The Impact of Perceived Value on Customer Loyalty: A Case Study of GrabFood Consumers

Chrissy\textsuperscript{a}, Esa T. Mbouw\textsuperscript{b, a,b}Swiss German University, The Prominence Tower Alam Sutera, Tangerang, Indonesia, Email: \textsuperscript{a}chrissy@student.sgu.ac.id, \textsuperscript{b}esa.mbouw@sgu.ac.id

This research aims to identify the impact of perceived value on customer loyalty in the case study of GrabFood consumers in Jakarta. Perceived value is measured through customer-perceived benefits and sacrifices. The data was collected from 190 customers who have downloaded and used GrabFood. Multiple linear regressions were used to examine the collected data. The finding indicates that perceived value significantly impacts the loyalty of GrabFood customers. All indicators of perceived benefits impact customer loyalty, and the strongest influence on customer loyalty is perceived enjoyment, while the least is perceived money saving. Meanwhile, the quality risk becomes the only indicator of customer perceived sacrifices that impact customer loyalty. Perceived fee, delivery risk, and privacy risk are found to have no significant impact on customer loyalty. This study provides several suggestions for Grab Indonesia to enhance customer loyalty towards GrabFood by considering perceived benefits and sacrifices as determinants of perceived value.

**Keyword:** O2O Commerce, O2O Food Delivery, Perceived Value, Perceived Benefits, Perceived Sacrifices, Customer Loyalty

**Introduction**

The creative economy sector is dominated by three subsectors: culinary (41.40%), fashion (18.01%), and craft (15.40%) (Bekraf, 2016). The culinary sector became the most significant contributor to Indonesia's GDP among all industries in the creative economy sector. The advancement of technology has driven the growth of this sector, as 38.86% of culinary businesses have been applying e-commerce (Bekraf, 2016), and the penetration of mobile internet continues to escalate at a phenomenal rate (APJII, 2017). With the development of Internet technology and the growth of Internet users, a new form of e-commerce called O2O (Online to Offline) commerce has emerged, dominating restaurants, online travel bookings, ride-hailing, and e-voucher (Chi et al., 2015). Grab and Go-Jek are two popularly known O2O
commerces in Indonesia. Both have claimed as "Super App," an app that puts a bunch of services together into it (Nagamine, 2018). Food delivery is one of the services that is strongly emphasised by both Grab and Go-Jek as the characteristic of food consumers in Indonesia itself, who led the emergence of this service. Spire Research revealed that the phenomenon of the 'lazy economy' has made online food delivery services provided by Grab and Go-Jek very popular (CNN, 2019). Thus, both Grab and Go-Jek keep on competing to be the number one in Indonesia. Grab’s target is in 2019 GrabFood will become the number one food delivery service in Indonesia (Damar, 2018). However, research conducted by IDN Times in February 2019 revealed that Go-Food dominated in six provinces in Indonesia.

Furthermore, Go-Food by Go-Jek is said to be four times larger than GrabFood, and based on the company's internal data, the market share of Go-Food in Indonesia has reached 80% (Hidayah, 2019). Besides, Alvara Research revealed that Go-Jek is superior to Grab in terms of customer awareness, utility, and loyalty; and about 73.7% of respondents consider Go-Food as the pioneer of O2O food delivery services in Indonesia (Maharrani, 2019). As shown by the matters explained, the loyalty of GrabFood customers needs to be enhanced. In the context of e-commerce, e-loyalty is defined as the customers’ attitude and commitment towards the online platform, which leads to repurchase behaviour (Liu, 2007). Previous studies have long examined the factors that influence customer loyalty. Jiang et al. (2015) have shown that customer perceived value is a precursor of customer loyalty in the setting of e-commerce.

Furthermore, Kim et al. (2007) have proposed a value-based adoption model (VAM) to explain the adoption intention of customers in using e-commerce. Therefore, in this study, a judgment of value that is a critical determinant of customer loyalty will be analysed. Hence, the purpose of this study is to explain the impact of perceived value and its dimensions (perceived benefits and perceived sacrifices) on the loyalty of GrabFood customers.

