known as GrabTaxi, is the most popular transportation service application in Southeast Asia with its presence in 8 countries (Indonesia, Singapore, Malaysia, Thailand, Philippines, Vietnam, Cambodia, and Myanmar) and in more than 500 cities. Grab offers 7 service options ranging from taxis, cars, motorbikes, delivery couriers, car rental, food shopping, to fresh product shopping (www.grab.com).

Although Grab is the market leader in Southeast Asia (70% of the market share in ASEAN for cars and motorcycles), but in Indonesia with the largest population in ASEAN, Grab is still the second major online transportation after Go-Jek (50% of Go-Jek market share for transportation and 95% market for food delivery) (www.techinasia.com). According to a study of the ilmuOne data [6], the number of unique visitors Grab was left behind under Go-Jek, where Grab
was 8.6 million and Go-Jek was 8.8 million per month. Not only that, according to dailysocial.id, the number of active users in Indonesia in the Grab mobile application is 8 million people, still under Go-Jek, which amounts to 11.8 million people. Not only that, according to the JAKPAT App survey (2015), favorite online vehicles were occupied by Go-Jek (65.9%), while Grab was in second place for Grab Taxi (37.15%), and the last position was for GrabBike (5.6%). According to ComScore Mobile Metrix data (December 2017), online transportation users in Indonesia have overlapped so that Go-Jek and Grab share visitors to 4.2 million people. That is, most Go-Jek users also use Grab, and vice versa (using more than one app). Competition is also increasingly tightened with many emerging competitors and market nichers, such as Bla-Jek, Ojesy, TeknoJek, Onma, Anterin, TopJek, BoJek, BangJeck, Pro-Jek, Oke-Jack, Lady-Jek, dan We-Jek.

To win the market in the midst of intense competition, companies must be able to satisfy their customers, because satisfied customers will have the potential to repurchase, to become loyal customers. Conversely, disappointed customers can easily switch to other companies. Some determinant factors of customer satisfaction are service quality and price. The emergence of various competitors has an impact on increasingly intense competition, especially in terms of price and quality of online transportation services that make consumers more selective in using services. Consumers will choose one of the alternative choices according to what they want. Anticipating these conditions, online transportation companies must be able to create service quality and appropriate prices in order to create customer satisfaction [7]. According to the Crossmedia Link survey, 61% of respondents said that the services provided compared to the costs incurred and efficiency were the most important factors in using online transportation [8].

Various studies have also been conducted related to the influence of service quality and price on customer satisfaction in various fields such as tourism [9, 10]; call center [11]; Restaurant [12]; Housing [13]; Banking [14, 15]; automobile service sector [16]; Shipping [17]; and telecommunication industry [18]. While only a few studies about service quality and price on customer satisfaction in online transportation fields. Most of them were done locally. Such as Marati [7] found that service quality and price had a significant effect on Go-Jek customer satisfaction in Surabaya. Rifaldi et al., [5] found that there was significant influence between service quality on customer satisfaction Go-Jek in Politeknik Negeri Jakarta commercial administration students. Also, Pratama [19] found a significant effect on service quality on GrabCar customer satisfaction for Universitas Sumatera Utara students. We saw this as a research gap, where we filled the gap by creating a research on a nationwide scale.

Research by YLKI [20] showed that there were still many Indonesian consumer complaints about the quality of online motorcycle taxi services in general. Where these complaints cause disappointment to consumers and can have an impact on consumer satisfaction using online motorcycle taxi transportation. According to the data, the three biggest consumer disappointments were in services such as the driver asked to be canceled, difficult to get the driver, the driver canceling unilaterally, while the fourth disappointment was the most because the Grab application service was error or damaged. A preliminary survey was conducted on 150 respondents who were the general public to find out whether consumers had ever felt disappointed by Grab's services and Grab's application services. Based on the survey, most consumers, namely 68% of respondents said they were disappointed by Grab's service, and as many as 81% said they were disappointed by the Grab application service. On the other hand, Chan et al., [21] said the respondents rated Go-jek's user experience of mobile apps as more positive than user experience in Grab's mobile apps, where the average value of Grab's mobile apps was lower than the average value of Go-Jek.

Creating customer satisfaction is a necessity to be able to print loyal customers, which will ultimately increase the company's profit and win the competition. Based on these problems, the author tries to analyze how service quality and prices are towards the satisfaction of Grab's online transportation customers in Indonesia.

Statement of the Problems

- Does Service Quality effect on customer satisfaction?
- Does Price effect on customer satisfaction?

