Effecting of Online Food Delivery Services During the Pandemic Covid-19: The Case of Semarang

Agnes DWI WICAKSONO[1]

Vincent DIDIEK WIET ARYANTO[2]

Abstract

This study aims at investigating the online food delivery business increased demand during the pandemic covid-19, in terms of customer purchasing decision, quality of online service delivery, service promotion and price of services. The population used in this study is GO-FOOD and GRABFOOD service users who have used the services at least once who live in the city of Semarang. The number of samplings in this study using was 150 respondents, they were withdrawn by means of purposive sampling. Structural Equation Model (SEM) was used to process the collected data. The findings of research indicated that online service quality, online promotion and price were significant to effect on consumer purchasing decisions to use GO-FOOD and GRAB-FOOD services in Semarang.

Key Words: Service quality, Promotion, Price, Purchase decision, Go-food, Grab-food.

[1] Student; Dian Nuswantoro University, Economics Department, Semarang, Central Java, Indonesia
E-mail: wicaksono.agnes@gmail.com   ORCID: 0000-0002-8645-9941

[2] Professor; Dian Nuswantoro University, Economics Department, Semarang, Central Java, Indonesia
E-mail: vincentaryanto@dsn.dinus.ac.id   ORCID: 0000-0002-9266-3842

INTRODUCTION

The fast-growing industry revolution 4.0 is demanding that all companies and the business sector should keep abreast with the recent business progress, otherwise it will be demise. Industry 4.0 is revolutionizing food delivery services into online delivery orders. By this service, customers are able to order food that is more practical and efficient in terms of time and transportation costs particularly during the PSBB or semi lockdown imposed by the government to thwart people from getting the contagion of covid-19 virus. A recent survey conducted by Wibisono (2017) and Kadarningsih (2020) revealed that GO-FOOD is more preferable by consumers than GRABFOOD in food delivery services as portrayed in following the table 1.

Table 1.

Online Food Delivery Services in Indonesia 2020

1	GO-FOOD	74.8%
2	GRABFOOD	20.9%
3	Other Outlet Online Delivery Services	3.1%

Source: www.idntimes.com, 2021

GO-FOOD and GRABFOOD services are new services that utilize internet technology in their applications. In order to respond the use of this service, the company needs a strategy to market it. Since this is a new service, it takes a consumer's decision whether to use this service or not. Of course, consumer purchasing decisions can be influenced by several factors including service quality, sales promotions, offered prices. Considering many sales promotions provided, it is expected to be an appeal for consumers to use GO-FOOD or GRABFOOD services, the price of the appropriate service is also taken into consumer's consideration, whether their services commensurate with the offered good service quality, so that consumers feel satisfied and eager to use the service repeatedly.

Purchasing decision is a process of pre-purchase stage of products or services

consumed by consumers, purchasing decisions involve the order of choices formed by the consumer before making a purchase that starts after he or she has the desire to fulfill a need (Boyle et.al, 2018). Meanwhile, according to Hanaysha (2018) purchasing decisions are a thought process that directs consumers to identify a need, produce choices, and choose certain products / services and brands. Thus, the purchase decision can be seen as a series of choices before making the purchase action itself. In deciding purchasing on online food delivery, consumers experienced perceived risk of getting infected on served food (Leung and Cai, 2021). In addition, consumers must be convinced that food served and delivered to them are safe (Limon, 2021).

Consumers need information and advice about the service options available to them; where and when the service is available; how much will it cost; and what specific features, functions and services are available. Food delivery application is proliferating during the Covid-19 pandemic; it transforms the way consumers consume the food. Consumer pleasure in using online application due to the limitation of mobility has enhanced the promotion of food delivery applications (Kumar and Shah, 2021). Promotion is done as an incentive to encourage customers to make the necessary changes in their behavior.