**Literature Review**

**Perceived Value**

In the fields of economics and marketing, perceived value is a basic construct since it can predict consumers' behavioural intentions. Besides, in recent years, to comprehend mobile Internet users, customer perceived value has been emphasised by researchers in the information technology field as a noteworthy component in attracting and retaining customers. Furthermore, from the viewpoint of marketing strategy, establishing excellent customer value (better benefits fewer risks) refers to the understanding of the customers' needs and wants, to improve the buying experience, and to stimulate repeat purchases (Kandampully & Suhartanto, 2000; Wang & Wang, 2010; Liu et al., 2015).
Perceived Benefits

In the context of benefits evaluation, previous studies distinguished utilitarian and hedonic benefits. Valuable benefits, or in other word instrumental/cognitive benefits, refer to the functional benefits, such as ease of use and efficiency. In contrast, hedonic benefits apply to affective benefits, such as self-fulfillment and enjoyment. Both utilitarian and hedonic benefits are prominent for ICT (Information and Communication Technologies) adopters. A person who assumes that utilising an app enhances his activity performance, he perceives utilitarian benefits. On the other side, hedonic benefits generate pleasures in using an app (Hsu & Lin, 2016; Gan & Wang, 2017; Liu et al., 2015). Researchers have identified several benefits correlated with behavioural intention in the setting of e-commerce, such as perceived money-saving, perceived convenience, product selections, enjoyment, and ease of order (Samadi & Gharleghi, 2015).

Perceived Money Saving

In this study, perceived money saving is defined as a consumers' perception of economic savings from using promo code/coupons, reward points, and subscriptions to order food online through GrabFood. It determines consumers' behaviour since it represents the extent of money-saving. The probability of the consumers’ intention to use will be higher if the coupon offers a high face value since it saves more money (Liu et al., 2015).

Perceived Convenience

In any consumer activities, consumer resources such as time and effort saving are associated with convenience. Brown (1990) asserted that in service marketing, satisfaction has five dimensions: time, place, acquisition, use, and execution. Furthermore, to adapt to the mobile context, researchers redefined the concept of convenience that is constructed by three dimensions: time, place, and performance. In the context of e-commerce, perceived satisfaction is defined as the perceived ability to purchase online at any time, in any area, and convenience in utilising it. Perceived satisfaction is believed as a strong element that influences the behavioural intention since it saves them time and effort, and has made it into a strong determinant of customer’s perceptions’ of value (Samadi & Gharleghi, 2015; Liu et al., 2015).

Product Selection

Product Selection is the availability of products and their information in the market. Consumer decision making is affected by comparing, contrasting, and selecting the products in product selection to meet their needs and wants. Through the O2O food delivery app, consumers can compare thousands of food choices in several restaurants. Various product selections enhance purchase intention and frequency (Samadi & Gharleghi, 2015).
Ease of Order

Previous studies have validated ease of ordering as a significant element that can generate online purchases. Tandon et al. (2017) assert ease of order relates to tracking and modifying an order. It is also associated with the level of easiness for its consumers to order food online.

Enjoyment

Perceived enjoyment means the perceived fun or enjoyment gained by consumers in the context of online service experience. It refers to the degree of pleasure from utilising m-commerce. It is a part of the intrinsic motivation of customers that is known as the customers' perceived emotional value. Prior research efforts have revealed that perceived enjoyment has a significant role in predicting purchase behaviour (Liu et al., 2015).

Perceived Sacrifices

According to Zeithaml (1988), perceived sacrifices include the monetary aspect and the non-monetary aspect. A financial aspect consists of the money paid by consumers for a product or service. A non-monetary element consists of resources, such as time and effort. Murphy & Enis (1986) considered perceived sacrifice through two dimensions: initiative and risk. The effort involves the amount of money, time, and energy spent by consumers to obtain a product or service. At the same time, the risk is defined as a circumstance where there will be any consequences and uncertainty associated with the purchase, which are likely to be unpleasant (Maziriri & Chuchu, 2017; Shukla, 2010; Liu et al., 2015). Researchers have identified perceived sacrificial elements correlated with behavioural intention in the setting of e-commerce such as perceived fee, as a monetary aspect or effort, while the non-monetary aspect of risk includes delivery risk, privacy risk and quality risk (Samadi & Gharleghi, 2015; Liu, al., 2015).

Perceived Fees

In this study, perceived fees refer to the monetary expenses incurred from using the food delivery app. When running the app to explore restaurants and menus, such as location tracking, photo displays, promotion, and information, a mobile network fee will be incurred. Besides, perceived fees involve the fee consumers have to pay for their delivery services.

Delivery Risk

According to Samadi & Gharleghi (2015), the delivery risk is the potential risk of delayed delivery, which can be caused by several circumstances that can occur during transport. It might also include the chance of not getting the product due to various reasons.
Privacy Risk

Privacy risk refers to the degree of potential loss in exposing personal information to corporations (Liu et al., 2015). The advancement of e-commerce may result in unexpected privacy issues and problems, especially the one with the LBS (Location-Based Services) feature. In this study, perceived privacy risk is identified as the potential loss of customer privacy caused by disclosing locations and consuming preference to service providers.