LITERATURE REVIEW

Service Quality

Service quality reflects the comparison between the level of service delivered by the company compared to customer expectations. Quality of service is realized through meeting the needs and desires of customers and the accuracy of delivery in offsetting or exceeding customer expectations. Customer expectations can be in the form of three standards. First, Will Expectation, which is the level of performance anticipated or expected by consumers will be received, based on all the information they know. This type is the level of expectations most often intended by consumers when assessing the quality of services. Second, Should Expectation, namely the level of performance that is considered appropriate by consumers. Usually the demands of what should be received are far greater than what is expected to be acceptable to consumers. In short, the two main factors that affect service quality are: expected service and perceived service [22]. Good service quality arises because of service strategies.
related to company policies. In the case of service marketing, the dimensions of service quality most often referred to are: (1) Reliability, namely the ability to provide the promised service immediately, accurately, and satisfactorily; (2) Responsiveness, namely the willingness and willingness of employees to help customers and provide responsive services; (3) Assurance, including knowledge, competence, politeness, and the trustworthiness of employees; free from physical danger, risk and doubt; (4) Empathy, including easy in establishing relationships, effective communication, personal attention and understanding of the individual needs of customers; (5) Tangibles, which includes physical facilities, equipment, employees, and means of communication.

**Price**

Price based on Tjiptono and Chandra [22] is the amount of money (monetary unit) and/or other aspects (non-monetary) that contain certain utilities/uses needed to obtain a product. Amstrong and Keller [23] said “price is the amount of money charged for a product or service,” which means the amount of money charged for the product or service. The price of a product/service is an important role for many companies because of the existence of deregulation, competition intensity and opportunities for companies to strengthen their market position. Prices have an impact on financial performance and play a significant role in influencing buyer perspectives and brand value selling [24].

**Customer Satisfaction**

It is feeling happy or disappointed as someone who arises because it compares the perceived performance of the product (or result) to their expectations. If performance fails to meet expectations, customers will be dissatisfied. If performance is in line with expectations, customers will be satisfied. If performance exceeds expectations, customers will be very satisfied or happy. Customer assessment of product performance depends on many factors. Kotler [25] states that customers who are satisfied with the company’s performance have the following characteristics: (1) Make a repeat purchase, (2) Buy other products from the company, (3) Often tell about the company, and (4) Lack of attention to advertising or unpopular company promotion.

![Fig-1: Conceptual Framework](image)

**Hypothesis**

Based on the theoretical and conceptual framework study, this research hypothesis is as follows.

- **H1**: Reliability has significant effect on customer satisfaction
- **H2**: Responsiveness has significant effect on customer satisfaction
- **H3**: Assurance has significant effect on customer satisfaction
- **H4**: Empathy has significant effect on customer satisfaction
- **H5**: Tangibles has significant effect on customer satisfaction
- **H6**: Price has significant effect on customer satisfaction

**METHODOLOGY**

This study used a quantitative approach, where the research design used by the author in this study is conclusive research, a type of causal research. In addition, this research method uses a survey method. This study was a study to determine the effect of one or
more independent variables on the dependent variable. In this study the population is a weekly active user of the Grab mobile application in Indonesia, which is as many as 8 million users. Determination of sample size using Slovin formula with a degree of error of 5%, namely a minimum sample of 400 respondents. In this study, researchers managed to get 406 respondents. The sampling method used by researchers is the non-probability method (accidental sampling) and the sampling technique used by researchers is judgmental sampling techniques. In this study the sample was a Grab application downloader and had used Grab service a minimum of twice. The research questionnaire used a Likert scale (1–5). The answers on each point using the Likert Scale have gradations or levels from very positive to very negative (strongly agree to strongly disagree). Data collection in this study was conducted using questionnaires that were shared to campuses, offices, and public places. In this study, data processing is used by using Multiple Regression Analysis. Based on Hair et al., [26] multiple regression analysis is a general statistical technique used to analyse the relationship between one dependent variable and several independent variables. The assumptions of this multiple regression analysis include: the relationship between variables is linear and the distribution is normal.

RESULT AND ANALYSIS
Validity Test Result
The method used to test the validity is the Pearson Product Moment correlation method and the method used to test the reliability of the statement items in the instrument (questionnaire) in this study is Cronbach Alpha. This test is carried out with the SPSS version 22 tool. It can be concluded that all statements relating to the independent variable (service quality) and the dependent variable (customer satisfaction) in the questionnaire are said to be valid and reliable. This can be seen from $r$ count > $r$ table, and the value of Cronbach's Alpha in a row 0.792; 0.827; 0.818; 0.854; 0.868; 0.828; and 0.874 where greater than 0.6. In other words, all statements in this study have a good level of reliability and can be used in the analysis of the research.

