
THE EFFECT OF PROMOTIONS, DISCOUNTS AND SERVICE QUALITY IN REPURCHASING INTEREST IN GRABFOOD APPLICATION

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KEYWORDS

Promotion, Discounts, Repurchase Interest, Service Quality

ABSTRACT

This research aims to explain and analyze the effect of promotions, discounts on repurchase intention through service quality to Grabfood customers in Indonesia. This research used simple random sampling. The research objects were women and men aged at least 18 years who accessed Grabfood and had made purchases at Grabfood. There were 250 samples. Data collection was carried out by distributing questionnaires electronically. The research variables were promotions and discounts as the independent variables, service quality as the mediation variable and repurchase intention as the dependent variable. This research used AMOS 24.0 to analyze the data. The results of the research showed that Promotion had significant and positive effect on Service Quality, Discount did not have significant effect on Service Quality, Service Quality had positive and significant effect on Repurchase Intention, Promotion had significant and positive effect on Repurchase Intention, and Discount did not have significant effect on Repurchase Intention

INTRODUCTION

The series in business ventures in the current digitalization era proves very active development, marked by increasingly fierce business competition. According to (Sutisna, 2002), discounts are product price reductions from the normal price within a certain period. Several culinary businesses have sprung up with the best offers and different menus. Indonesia is also enlivened by the emergence of startups originating from abroad such as Shopee, Grab, and other applications. Grab is a company that provides services when users need services provided by the company or often referred to as on-demand applications. Basically, Grab is a shuttle transportation service, but currently Grab has developed and introduced several new services. The services provided by Grab are GrabCar, GrabFood, GrabBike, and GrabExpress. Grab Food itself is the favorite service application from Grab Indonesia. But Grab also serves restaurants that work with Grab and are registered in the application. Thus, it is safer and more convincing.

GrabFood is a food delivery service that can be accessed using the grab application. By using a smartphone and opening the grabFood application in the grab feature, customers can order food from restaurants that have worked with Grab. Food will be ordered and delivered directly by the grab driver. This service is also very similar to the delivery order service from a restaurant for culinary entrepreneurs, especially micro, small and medium enterprises (MSMEs) with a limited budget to develop delivery order services. GrabFood can be an alternative solution that is very easy to help. MSME entrepreneurs can also have delivery order services without having to prepare a fleet. Thus, employers do not need to pay employees to order delivery (Grab.com, 2021).

GrabFood can also facilitate services to meet the needs of the community. Grab also provides various discounts in the form of reduced costs from using services such as GrabBike, GrabCar, GrabTaxi, and GrabFood. The discount given by Grab is around 20% to 60% of the total cost of the user's trip. This promo is considered successful because many people have used or downloaded Grab services. According to (Stavsky et al., 2017), the total number of customers using Grab reaches 4 million every day and its application. Grab has also been downloaded by more than 136 million devices, tripling the number of downloads in August 2017.

In 2020, the company's revenue increased by 95% before the covid-19 pandemic. Grab Co-Founder, Hooi Ling Tang said the improvements occurred because the company focused on digitizing MSMEs. Innovations provided by Grab such as facilitating the process of sending and serving food to consumers of food delivery services are here to provide a solution called GrabFood

Table 1 Grabfood's competitors in the same industry

No	Application	Service	Number of Downloads
1	GrabFood (Grab)	Food Delivery	136 million +
2	Go-Food (Gojek)	Food Delivery	154 million +
3	Foodpanda	Food Delivery	3.5 million +
4	UberEats	Food Delivery	1.7 million +
5	Shopee Food	Food Delivery	300 million +

Source: Android and ios users downloaded in 2021

Table 1 showed that competition in the world of food delivery is not only GrabFood but also many other competitors in the same business. The increasing number of competitors in the same industry shows a big threat in the Food Delivery service business. From the number of application downloads, it can be seen that Grab ranks second and UberEats is the least downloaded. In GrabFood, the beneficiaries are restaurants that have collaborated with Grab. Restaurants that work with Grab benefit greatly in terms of promotion because the Grab application also displays the food they want to sell; thus, consumers can only see the pictures.

Promotions, discounts, and service quality influence repurchase interest (Wibawa, 2020). Repurchase interest is formed after customers purchase products and services because there is a feeling of satisfaction from consumers towards a product offered by a particular company (Olaru, Purchase, & Peterson, 2008). According to (Tjiptono, Arli, & Bucic, 2014), repeating is a behavior that solely involves purchasing the same brand repeatedly. Repurchasing can also result from market domination by a company that has succeeded in making its product the only available alternative.

Service quality itself can influence repurchase interest (Tjiptono et al., 2014). Service quality is a standard for measuring success in providing customer satisfaction. Through service quality, customers can also provide ratings objectively in order to increase customer trust and service (Metarini, 2020). According to (Parasuraman, Zeithaml, & Berry, 1985), electronic service quality (e-service quality) is widely seen as a measure of the extent to which electronic service providers facilitate efficient, effective purchases and respond with high-quality services.

