

Comparing Prices and Service Quality on Lazada and Tokopedia in Indonesia

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Abstract: Competition in online business today is increasingly fierce. Every online store tries to implement various sales strategies to attract consumers to consume their products. Lazada and Tokopedia are two of the top ten online stores in Indonesia. They are competing to seize consumers in order to get a bigger market share in the online business industry. This paper aims to explain the difference in price and service quality between Lazada and Tokopedia in Indonesia. The sample is one hundred and sixty five respondents with a purposive sampling as a sampling techniques. Independent sample t-test is a technique used to analyze data in this study. The results show that there is a price different between Lazada and Tokopedia. According to consumers, prices on Tokopedia are more positive than Lazada. This is shown on the t is -8.057. The average difference in prices between the two online stores is 3.17. The service quality between Lazada and Tokopedia is also different. The value of t is 30.258 and the average difference in service quality between two online stores is 13.13. That is, consumers judge the service quality of Lazada more positive than Tokopedia. In conclusion, all hypothesis are accepted, there is a difference in price and service quality between Lazada and Tokopedia.

Keywords: Comparison, Price, Service Quality, Lazada, Tokopedia, Independent Sample t-test

1. Introduction

Online business has become a trend in recent years. Many online companies are growing, both new and old companies that are turning to online business. Competition is getting tighter. Every company tries to attract the consumers attention to buy their products and always ends in the hope of consumers loyalty. Various strategies are implemented to achieve that goal. One of them is the implementation of superior price and service quality compared to competitors. Lazada and Tokopedia are two of the top ten online stores in Indonesia throughout 2017 and 2018 that compete closely with each other in capturing market share in online business[1]. They provide almost the same products offered to consumers. The application of prices that match the quality of the product and also the maximum quality of service is an important consideration for both online stores to get more customers[2]. Price is the amount of money paid for the purchase of products or the benefits that consumers get from the use of the product[3]. Thus the price is the right to use certain products because consumers have purchased the product[4].

Service is also a consideration for consumers to buy at certain online stores. Online shops with better service quality tend to be more favored by consumers and even become a special attraction to make repeat purchases at the store. So the quality of service is important for online stores and also for consumers who need to always be evaluated by online stores so that they are expected to provide maximum service to customers. Service quality is the expectation compared to the reality experienced by consumers from the services provided by the company[5]. Good quality of service is one that meets customer desires obtained on the basis of the level of excellence expected by the customer and control over these advantages [6]. So the quality of service is intangible and it is good if the service received by customers is better than their expectations. Conversely, if the service received by the customer is lower than expected, then the quality of service is perceived poorly by the customer and means that the customer's wishes have not been fulfilled.

Research on the comparison of prices and service quality in these two online stores has not been found in Indonesia, which is one of the reasons researchers conducted this study. The researcher used a comparative test method with an independent sample t test to determine whether or not there was an average difference between two unrelated sample groups, namely between Lazada and Tokopedia specifically regarding price and service quality.

2. Literature Review

Price is one of the elements of the marketing mix that easiest to manage product features. The value of placement of certain product or brand that the company wants can be communicated through prices [7]. The price of a product is a measure of the size of a person's satisfaction with the product they buy. Someone will be willing to pay for a product at an expensive price if he/she assesses the satisfaction he/she hopes for the product to be purchased is high. Conversely, if someone assesses satisfaction with a low product, then he/she will not be willing to pay or buy the product at an expensive price. Price is a value, which is expressed in units of currency against a

certain item. In reality the size or price is not only determined by physical factors that are taken into account, but psychological factors and other factors also affect prices. Thus it can be interpreted also that the price is the amount of money needed to get a number of goods and certain services or a combination of both. Kotler and Keller (2012) [8].revealed that price is one element of the marketing mix that generates income, other elements generate costs. Price is an element of the marketing mix that is most easily adapted to product characteristics, channels, even promotions that require more time. Pricing is an important issue, so there are still many companies that are not perfect in handling pricing problems. Price generates sales revenue, then the price affects the level of sales, the level of profit and the market share that can be achieved by the company[9]. There are five pricing strategies, that is mark up pricing, target return pricing, perceived value pricing, going rate pricing, sealed bid pricing [10]. Additionally, they also suggested six pricing methods: skimming pricing, penetration pricing, prestige pricing, price lining, demand-backward pricing, bundle pricing. Pricing objectives are also different and adapted to the needs and objectives of each company. Kotler and Armstrong (2012) [11].recommend five objectives of price setting that are oriented to: profit, volume, image; price stability; another goal. Each of these objectives has important implications for the company's competitive strategy. The purpose of price setting must be consistent with the way that the company takes in placing the company's position in competition.