Promotion is a diverse set of short-term stimulants and is often used to stimulate consumers or business units to buy faster or buy more goods or services provided (Hanaysha, 2018). In addition, sales promotions influence and stimulate customer purchasing decisions by telling them that products or services from certain brands that are better than competitors (Boyle, Kim and Lathtop, 2018; Pudjo, 2018). Therefore, GO-FOOD must often be promoted as a superior service other than GO-RIDE (passenger shuttle motorbike transportation service) so that potential customers wish to use and evaluate the attributes in their purchasing decisions using GO-FOOD services. Sales promotion strategy is carried out to attract new users for potential customers who have never used food delivery services such as GO-FOOD and GRABFOOD.

Another factor that can influence purchasing decisions is price. A person's attention when shopping after seeing a product is price, followed by several other factors. When

using GO-FOOD and GRABFOOD services, consumers can see the estimated total price in the application, from the price of the food ordered to the delivery cost of the food delivery service. So, consumers can choose to use GO-FOOD, GRABFOOD or delivery service that is owned by the restaurant. The high service prices will make consumers turn to other similar products at more affordable prices, and vice-versa, if the price offered is too low then consumers are doubtful about the quality of the product offered so that delaying the decision to buy the product.

Consumers often rely on price as an indicator of quality when choosing between products and services to be used (Kumar and Shah, 2021). Prices are often also used to assess the suitability of the quality of products and services with consumer expectations before deciding to use a product or service (Kumar and Shah, 2021; Budiono, 2020). GO-FOOD and GRAB-FOOD service tariffs that are affordable with the purchasing power of the people, especially in the city of Semarang, make GO-FOOD and GRAB-FOOD services still often used by the community until now. Based on the said theoretical background, hypotheses can be developed as follow:

H1: Service quality significantly influences purchasing decision of GO-FOOD and GRABFOOD users.

H2: Promotion significantly influences purchasing decision of GO-FOOD and GRABFOOD users.

H3: Price significantly influences purchasing decision of GO-FOOD and GRABFOOD users.

METHOD

This research method used data collection by means of distributing questionnaires to consumers who have made purchases with GO-FOOD and GRABFOOD services in Semarang. Population of this study was those consumers who bought GO-FOOD and GRABFOOD service users in Semarang. The population of this research are all consumer of GO-FOOD and GRAB-FOOD in Semarang City, Indonesia.

Purposive technique was used for sampling, the criteria of purposive sampling can be elaborated as first GO-FOOD and GRABFOOD service consumers in Semarang at

least once in the past week, second, the respondents age at least 17 years and having a minimum of junior high school education and domiciled in the city of Semarang. Total samples are 150 respondents. Samples were withdrawn in Semarang center 36 people, South Semarang (Tembalang) 43 respondents, East Semarang 30 respondents and 41 North Semarang 41 respondents. The analysis technique used Structural Equation Modeling (SEM) version 24. Respondent perception questionnaire uses 7 Likert scale.

RESULT AND DISCUSSION
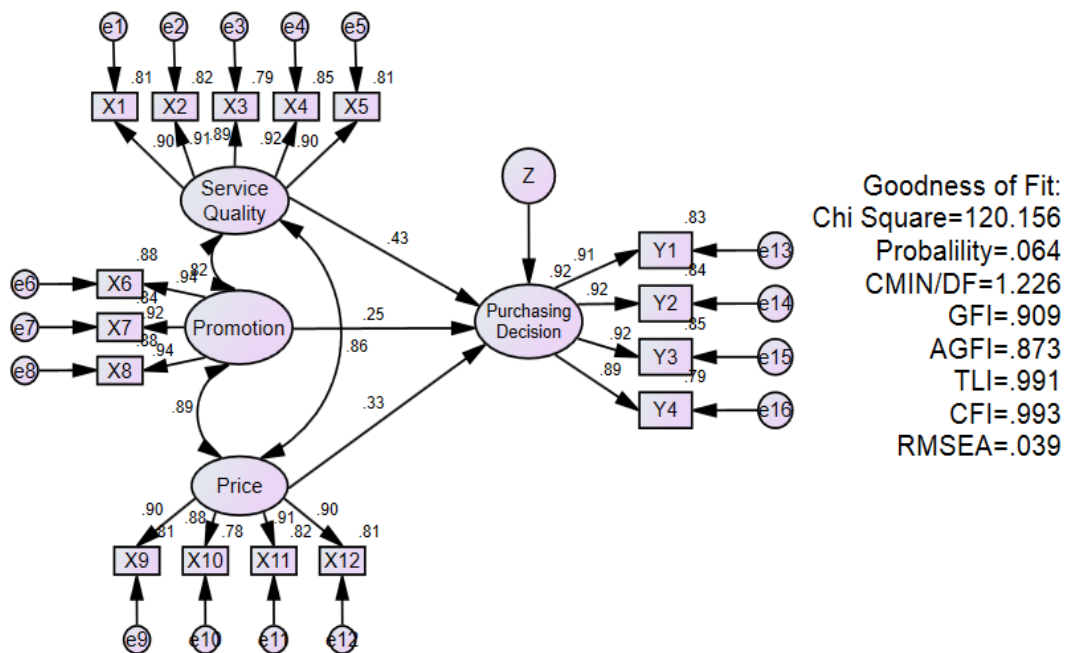
Figure 1. Full Model of Purchasing Decision