Service quality is also seen as one of the most important strategies for success in a competitive environment. The quality of good electronic media services will foster customer satisfaction with electronic media, it can also determine the perceived quality of the electronic services themselves (Fernández-Sabiote & Román, 2012).

Previous research also stated that repurchasing interest can be related to factors such as price and promotion. The feeling factor also directly influences the intention to buy products and services (Gao & Chen, 2015). Research conducted by Priadi (2021) confirmed that the important elements in sales are customers and promotions. Companies must connect with customers as an important element in promoting their products and services to encourage consumers to take an interest in repurchasing.

This research is a replication of (Wibawa, 2020) which examined the effect of promotion, price, and service quality on Shopee online repurchase interest shopping using multiple linear regression analysis. The similarity between this research and is that both examine repurchase interests that affect promotions, prices, and service quality. The differences between this research and include 1) the previous sample used the Shopee application while in this research, the sample used the GrabFood application and 2) The previous research was taken in 2020 while this research was taken in 2022.

The rise in demand for online food delivery has not been spared from advertising and used by payment platform providers (Wulandari & Septiari, 2015). OVO is an online payment application that collaborates with Grab, which is the leader in online to offline payments, such as electricity purchases, installment payments, and payments at shops that do not sell food (Grab.com, 2021). With the promotions and discounts provided by the company, it is hoped to increase sales on the GrabFood application. For a company to use it effectively, it must pay attention to good planning in promotional activities and pricing policies so that it can work well. Of course, this must be adjusted to good service quality and attract consumers who will later create consumer interest in repurchasing products offered in the GrabFood application so that they can also increase the frequency of sales on GrabFood.

Literature review

Repurchase Interest

According to some researchers (Olaru et al., 2008), repurchase intention is a consumer feeling that starts from the first purchase and then has a feeling or desire to make second or more purchases at the same company. Based on these explanations, it can be concluded that repurchase intention is a feeling that comes from the customer's intention to re-purchase products or services from the same company. To ensure sustainable profits, online sellers must acquire new customers, convert them into regular customers, and repurchase (Putro, 2014). There are several dimensions of repurchase interest, namely transactional interest, referential interest, preferential interest, and explorative interest.

Promotion

According to (Kotler & Keller, 2016), promotion is an attempt to provide information about products or services that have the goal of increasing sales volume. In this research, researchers saw promotion not as a form of communication but saw it through a promotional approach. According to (Boland, Connell, & Erickson, 2012), there are generally several forms of promotion in stores such as bundles - Buy one get one and so on where this reduces product prices. One of the consumer's considerations is

repurchase interest (Wang, Wang, Wang, Xiao, & Liu, 2021).

Discount

Discount is price reduction for purchases during a predetermined period or purchases in large quantities. The influence of promotional strategies on consumer buying behavior is the widespread belief that giving discounts is more effective in encouraging consumer buying behavior (Liao et al., 2019). Discount indicator is the amount of discount, discount period, and type of discounted product (Sutisna, 2002).

Service quality

According to (Markus, Chowdhry, Mittal, & Brock, 2015), consumer service refers to the level of service and return handling policies during and after sales. This research refers to the quality of electronic services. (Kotler & Keller, 2016) defined service as any action that can be offered by one party to another party that is basically intangible and does not result in the ownership. Companies also usually use web-based synchronization media such as live chat facilities, online helpdesks, and social networking sites (Turel & Connelly, 2013).

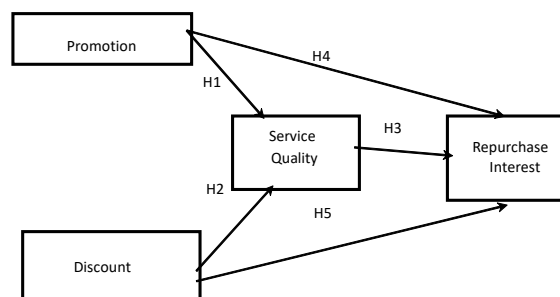


Figure 1 Conceptual Framework

The Effect of Promotion on Service Quality

(Kotler & Keller, 2016) defined promotion as a marketing activity that stimulates consumer purchases and the company's service quality. Customers who are not familiar with a product will minimize or eliminate the possibility of getting quality service as a result of not using the product/service (between contact personnel and customers). Promotion is a company activity to improve the quality of its products and services and persuade consumers to buy (Tjiptono et al., 2014). Good promotion gives an idea to customers that the company is able to provide good service to customers. Therefore, this research proposes the following hypothesis:

H1. Promotion has a positive effect on service quality.