Quality Risk

Quality risk refers to the condition where the quality of products did not meet consumers' expectations when it arrived. It refers to the degree of potential risk in the way the food is packed and delivered, that it might have been tampered with before it came.

Customer Loyalty

This study will assess customer loyalty through the aspect of behavioural and attitudinal loyalty. Behavioural loyalty refers to the degree of the customers’ willingness to repurchase and have an enduring relationship with a brand (Chauduri & Holbrook, 2001). According to the study of Kandampully & Suhartanto (2000), behavioural loyalty can be measured by two indicators, such as repeat purchase behaviour and brand preference over time. On the other hand, attitudinal loyalty refers to the customers’ psychological attachment and attitudinal advocacy to the brand (Rauyruen, Miller, & Barrett, 2007). Bowen & Shoemaker (1998) asserted hardcore attitudinal loyalty customers have a strong commitment towards a brand, which can lead to spread positive word-of-mouth reports and give a recommendation. Attitudinal loyalty can be measured by several indicators such as personal attachment, positive word-of-mouth, recommend to others (Rauyruen, Miller, & Barrett, 2007).

Perceived Value and Customer Loyalty

The importance of perceived value in online business has always been discussed, as customers can quickly assess the overall judgment of value by comparing product features and prices associated with a comparison between benefits and sacrifices (Suhartanto et al., 2018). Previous studies have confirmed that in determining loyalty, customer-perceived value is a key factor. It is a major predecessor of customer loyalty in which is explained the customers’ commitment and repurchase intention (Goutam & Gopalakrishna, 2018). Research by Jiang et al. (2015) revealed that perceived value has a significant impact on customer loyalty. High value is one of the key motivations for customers to use e-commerce continuously.
Research Method

Sample and Procedure

The population for this study is GrabFood consumers. However, the number of populations, which is GrabFood consumers in Jakarta, is relatively unknown. The sampling method of this research is non-probability sampling with the purposive sampling method. In purposive non-probability sampling, the researcher gives the judgments toward the sample that will be researched based on the unique characteristics, experiences, attitudes, or perceptions: in this case, GrabFood consumers who live in Jakarta and have downloaded and used GrabFood since the beginning of 2019.

Measurement

The operating variables consist of questions adapted from previous studies, from Liu et al. (2015), Tandon (2017), and Tanuwijaya (2018). It comprises of 37 questions in total, which includes two screening questions and eight questions for respondents' profile. A pre-test is done to 30 respondents and shows that all 27 items are valid and reliable.

Result and Discussion

From the collected data, there are about 190 respondents, with 132 women and 58 men.
- One hundred and sixty-three respondents are in the age between 21-30, 20 respondents aged below 20, then followed by six respondents aged between 31-40, and 1 respondent is above 50 years old.
- One hundred and eighteen respondents are students, then followed by 57 employees, nine entrepreneurs, and the rest 6 with other occupations that are not mentioned above.
- One hundred and eleven respondents have a monthly income below IDR 3,900,000, as most of the respondents are students. The second is on the range IDR 3,900,000 – IDR 5,000,000.
with 30 respondents, then 33 respondents have monthly income in the range IDR 5,000,000 – IDR 7,000,000, ten respondents with more than IDR 10,000,000 in a month, and the other 5 respondents with monthly income on the range IDR 7,000,000 – IDR 10,000,000.

- Sixteen respondents order GrabFood 5 times a week or more, 34 respondents order 3-4 times a week, 47 respondents order 1-2 times a week, 30 respondents order 1-2 times in two weeks, and 63 respondents order GrabFood 1-2 times a month.
- For average expenditure per week, 97 respondents spend below IDR 100,000 on GrabFood, 64 respondents spend in the range between IDR 100,000 – IDR 150,000, about 15 respondents spend IDR 150,000 – IDR 200,000, and the remaining 14 respondents spend above IDR 200,000.

**Model Summary**

**Table 1. Model Summary Result**

<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>.703</td>
<td>.495</td>
<td>.488</td>
<td>3.03531</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Perceived Sacrifices, Perceived Benefits

From the collected data, as can be seen from the R-value, perceived value and customer loyalty have a strong correlation with 0.703. Besides, from the adjusted square column, it indicates that perceived value dimensions (perceived benefits and perceived sacrifices) simultaneously impacts customer loyalty by 49%.