Normality Test Result
The normality test aims to test whether in the regression model, the dependent variable and the independent variable both have a normal distribution or not. The results of the normality test show the Sig. Kolmogorov-Smirnov is 0.00. Means 0.00 <0.05, it can be assumed that the data has not met the assumption of normality. Therefore, the normality test is done by using the Z Test to find out the Z-Score of all variables. Z-Score that is outside the value of -2.5 <Z-Score <2.5 is deleted. Then as many as 22 respondents were deleted into 384 data that had met the assumption of normality.

Multiple Linear Regression Analysis
Multiple linear regression analysis is a linear relationship between two or more independent variables ($X_1, X_2, ..., X_n$) with the dependent variable ($Y$). The results of data processing can be seen in Table-1 below:

<table>
<thead>
<tr>
<th>Table-1: Multiple Linear Regression Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>1</td>
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</tbody>
</table>

Based on the results of data processing using SPSS 22 in Table-1, we can obtain the formulation of multiple linear regression equations for independent variables (reliability, responsiveness, assurance, empathy, tangibles and price) on the dependent variable (customer satisfaction) as follows:

$$Y = a + b_1X_1 + b_2X_2 + e$$

$$Y = 0.358 + 0.102X_1 + 0.146X_2 + 0.020X_3 + 0.141X_4 + 0.297X_5 + 0.207X_6$$

Where:

- $Y = \text{customer satisfaction}$
- $A = \text{constant}$
- $b_1, b_2, b_3 = \text{regression coefficient}$
- $X_1 = \text{Reliability}$
- $X_2 = \text{Responsiveness}$
- $X_3 = \text{Assurance}$
- $X_4 = \text{Empathy}$
- $X_5 = \text{Tangibles}$
- $X_6 = \text{Price}$

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The constant of 0.358 is the midline with the y axis that shows the satisfaction of Grab service customers when the independent variable, namely reliability (X1), responsiveness (X2), assurance (X3), empathy (X4), tangibles (X5), and the price of (X6) equal to zero (0).

Coefficient X1 (b1) = 0.102. Reliability variable on Grab customer satisfaction with a regression coefficient of 0.102. This means that every increase in the reliability variable by 1 unit, Grab customer satisfaction will increase by 0.102.

Coefficient X2 (b2) = 0.146. The responsiveness variable to Grab customer satisfaction with a regression coefficient of 0.146. This means that every increase in responsiveness variable by 1 unit, Grab customer satisfaction will increase by 0.146.

Coefficient X3 (b3) = 0.020. Assurance variables for Grab customer satisfaction with a regression coefficient of 0.020. This means, that every increase in the guarantee variable is 1 unit, then Grab customer satisfaction will increase by 0.020.

Coefficient X4 (b4) = 0.141. Empathy variable on Grab customer satisfaction with a regression coefficient of 0.141. This means that every increase in empathy variable by 1 unit, Grab customer satisfaction will increase by 0.141.

Coefficient X5 (b5) = 0.297. Tangibles variable on Grab customer satisfaction with a regression coefficient of 0.297. This means, that every time there is an increase in physical evidence variable by 1 unit, then Grab customer satisfaction will increase by 0.297.

Coefficient X6 (b6) = 0.207. Price variable to Grab customer satisfaction with a regression coefficient of 0.207. This means that every increase in responsiveness variable by 1 unit, Grab customer satisfaction will increase by 0.207.

Partial Test (T-test)
T-test statistics aim to see how far the influence of one independent variable on the dependent variable by assuming the other independent variables are constant. In this test, if t count > t table, then this means that there is statistically significant influence between these independent variables on the dependent variable. To see the magnitude of t count can be seen in Table-2 below:

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (Constant)</td>
<td>0.358</td>
<td>0.142</td>
<td>2.521</td>
<td>0.012</td>
</tr>
<tr>
<td>Reliability</td>
<td>0.102</td>
<td>0.052</td>
<td>1.972</td>
<td>0.049</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>0.146</td>
<td>0.051</td>
<td>2.894</td>
<td>0.004</td>
</tr>
<tr>
<td>Assurance</td>
<td>0.020</td>
<td>0.054</td>
<td>0.376</td>
<td>0.707</td>
</tr>
<tr>
<td>Empathy</td>
<td>0.141</td>
<td>0.050</td>
<td>2.795</td>
<td>0.005</td>
</tr>
<tr>
<td>Tangibles</td>
<td>0.297</td>
<td>0.053</td>
<td>5.646</td>
<td>0.000</td>
</tr>
<tr>
<td>Price</td>
<td>0.207</td>
<td>0.038</td>
<td>-2.09</td>
<td>5.458</td>
</tr>
</tbody>
</table>

a. Dependent Variable: CustomerSatisfaction

Source: Data processing result using SPSS 22 (2018)