The Effect of Discount on Service Quality

Research conducted by (Triyanti & Effendi, 2017) also stated that the feelings created by discounts lead to positive perceptions of product quality. Research conducted by (Huang, Qiu, Zhu, Lu, & Xiao, 2015) also stated that discounts can improve service or product quality. (Tung et al., 2021) also stated that price can be used as a tool to assess product or service quality in such situations. Thus, the hypothesis proposed by the researcher is:

H2. Price discount has a positive effect on service quality.

The Effect of Service Quality on Repurchase Interest

The e-service quality also has a positive influence, directly and indirectly, on repeat purchases (Hanafy & Hegab, 2019). To increase customer repurchase interest, online service providers must develop their business by creating a good quality of company website. The service quality variable has a positive and significant effect on repurchase intention (Syamnarila, 2022). In this case, the service quality is also considered capable of being a strategy in the success of today's competitive environment. Therefore, the researcher formulates the hypothesis as follows:

H3. Service Quality has a positive effect on Repurchase Intention.

The Effect of Promotion on Repurchase Intention

In previous research, customer interest can be related to many factors such as product or service quality, price and promotion as well as ease of use (Thanatchaphan & Adisorn, 2021). Research conducted by (Priadi & Utomo, 2021) confirmed that the important elements in sales are customers and promotions, companies must connect with customers as an important element in promoting their products and services to encourage consumers to take an interest in repurchasing. Therefore, this forms the basis of hypothesis 4 namely:

H4. Promotion has a positive effect on Repurchase Interest.

The Effect of Discounts on Repurchase Intention

Discount can increase consumer purchasing power for anything (Tung et al., 2021). Previous research has found that consumers feel less guilty when buying products with discount framing. Therefore, discount framing can increase product sales (Triyanti & Effendi, 2017). Research conducted by (Desiyanti, Sudja, & Martini, 2018) also confirmed that discount had significant effect on buying interest, which was valid. (Kumari & Singh, 2018) showed that discount prices can increase consumer buying interest. Thus, the hypothesis can be put forward as follows:

H5. Discount has positive effect on repurchase intention.

RESEARCH METHOD

This research was conducted on people who had shopped on the Grabfood application and made purchases more than once. This is done because there are quite a lot of online food ordering applications in Indonesia, thus; researchers want to know the repurchase interest of using the Grabfood application. In this research, the research objects were women and men aged at least 18 years who accessed Grabfood and had made purchases at Grabfood. There were 250 samples. According to (Hair, Black, Babin, & Anderson, 2013), the number of samples can be calculated by multiplying the number of indicators by 10. The number of indicators in this study was $15 \times 10 = 150$. However, the researchers rounded up so that the sample was larger to 250. The research sample was determined as many as 250. This research useded primary data. Primary data can be referred to as data obtained directly from respondents.

In this research, the model was analyzed using SEM (Structural Equation Modeling) structural equation modeling using the AMOS program. The structural equation model is a second generation multivariate analysis technique that combines factor analysis and path analysis.

RESULT AND DISCUSSION

Descriptive Variable Analysis

This analysis shows the recapitulation of data on respondents' answers to statements from three comprehensive models in explaining interest in repurchasing at Grabfood. Based on the results of descriptive data processing, it can be explained the views or perceptions of respondents in three comprehensive models in explaining repurchase interest at Grabfood. The results of the descriptive testing from the results of data processing are listed in Table 1.

Table 2 Descriptive Statistics

Variable	N	Min	Max	Mean	Std. Deviation
Promotion X1	250	1.75	5.00	4.3210	.66254
Discount X2	250	1.00	5.00	4.3680	.78111
Repurchase Interest Y	250	2.20	5.00	4.3544	.68278
Service Quality Z	250	1.33	5.00	4.4400	.65328

Source: Primary processed data, 2022.

In line with Table 2, it can be explained that the promotion obtained an average value of 4.32, which means it is in the interval of 4.20 to 5.00. Thus, it can be stated that the majority of respondents or grabfood users who often make purchases with grabFood are due to the high grabfood promos. The discount variable has an average value of 4.36, which means it is in the interval from 4.20 to 5.00. From this, it can be stated that most of the respondents or grabFood users who often make purchases with grabFood are due to discounts at grabFood which is quite high.

Repurchase Interest showed an average value of 4.35, which means it was in the interval from 4.20 to 5.00. Thus, it can be said that most respondents or grabFood users often make purchases because of the high interest in buying at grabFood. The quality of service was included in the interval from 4.20 to 5.00, namely at 4.40, we can see that most of the respondents or grabFood users often make purchases with grabFood due to the good service quality at grabFood.

