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Assignment title: Does it Pay to be Perfect? A Lesson Learnt from CV XYZ
Submission title: Does it Pay to be Perfect? A Lesson Learnt from CV XYZ
File name: s_it_Pay_to_be_Perfect_A_Lesson_Learnt_from_CV_XYZ-IEOM2...
File size: 87.88K
Page count: 8
Word count: 4,616
Character count: 25,584
Submission date: 01-Jul-2021 05:25PM (UTC+0700)
Submission ID: 1614523833

Proceedings of the Second Asia Pacific International Conference on Industrial Engineering and Operations Management, Surakarta, Indonesia, September 14-16, 2021

Does it Pay to be Perfect? A Lesson Learnt from CV XYZ

Christopher Hanjaya and Karina Agustin
International Business Engineering Program,
Department of Industrial Engineering
Petra Christian University, Surabaya, Indonesia
c13170006@john.petra.ac.id, karinaagustin@petra.ac.id

Hanjanto Soewandi
Lecturer, Department of Industrial Engineering
Vice President of MicroStrategy Technology Company
Towers Crescent Plaza Tysons Corner, VA 22182 USA
hanjanto.soewandi@petra.ac.id

Abstract

E-commerce provides an excellent opportunity to increase the company revenues, especially during the COVID-19. Many features that appear in the E-commerce platform can influence the customer purchase intention. Therefore, most companies strive to achieve the highest maximum Star-rating that serves as the electronic version of word of mouth. CV XYZ expects to increase the 5-Star-rating count by creating the after-sales service program. However, does it pay to be perfect? By collecting Star-rating data from six online stores across three different online marketplaces organized by CV XYZ, we develop simple Statistics to a more sophisticated Markov Chain and Regression to analyze the data. The result shows that the distribution movement of Star rating before and after implement the program is not significantly different. However, the after-sales service program greatly improved the average daily Sales around IDR 31M (p-value for the T-test = 0.0039). By simply using Pearson Correlation analysis, we found a negative correlation between Sales and Star-Rating counts that encounter us in the "too good to be true" phenomenon. Therefore, it is more critical for the company to figure out an optimal number of 5-Star ratings achieved to maximize Sales than only focus to achieve the highest 5-Star ratings.

Keywords

After-sales service, Star-rating, Sales, Statistics and Markov Chain.

1. Introduction (12 font)

E-commerce is becoming one of the essential tools that people need during this digital era. It offers a new medium where people could do transactions through the internet and online platforms (Syazali et al., 2019). The number of e-commerce users keeps increasing, especially during this COVID-19 pandemic situation, where people need to limit social activities. Due to this limitation, online shopping becomes one of the media for consumers to satisfy their needs (Koch et al., 2020). Based on the data retrieved from katadata.com, more than 200 million people in Indonesia visit different online marketplaces during the third quarter of 2020, as shown in Figure 1. With more than 200 million visitors with different satisfaction standards, it is needed for a company or firm to have a specific evaluation of their available services. Without a good service standard, it would be challenging to maintain customer loyalty and satisfaction (Sivadas & Baker-Prewitt, 2000). Dharmay et al. (2017) studied customer trust in Tokopedia and found out that customer trust could influence their purchase intention. For example, low ratings mean less trust for the potential customer, reducing the intention to purchase.

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