Several studies related to prices have been carried out, such as Ramya (2015) [12].stating that consumer perceptions of prices differ between supermarkets and hypermarkets in India. Consumer perceptions on prices more positive at supermarkets than hypermarkets are mainly related to promotions, discounts, and retailer loyalty schemes. Various features such as club cards, frequent shopping programs and loyalty coupons and other promotional offers provide positive ratings for consumers who shop at supermarkets rather than hypermarkets so that supermarkets must concentrate on these programs and differentiate themselves from other retailers. Carrefour and RT-Mart in Taiwan differ in implementing various strategies. RT-Mart is the second competitor for Carrefour in Taiwan which opens their stores in small cities, compared to Carrefour which opens stores in major cities such as Beijing, Tianjin and Shenzhen. RT-Mart applies a cost leadership strategy to compete with Carrefour through a low-cost strategy. Price reductions, strict price and cost controls such as R&D, services, salespeople, advertisements and others are employed to inhibit Carrefour in the industry [13].The price image of hypermarkets in shopping centers is lower than that of independent store hypermarkets, because the prices set must be able to compete internally with other stores in the same shopping center. Therefore, it is necessary to be more assertive on the slogans and promises given to consumers, such as occasional cooperation with banks that are commonly used by many consumers [14].Hetasari (2011) stated the results were different from before. She was stated that Matahari, Metro and Ramayana made discounts at certain times. Discounts become a special attraction for shopping in these places. While Metro received negative responses from consumers regarding prices compared to Matahari and Ramayana. This means that Metro needs to reevaluate the price policy that has been set[15]. It can be concluded that prices play a role and influence on consumer purchases compared to other variables, as Dedy (2018;2015) stated that prices have a positive and significant effect on consumer purchasing decisions compared to other variables such as the completeness of the product and location on the SMEs market in Medan, Indonesia[16], [17].Contrarily with Amanah and Harahap (2018) [18], states that price discounts have effect but not significant for online purchases of postgraduate students. The argument is that respondents are postgraduate students who already have jobs and income, so they don't consider the price in fashion products too much, but actually consider the diversity of products, so they can choose the desired fashion products.

Service quality is one part of the marketing management strategy and has become a dominant factor in the success of a company. Service quality development is strongly driven by conditions of competition between companies, technological progress, economic stages and socio-cultural society. Service quality is a necessity by the company to be able to survive and still gain customer trust.It is a measure of how well the level of service provided is able to meet customer expectations [19]. It is a dynamic condition that deals with products, services, people, processes, and environments that meet or exceed expectations [20]. It was concluded that the quality of service is everything that is expected by consumers so that the company can meet the desires and needs of consumers. There are six main principles of service quality according to Merrilees and Herington (2007) [21] covering leadership, education, planning, review, communication, appreciation and recognition. Zeithaml, Parasuraman, and Malhotra (2002) [22].stated that the five dimensions in measuring the company's service performance, they are proof of tangible, reliability, responsiveness, assurance and empathy. Service performance is the result of work achieved by employees in carrying out tasks in accordance with the responsibilities measured based on the five dimensions[5].

Many researches related to the comparison of service quality have been carried out such as Andespa (2007) [23]. He concluded that there was no difference in the quality of service between conventional banks and syariah banks in Padang. This difference is not significant. He also found that there was no difference in customer satisfaction and loyalty between the two banks. This difference was also found to be insignificant. Other studies that support differences in service quality between two objects are Satriadi (2017) [24]. He stated that the quality of service in libraries in the Province of Kepri was better than the Tanjungpinang library. This is evidenced by the

average score of 152.61 for the Province of Kepri library and a score of 150.66 for the Tanjungpinang library Pertiwi (2016) [25].also stated that there was a difference in the quality of service between patients who used BPJS (Social Security Administrator) and general patients. The difference is measured by three variables, namely safety, effectiveness and efficiency, service oriented to the patient which is then analyzed their effect on patient satisfaction. The results show the positive influence of these three variables on patient satisfaction, meaning that if safety, effectiveness and efficiency, patient-oriented services are applied in Surakarta Hospital, the patient's satisfaction will be even higher.

3. Method And Data

The study was conducted at Universitas Pendidikan Indonesia with graduate students as a sample of this study, which is one hundred sixty five respondents. Lazada and Tokopedia were chosen as online stores because they are including two of the top ten online stores in Indonesia, which also compete with each other. Questionnaire is used as a data collection tool and then the data is analyzed by using independent t test sample as an analysis technique.

4. Results

- a. For the price, the F value is 9.630 with significance of 0.002 and significance (2 tailed) is 0.000. Since the value of significance is 0.002 and less than 0.05, then H1 is accepted, meaning that there is a difference in price on Lazada and Tokopedia. Prices on Lazada and Tokopedia have non-homogeneous variance, so t test uses equal variance not assumed (assuming two different variants). The t value = -8.057 with df 163 and significance 0.000. Because of the significance (2 tailed) < 0.05 thus H1 is concluded acceptable which means there is a difference in price on Lazada and Tokopedia. These are presented in Table 1. The mean value for Lazada is 13.78, while Tokopedia is 16.95. This means that consumers evaluate the price on Tokopedia more positive than Lazada (Table 2).
- b. For service quality, the F value is 4.378 with significance 0.038 and significance (2 tailed) that is 0,000. Because of the significance value of 0.038 and less than 0.05, H1 is accepted, meaning that there is a difference in the service quality on Lazada and Tokopedia. The service quality on Lazada and Tokopedia has non-homogeneous variance, thus t test using equal variance not assumed (assumed to be two different variants). The t value = 30.258 with df 163 and significance 0,000. Because of significance (2 tailed) < 0.05 thus H1 is concluded acceptable which means there are differences in service quality on Lazada and Tokopedia. These are presented in Table 3. The mean value for Lazada is 37.35, while Tokopedia is 24.22. This means that consumers judge the service quality on Lazada more positive than Tokopedia (Table 4).