Figure 1 shows that the service quality variable has 5 indicators, namely reliability, assurance, tangible, empathy, and responsiveness. Promotional variables are measured by three indicators, namely coupons, discounts, and price-packs. While the price variable is measured from four indicators, namely price affordability, price suitability with product quality, price competitiveness and price suitability with benefits.

Effecting of Online Food Delivery Services During the Pandemic Covid-19: The Case of Semarang

Table 2.

Fit Test Model

Goodness of Fit Index	Cut off Value	Result	Evaluation
Chi-Square	Small	120.156	Fit
Probability	≥ .05	.064	Fit
CMIN/DF	≤ 2.00	1.226	Fit
GFI	≥ .90	.909	Fit
RMSEA	≤ .08	.039	Fit
AGFI	≥ .90	.873	Fit
TLI	≥ .95	.991	Fit
CFI	≥ .90	.993	Fit

Figure 1 and Table 2 depict the full model of purchasing decision, promotion, service quality and price. The goodness of fit result is in the tolerable score either the chi-square 120.156, probability .64, CMIN/DF degree of freedom 1.226, GFI .909, AGFI .873, TLI .991, CFI .993 and RAMSEA .039.

Chi square value of 61.025 with a probability of $.159 > .05$, an RMSEA value of .036 $<.08$, a GFI value of $.937 > .90$, a CFI value of $.995 > .90$, a CMIN / DF value of $1.197 < 2$ and a value of TLI of $.994 > .90$ and AGFI of $.904 > .90$ indicate that the suitability test of this model results good. Therefore, it can be concluded that the indicators are the same dimensions of reference for the construct called Service Quality, Promotion and Acceptable Prices.

The above standard loading value of each indicator that the construct reliability value is above ≥ .70 which means that the reliable instrument and the indicators used as observed variables are relatively able to explain the latent formed variables.

Table 3.

Hypotheses Test

			Estimate	S.E.	C.R.	P	Label
Purchasing Decision	<---	Service Quality	.443	.076	5.799	***	par_16
Purchasing Decision	<---	Promotion	.222	.076	2.905	.004	par_17
Purchasing	<---	Price	.338	.098	3.462	***	par_18

Source: data processing SEM 24

The results of SEM analysis as a hypothesis testing result as depicted in the Table 3 can be described as follow:

1. The results of direct testing between Service Quality on Purchasing Decisions indicate that there is a significant and positive influence shown by looking at the value of CR (Critical Ratio) of 5.799> standard value of 1.96 (significance level of 5%). Thus the first hypothesis H1 which states there is a positive influence on Service Quality on Purchasing Decisions, is accepted.