**F-Test**

**Table 2. ANOVA (F-Test) Result**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>1685.757</td>
<td>2</td>
<td>842.879</td>
<td>91.487</td>
<td>.000</td>
</tr>
<tr>
<td>Residual</td>
<td>1722.863</td>
<td>187</td>
<td>9.213</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>3408.611</td>
<td>189</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Customer Loyalty
b. Predictors: (Constant), Perceived Sacrifices, Perceived Benefits

The F-table used in this study is 3.04397 at alpha significance level 0.05. As can be seen from the table, the F result is 91.487 at the alpha significance level 0.000. Therefore, the first hypothesis can be determined as follow:
**H1**: Perceived Value affects the loyalty of GrabFood customers

**T-Test**

Table 3. T-Test Result

<table>
<thead>
<tr>
<th>Perceived Value Dimensions</th>
<th>T-Result</th>
<th>Sig.</th>
<th>T-Table</th>
<th>α</th>
<th>Result</th>
<th>Partial Correlation</th>
<th>Strength of influence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perceived Benefits</td>
<td>12.926</td>
<td>0.000</td>
<td>1.97266</td>
<td>0.05</td>
<td>Affect</td>
<td>0.687</td>
<td>47.2%</td>
</tr>
<tr>
<td>Perceived Sacrifices</td>
<td>2.049</td>
<td>0.042</td>
<td>1.97266</td>
<td>0.05</td>
<td>Affect</td>
<td>0.148</td>
<td>2.2%</td>
</tr>
</tbody>
</table>

In this study, the T-table is 1.97273, and the alpha is 0.05 or 5%. With this notion, the hypotheses of this study are listed below:

**H2**: Perceived Benefits affect the loyalty of GrabFood customers

**H3**: Perceived Sacrifices affect the reliability of GrabFood customers

**Chi-Square**

Table 4. Perceived Benefits

<table>
<thead>
<tr>
<th>Indicators</th>
<th>P Value</th>
<th>Relationship</th>
<th>R Value</th>
<th>R2 Value (%)</th>
<th>Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perceived Money Saving</td>
<td>0.000</td>
<td>Affect significantly</td>
<td>0.442</td>
<td>19.5%</td>
<td>Adequate</td>
</tr>
<tr>
<td>Perceived Convenience</td>
<td>0.000</td>
<td>Affect significantly</td>
<td>0.460</td>
<td>21.16%</td>
<td>Adequate</td>
</tr>
<tr>
<td>Product Selection</td>
<td>0.000</td>
<td>Affect significantly</td>
<td>0.501</td>
<td>25.1%</td>
<td>Adequate</td>
</tr>
<tr>
<td>Enjoyment</td>
<td>0.000</td>
<td>Affect significantly</td>
<td>0.667</td>
<td>44.5%</td>
<td>Adequate</td>
</tr>
<tr>
<td>Ease of Order</td>
<td>0.000</td>
<td>Affect significantly</td>
<td>0.596</td>
<td>35.5%</td>
<td>Adequate</td>
</tr>
</tbody>
</table>

From the table above, among all indicators of customer perceived benefits, enjoyment has the most significant impact on customer loyalty, with 44.5%. Consistent with a study from (Liu et al., 2015), which asserted customers use M-coupon application not only for useful benefits but also for hedonic benefits, this finding also applied to GrabFood. Enjoyment can be associated with the design and information on the GrabFood platform, and Samadi & Gharleghi (2015) asserted that it is the critical factor in increasing the level of enjoyment. As parts of utilitarian benefits, the ease of order, product selection, perceived convenience, and perceived money-saving play a significant role in the context of customers' viewed benefits, as all affect customer loyalty. Among these elements, perceived money-saving has the least influence on customer loyalty, with 19.5%. Perceived money-saving refers to the customers' perception of economic conservation, which related to promo or discount. This finding indicates that solely depending
on the sales promotion's ability to enhance the loyalty of GrabFood customers might be a little less effective since, in this case, it has the least influence. Hence, integrating other aspects such as enjoyment, ease of order, product selection, and convenience will enhance the loyalty of GrabFood customers as those have more significant influence.

Table 5. Perceived Sacrifices

<table>
<thead>
<tr>
<th>Indicators</th>
<th>P Value</th>
<th>Relationship</th>
<th>R Value</th>
<th>R^2 Value (%)</th>
<th>Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perceived Fees</td>
<td>0.114</td>
<td>Does not affect</td>
<td>0.023</td>
<td>0.053%</td>
<td>Very Weak</td>
</tr>
<tr>
<td>Delivery Risk</td>
<td>0.642</td>
<td>Does not affect</td>
<td>0.150</td>
<td>2.3%</td>
<td>Very Weak</td>
</tr>
<tr>
<td>Privacy Risk</td>
<td>0.140</td>
<td>Does not affect</td>
<td>0.124</td>
<td>1.5%</td>
<td>Very Weak</td>
</tr>
<tr>
<td>Quality Risk</td>
<td>0.013</td>
<td>Affect significantly</td>
<td>0.311</td>
<td>9.7%</td>
<td>Weak</td>
</tr>
</tbody>
</table>