Structural Equation Model (SEM) Analysis

Structural Equation Model (SEM) was used to analyze and prove the hypothesis. The SEM used AMOS 24.0. The analysis steps are as follow:

Goodness of Fit Testing

The next step is testing the suitability of the model or goodness of fit. In this research, several criteria were taken from each type of GOFI, namely Chi Square, Probability and GFI represented absolute fit indices, CFI and TLI represented incremental fit indices while PGFI and PNFI represented parsimony fit indices.

Table 3 Goodness of Fit Value

Goodness of Fit	Criteria	Cut-off value	Description
CMIN/DF	< 2.00	1.343	Fit
RMSEA	≤ 0.08	0.073	Fit
GFI	≥ 0.90	0.906	Fit
AGFI	>0.90	0.905	Fit
TLI	≥ 0.90	0.939	Fit

Goodness of Fit	Criteria	Cut-off value	Description
NFI	≥ 0.90	0.919	Fit

Source: Primary data processed, 2022.

Based on Figure 2, it is known that the overall research model is fit. The CMIN/DF result in this research was 1.343 which was fit. The RMSEA value of the results of this research was 0.073 which means it identified a good value. The GFI, AGFI, TLI, and NFI values in this research were equal to or greater than 0.90. The results of the analysis showed that there was goodness of fit between the research model and the empirical research model. Therefore, model analysis can be continued by testing the research hypothesis whether it is accepted or rejected.

Hypothesis testing

The further analysis was SEM analysis or structural equation model where the full model was used to test the research hypothesis. The following were the results of the regression weight test in this research as described in Table 4.9.

Table 4 Regression Weight Test Results

	Hypothesis		Estimate	S.E.	C.R.	P	Description
Promotion	-- >	Service Quality	.945	.117	8.084	.000	Supported
Discount	-- >	Service Quality	.032	.074	.440	.660	Not Supported
Service Quality	-- >	Repurchase Interest	.379	.114	3.323	.000	Supported
Promotion	-- >	Repurchase Interest	.525	.161	3.254	.001	Supported
Discount	-- >	Repurchase Interest	.055	.064	.854	.393	Not Supported

The results of hypothesis testing can be seen by looking at the Critical Ratio (CR) value and the probability value (P) of the data processing results. The direction of the relationship among variables can be seen from the estimated value. If the estimated value is positive, the relationship among the variables is positive, whereas if the estimated value is negative, the relationship is negative. Furthermore, if the test results show CR value above 1.96 and the probability value (P) below 0.05/5%, the relationship between exogenous and endogenous variables is significant. In detail, testing the research hypothesis will be discussed in stages according to the hypothesis that has been proposed. The results of the analysis in Table 4.6 showed following:

1. Promotion had significant and positive effect on service quality. These results were evidenced by the positive estimate value of 0.945, the t-statistic value above 1.96, which was 8.084, and the P-Value below 0.05, which was 0.00. Thus, H1 was supported.
2. Discount did not have significant effect on Service Quality. These results were evidenced by positive estimate value of 0.032, t-statistic value below 1.96, namely 0.440 and P-Value above 0.05, namely 0.660. Thus, H2 was not supported.
3. Service Quality had positive and significant effect on Repurchase Intention. These results were evidenced by positive estimate value of 0.379, t-statistic value above 1.96,

namely 3.323 and P-Value below 0.05, namely 0.000. Thus, H3 was supported.

- Promotion had significant and positive effect on Repurchase Intention. These results were evidenced by positive estimate value of 0.525, t-statistic value above 1.96, namely 3.254 and P-Value below 0.05, namely 0.001. Thus, H4 was is supported.

The discount variable did not have significant effect on repurchase interest. This result can be seen through the positive estimate value of 0.055 and the t-count value was below the t-table, namely $1.96 > 0.854$ and the p-value was above 0.05. Thus, the fifth hypothesis was not supported

CONCLUSION

This research aims to see the effect of e-WOM among customers on customer purchase intention. The results of this research can be concluded that the result of the first hypothesis (H1) showed promotion had significant and positive effect on service quality. It means that the better the promotion contained in the Grabfood application, the better the quality of Grabfood services. The second hypothesis showed that discount did not have significant effect on Service Quality. The second hypothesis (H2) was not supported. It means that greater discount found on grabFood would not improve the service quality. The third hypothesis (H3) showed that Service Quality had positive and significant effect on Repurchase Intention. It means that every increase in service quality at grabFood affects customer repurchase intention. The fourth hypothesis (H4) showed that Promotion had a significant and positive effect on Repurchase Intention. The fourth hypothesis (H4) in this research was supported. This means that every increase in promotion carried out by grabFood also increases repurchasing interest. The fifth hypothesis (H5) stated that Discount did not have significant effect on Repurchasing Interest. H5 was not supported. This research proved that there was no positive and significant effect between discount and repurchasing intention on the grabFood application. Because the perception of customers considers discount was not too important but the service quality given and received by them is much more important.

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