2. The results of direct testing between Promotion of Purchasing Decisions indicate that there is a significant and positive effect shown by looking at the value of CR (Critilcal Ratio) of 2.905> standard value of 1.96 (significance level of 5%). Thus the second hypothesis H2 which states there is a positive influence on the Decision of Purchasing Promotion, is accepted.

3. The results of direct testing between Prices against Purchase Decisions indicate that there is a significant and positive effect shown by looking at the value of CR (Critilcal Ratio) of 3.462> standard value of 1.96 (significance level of 5%). Thus the third hypothesis H3 which states that there is a positive effect of Price on Purchasing Decisions, is accepted.

Effecting of Online Food Delivery Services During the Pandemic Covid-19: The Case of Semarang

Discussion

The main factors affecting the quality of company services are customer expectations and company performance that is felt by consumers. The quality of the company's services is considered good and satisfying if the company's services received exceed consumer expectations, if the company's services received are lower than expected then the quality of the company's services is perceived poorly (Salem and Chaichi, 2018). The service quality variable has five indicators in which 150 respondents all expressed answers to the questionnaire given with an average index of 5.74 which was categorized very well. This means that the service quality variable through the five indicators can already be responded to by respondents of GO-FOOD / GRABFOOD service users in Semarang and also has sufficient influence on purchasing decisions.

Quality of service affects purchasing decisions. The reliability means that if the service carried out reliably and accurately by the driver of the GO-JEK or GRAB services, consumers will be satisfied, according to the statistical results of the reliability indicator get a score of .901 which means the score reliable is above the standard value of .70 meaning the reliability indicator is sufficiently capable to influence purchase decisions, then the reliability indicator is sufficient to represent the quality of service provided, leading to increase consumers desire to decide their purchase.

Another indicator is service quality assurance, which means the ability of services to provide trust and confidence to customers. When customers order food online delivery through the GO-FOOD / GRABFOOD application, the results of assurance indicator is .908, that means the reliable score is above the standard value of $\geq .70$. The assurance indicator is sufficiently able to influence purchasing decisions. Customers feel confident and believe their orders can be accepted because they are able to monitor the position of drivers by available GPS in the application. Tangible's indicator, means that physical proof of service, if a customer orders food using GO-FOOD or GRABFOOD service, it is certain that it will be served by GO-JEK / GRAB drivers timely. The statistical results of the tangibles indicator are .889 that means the reliable score is above the standard value of $\geq .70$ which means that the tangibles indicator is sufficient to be able to influence

consumers' purchasing decisions.

The next indicator is empathy, which means the waiter gives personal attention to the customer, as evidenced by the driver immediately giving confirmation to the customer for immediate order according to the application. Therefore, if there are any obstacles or differences in the order, the driver immediately gives a confirmation with the customer so that there will be no miscommunication. The empathy indicator is .924, which means that the reliable score was above the standard value of .70, which means that the empathy indicator was sufficient to be able to influence consumers' purchasing decisions.

Responsiveness indicator shows responsiveness of service providers to customer orders. In this case the suitability of service time provided by GO-JEK / GRAB drivers in serving their customers. The responsiveness indicator scores .899, meaning the reliable score is above the standard value ≥ .70, the responsiveness indicator is sufficient to be able to influence purchasing decisions. GO-JEK / GRAB drivers try to serve their customers as fast as possible to enable drivers to complete their orders immediately in order to be able to execute other orders. The responsiveness indicators in service quality is sufficient to represent the influence of purchasing decisions. These results are in accordance with previous research conducted by Polla et. al (2018) finds out that Service Quality has a positive effect on Purchasing Decisions. The results of this study found that price has a positive effect on purchasing decisions. (Salem and Chaichi, 2018; Wibisono, 2017).

Promotion variable uses three indicators, namely coupons, discounts, and price packs. The three indicators have a value above 0.70. The coupon indicator has a value of .88, the discount indicator has a value of .92 and the price-packs indicator has a value of .94. It means that coupons, discount and price-packs indicators are sufficient to represent the influence of purchasing decisions.