In this study, perceived sacrifices and customer loyalty remain a significant relationship, but very weak. According to Mortimer et al., (2016), for frequent shoppers, the perceived risk does not influence their repurchase intention. In this case, it can be interpreted that the respondents, or to be specific the GrabFood customers, still have the intention to repurchase and continuously use GrabFood, even though the perceived risk is still present. As one of the indicators of perceived sacrifices, the recognised fee does not affect the loyalty of GrabFood customers. In this study, the perceived cost is measured by financial barriers such as delivery fees and mobile network fees. The result indicated that although there are financial barriers, they are still loyal to GrabFood to some extent. Consistent with the findings of Chopdar, et al., (2018), privacy risk does not affect the behavioural intention. It can be interpreted that GrabFood customers are less risk-averse, and Chopdar et al. (2018) asserted this could have occurred because of habit, as a habit is known to be a significant driver of user behaviour. In facing the inevitable risks, the time taken for delivery became one of the vital things to maintain that is focussed on by Grab. It is supported by research from Kantar, a research company, as per January 2019, GrabFood became the fastest online food delivery service in 10 big cities in Indonesia with the average duration of 29 minutes (Novryan, 2019). Quality risk became the only determinant of perceived sacrifices that has a significant impact on the loyalty of GrabFood customers. It indicates that they realise the existence of potential risks related to food quality, that it might tamper with the way the food is packed and delivered. It can affect their intention to repurchase through GrabFood.

**Conclusion and Implication**

In analysing the impact of perceived value towards customer loyalty of GrabFood, questionnaires were distributed online via Google Forms to 202 respondents, and the result indicated 190 valid respondents for this research. Based on the data examination of Chapter 4
through multiple linear regression, it can be concluded that: perceived value significantly affects the customer loyalty of GrabFood by 49%. It means that the central hypothesis of this study is accepted. Perceived benefits, one of the dimensions of perceived value, significantly affects the customer loyalty of GrabFood by 47.2%. All the indicators of perceived benefits have an adequate relationship with customer loyalty, and the strongest influence on customer loyalty is enjoyment with 44.5%. In comparison, the least observed is money-saving with 19.5%. Also, the remaining indicators, such as perceived convenience, product selection, and ease of order, all affect customer loyalty. The other dimensions of perceived value, observed sacrifices, slightly affect the customer loyalty of GrabFood by 2.2%. It means that perceived sacrifices and customer loyalty remain a significant relationship, but very weak. Quality risk became the only element of perceived sacrifices that impact customer loyalty, with 9.7%, and the other indicators (recognised fee, delivery risk, and privacy risk) do not affect customer loyalty.

The most substantial influence on customer loyalty was found to be perceived enjoyment. This finding indicates that the customers not only use GrabFood for useful benefits but also for hedonic benefits. Therefore, app developers should maximise hedonic motivation, such as the fun of using GrabFood on its app by creating advergames for customers to achieve promo/discount or several reward points. Also, encourage reuse intention by providing feedback in the form of comments from customers about the restaurant regarding the food they have ordered. Hence, allowing customers to browse reviews about restaurants can stimulate their decision making on what to order and discover new restaurants where they have not dined in/out before.

Considering quality risk as the indicator of customer perceived sacrifices is essential since it significantly affects the loyalty of GrabFood customers. Meaning that if they realise there is a potential risk that the food might have been tampered with, it might change their behavioural intention. Grab should put more effort into providing more thermal bags to maintain food quality.

Grab could also create a different form of obtaining reward points for customers by sharing e-vouchers from the Grab app to preferred friends/relatives through social apps such as Whatsapp or LINE. Another different form could be creating a personalised promo code from customers, for example, "chrissyxgrabfood10". This promo code then can be shared through Instagram Story and can be used for new customers to get 10% off. This condition builds experiences for both existing customers and new customers.

**Future Research**

1. The data of this study was gathered from GrabFood customers in Jakarta, Indonesia, limiting the generalisation of the findings. Thus, future research must be conducted in a broad
population to verify the model used in this study.

2. The measurements used in this study to assess O2O food delivery were customer-perceived benefits and sacrifices as determinants of perceived value. Hence future researchers could investigate more specifically on the quality attributes of food delivery applications.

3. Customer loyalty can be affected by variables other than perceived value, such as the roles of customer satisfaction, attitude, and social influences.
REFERENCES