Hypothesis Test of the Effect of Reliability on Customer Satisfaction
Based on Table-2 It can be seen the value of t count on the reliability variable is 1.972 greater than the value of t table of 1.960 and the significant value of the variable Attribute reliability 0.049 or smaller than 0.05 so that Ho is rejected and Ha is accepted, it can be stated there is a significant effect of reliability variables on Grab customer satisfaction.

Hypothesis Test Effect of Responsiveness on Customer Satisfaction
Based on Table-2 It can be seen the value of t count on responsiveness variable is 2.894 greater than t table value of 1.960 and significant value of responsiveness variable 0.004 or smaller than 0.05 so that Ho is rejected and Ha is accepted, then it can be stated there is a significant effect of variable responsiveness to Grab customer satisfaction.

Hypothesis Test Effect of Assurance on Customer Satisfaction
Based on Table-2 It can be seen the value of t count on the guarantee variable is 0.376 smaller than the value of the t table of 1.960 and the significant value of the assurance variable 0.707 or greater than 0.05 so that Ho fails to be rejected and Ha is not accepted, then can be stated partially there is no significant effect of guarantee variables on Grab customer satisfaction.

Hypothesis Test Effect of Empathy on Customer Satisfaction
Based on Table-2 it can be seen the value of t count on the variable empathy (X4) is 2.795 greater than the value of t table of 1.960 and the significant value of empathy variable 0.004 or smaller than 0.05 so that Ho is rejected and Ha is accepted, then it can be stated there is a significant effect of variable empathy variable by 1 unit, Grab customer satisfaction will increase by 0.141.
than the value of $t$ table of 1.960 and the significant value of the variable empathy 0.005 or smaller than 0.05 so that $H_0$ is rejected and $H_a$ is accepted, then it can be stated partially there is a significant effect of empathy variables on Grab customer satisfaction.

**Hypothesis Test Effect of Tangibles on Customer Satisfaction**

Based on Table-2 It can be seen the value of $t$ count on physical evidence variable ($X_5$) is 5.646 greater than $t$ table value of 1.960 and significant value of physical evidence variable 0.000 or smaller than 0.05 so that $H_0$ is rejected and $H_a$ is accepted, then it can be stated there is a significant effect of physical evidence variables on Grab customer satisfaction.

**Hypothesis Test Effect of Price on Customer Satisfaction**

Based on Table-2 it can be seen that the value of $t$ arithmetic in the price variable ($X_6$) is 5.458 greater than the value of $t$ table of 1.960 and the significant value of the variable price of 0.000 or less than 0.05 so that $H_0$ is rejected and $H_a$ is accepted, then it can be stated there is a significant effect of price variable on Grab customer satisfaction.

**Determination Coefficient ($R^2$) Test and Correlation**

Determination analysis is used to determine the percentage of contribution of the influence of independent variables together on the dependent variable. The results of the analysis of determination can be seen in the output of the Model Summary from the results of simple linear regression analysis. For measurement, $R$ square is used as the coefficient of determination.

**Table-3: Determination Coefficient ($R^2$) Test**

<table>
<thead>
<tr>
<th>Model</th>
<th>$R$</th>
<th>$R$ Square</th>
<th>Adjusted $R$ Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.786</td>
<td>.618</td>
<td>.612</td>
<td>.35080</td>
</tr>
</tbody>
</table>

Source: Data processing result using SPSS 22 (2018)

**SUGGESTION**

For Grab company, it is necessary to continue maintaining and improve the quality of its services to customers, especially in terms of sustainability, responsiveness, empathy, and physical evidence because it has a significant effect on customer satisfaction. Grab is expected to have high levels of satisfaction. Grab. Similarly, the price, Grab must have a competitive and affordable price mix marketing strategy to satisfy its customers. In addition, since this study has limitations, it is recommended for future researchers who want to examine the effect of service quality and price on Grab customer satisfaction in Indonesia to use probability sampling methods, especially stratified random sampling of all available cities Grab so that all population characteristics Grab consumers in heterogeneous Indonesia from various cities can be fully represented. Not only that, further research is needed to determine the effect of customer satisfaction on their loyalty to Grab for the coverage of Indonesia.

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