Price variable have four indicators, namely price affordability, price suitability with product quality, price competitiveness and price suitability with benefits. The four indicators have a value above 0.70. The price affordability indicator has a value of .91, price suitability with product quality indicator has a value .92, price competitiveness

indicator has a value .92 and price suitable with benefits indicator has a value .89. It means that four indicators are sufficient to represent the influence of purchasing decisions.

CONCLUSION

The results of direct testing found Service Quality, Promotion, and Prices have positively significant impact on purchasing decisions. The assurance as service quality's indicator is sufficiently able to influence purchasing decisions. The responsiveness indicators in service quality are sufficient to represent the influence of purchasing decisions. All results indicate that customer feel confident and believe on GO-FOOD / GRAB-FOOD. The agenda for future research add other variables such as product, brand awareness to impact purchasing decisions.

RECOMMENDATIONS

This study has a recommendation that service quality is the most crucial factor in influencing purchasing decisions for online products or services such as GRAB-FOOD or GO-FOOD. GRAB-FOOD or GO-FOOD companies are required to provide a fast response when receiving orders. In addition, companies must pay attention to price competitiveness to win the competition with other online companies. While the recommendation in the field of promotion is to give more price-packs, especially for consumers who order products or services in large quantities.

REFERENCES

Abadi, Dwi. (2018). The effect of product quality, price, promotion on consumer purchasing decisions at the Mas Semar store with customer satisfaction as a moderating variable. *Journal of Human Resource Management*. Vol. 12(1). pp. 108–124.

Boyle, P.J., Kim, H and Lathtop. (2018). The relationship between price and quality in durable product categories with private label brands. *Journal of Product and Brand Management*. Vol. 27(6). pp. 647-660.

Budiono, Aris. (2020). Influence Of Service Quality, Price, Promotion, And Brand Image On Customer Satisfaction Through Buying Decision. *Equilibrium: Journal of Educational Research and Economics*. Vol. 17(2). pp. 1-15

Hanaysha, S.F. (2018). An examination of the factors affecting consumer's purchase decision in the Malaysian retail market". *PSU Research Review*. Vol. 2(1). pp.7-23.

Kumar, S and Shah, A. (2021). Revisiting food delivery apps during Covid-19 pandemic? Investigating the role of emotions. *Journal of Retailing and Consumer Services*. Vol. 62.

Kadarningsih, Ana. Maaz Ud Din. Nenny Ariani. (2020). Why does Gojek fail to maintain the Top Brand Award?. *Journal of Economic Innovation*. Vol. 5(3). pp. 99-106.

Leung, X. Y and Cai, R. (2021). How pandemic severity moderates digital food ordering risk during Covid-19: An application of prospect theory and risk perception framework. Vol. 47 pp 497-505

Limon, R.K. (2021). Food safety practices of food handlers at home engaged in online food businesses during Covid-19 pandemic in the Philippines. *Current Research in Food Science*. Vol. 4. pp 63-73.

Polla, Febriano Clinton. (2018). Analysis of the Effect of Price, Promotion, Location and Service Quality on Purchase Decisions at PT. Indomaret Manado Unit Jalan Sea.

Journal EMBA.Vol. 6(4). pp.3068 – 3077.

Pudjo, Wibowo FX. (2018). The Influence Of Price, Quality Of Service, And Promotion On Purchase Decisions In The Company Pt. Gojek Indonesia. *Effective Journal of Business and Economics*. Vol. 9(1), pp. 27-38

Salem, S.F and Chaichi, K. (2018). Investigating causes and consequences of purchase intention of luxury fashion. *Management Science Letters*. Vol. 8. pp.1259-1272.

Sanchez-Diaz, I, Vural, C.A and Halldorsson, A. (2021). Assesing the inequalities in access to online delivery services and the way Covid-19 pandemic affects marginalization. *Transport Policy*. Vol. 109 pp 24-36.

Wibisono, Totok. (2017). Factors that affect GOJEK transportation users in the city of Semarang. *Journal of Socio-Cultural Dynamics*. Vol. 19(2). Pp. 277-285.