Table 1. The Independent Samples Test

	Independent Samples Test				
	Levene's Test for Equality of Variances		t-test for Equality of Means		
	F	Sig.	t	df	Sig. (2-tailed)
PriceEqual variances assumed	9.630	.002	-7.891	163	.000
Equal variances not assumed			-8.057	151.434	.000

Source : analysis results

Table 2. The Mean Value

Group Statistics					
Online stores	N	Mean	Std. Deviation	Std. Error Mean	
Price	Lazada	78	13.78	2.011	.228
	Tokopedia	87	16.95	2.996	.321

Source : analysis results

Table 3. The Independent Samples Test

Independent Samples Test					
	Levene's Test for Equality of Variances		t-test for Equality of Means		
	F	Sig.	t	df	Sig. (2-tailed)
Servqual Equal variances assumed	4.378	.038	29.897	163	.000
Equal variances not assumed			30.258	161.031	.000

Source : analysis results

Table 4. The Mean Value

Group Statistics					
Online stores	N	Mean	Std. Deviation	Std. Error Mean	
Servqual	Lazada	78	37.35	2.475	.280
	Tokopedia	87	24.22	3.089	.331

Source : analysis results

5. Conclusion And Implications

This article discusses the comparison of prices and quality of service on Lazada and Tokopedia. The results show that there are differences in prices on Lazada and Tokopedia. This is in line with Friberg, Ganslandt, and Sandström (2001) [26]. which states that there are differences in prices for two products purchased over the internet rather than purchased at conventional stores. The average price of books and CDs in Sweden is 15% cheaper on the internet than by buying in conventional stores, if purchased in large quantities. However, further studies by other researchers are required to obtain more appropriate results. Supported by Chen and Huang (2012) [27]. who found that the price of IKEA products in each country is different. This is due to the influence of transportation costs, trade barriers, taxes and productivity levels. Therefore, price discrimination and specific market strategies in certain regions play a role in price variations at IKEA in each country. Toar, Karamoy, and Wokas (2017) [28]. is also of the same opinion that the results of their research indicate a difference in current selling price with the selling price calculated using cost plus pricing and mark up pricing method at Dolphin Donuts Bakery in Manado. The selling price set by the company is higher than the selling price calculated based on cost plus pricing and mark up pricing method. Other research results such as Flores and Sun (2013) [29]. also support this research, stated that price of office equipment products in the US purchased online different with conventional. So, it can be concluded that prices are one of the important factors in consumer purchasing decisions. Consumer knowledge about prices in

certain online stores will help this consumer to make comparisons with selected online shops[30].

The analysis also shows the difference in service quality in Lazada and Tokopedia. This result is supported by A, A, and Y (2017) [31]. Based on patient satisfaction analysis at public hospital in Johor Bahru Malaysia, there were differences of service quality between two hospitals studied ie hospital A and B. Public hospitals A need to improve the dimensions of their service quality in addition to the government's attention to maintaining the health care needs of the people. This is in line with Sichinsambwe, Chishimba, and Sikombe (2017) [32].which states that there are significant differences in the four dimensions of service quality that is tangible, reliability, responsiveness and assurance. For the empathy dimension, there is no difference between local banks and foreign banks in Zambia. This disclosure is crucial in determining that local and foreign banks need to improve service quality in the competition in the banking sector. Other researchers found results contrary to this study. Oluseye (2009) [33].argues that there is no difference in service quality in the fast food industry in Nigeria based on consumer perceptions of women and men who are the unit of analysis of this study. Respondents suggested that fast food restaurants expand business to online systems. In addition to improving employee payroll systems to be more motivated to maximize service to consumers.

The results show that there is a price difference between Lazada and Tokopedia. Prices on Tokopedia are more positive than Lazada. This is evidenced by a t value is 0.023. The difference in the average price between the two online stores is 0.69. The service quality between Lazada and Tokopedia is also different. The t value is 0.042 and the difference in average service quality between the two online stores is 0.54. That is, consumers judge the service quality of Lazada more positive than Tokopedia. In conclusion, all hypotheses are accepted that there are differences in price and service quality between Lazada and Tokopedia. Tokopedia must pay more attention and always evaluate deficiencies than Lazada, because it is not impossible that Tokopedia customers will turn to Lazada because of dissatisfaction and the need to find variations[34].

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