

## Understanding the Rejection Phenomena of Technology-Based Transportation New Entrant: A Case Study of Go-Jek in Bandung

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**Abstract:** Go-Jek entered the existing motorcycle taxi business in Bandung with up-to-date technology-based innovation as its competitive advantage. Easy booking from customer personal smartphone has bounced Go-Jek as the leading motorcycle taxi in Indonesia. Indeed, Go-Jek and other new entrants that have similar service characteristics bring several good impacts to people daily activities through the smartphone app penetration. In contrast, it also bring negative impacts to the existing market players. Conflict comes out between both parties unavoidably. This conceptual study gives theoretical framework about conventional motorbike taxi and Go-Jek operational procedure and literature review about how new entrants influence existing players in the market and suggestion for possible solutions to be taken based on previous similar conflict solution and experts thought. Then, this study proposes the conceptual framework of the rejection in Bandung which covers all stakeholders and related activities.

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**Key words:** New entrant, technology-based innovation, public transportation, Go-Jek, conflict, rejection

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### INTRODUCTION

The purpose of this research is to identify any possibilities of motives that trigger the rejection phenomena and plots of rejection of transportation business new entrants which is emerging discussed, since mid of last year. In particular, researcher focus on analyzing Go-Jek rejection phenomena in Bandung city as a case study for new entrant's rejection. Go-Jek is one of public traditional transportations in Indonesia which basically offer similar service like conventional motorbike taxi which is called as ojek. Different with existing motorbike taxi, Go-Jek developed their business by applying the Information and Communication Technology (ICT) in the form of mobile app which has friendly interface. It makes their customers become easier to order Go-Jek by giving the location info from the customer's smartphone. Customer also get clear information about the driver name, current position and the price that they required to pay for the shuttle service. Since, the rate is determined by distance-based tariff, the price that offered by Go-Jek is more reasonable and cheaper than the conventional motorbike taxi.

Unfortunately, there were several cases related Go-Jek such as violence and persecution recently. Those were kind of rejection that shown by conventional

motorbike taxi drivers. Series of protests were arranged by them as they accused Go-Jek gave a serious threat to their livelihood through unhealthy competition. They said that by not paying public transportation taxes and legal fees to the government, Go-Jek was able to offer lower prices to passengers. There were four cases about Go-Jek which operated in Bandung in 1 day. It began when there was a customer who ordered Go-Jek service; meanwhile, there were groups of unknown people who blocked their way. They were suspected as motorbike taxi drivers who often operated in those areas. They beat the Go-Jek driver and also the husband of the woman customer. Then, there were a protest from group of Go-Jek to the police. They asked police to investigate those cases. However, the problem did not solved at that time. There were three other cases that motorbike taxi drivers beat the Go-Jek drivers in different places in the same day. It means that the security of Go-Jek drivers and their customers become an issue for the police, Go-Jek management and other parties who responsible for that. And the cases became more complex, since there is no regulation about motorbike as public transportation in Indonesia. The government is still finding it difficult to regulate the usage of motorbike as public transportation.

Indeed, Go-Jek should be one of the transportation solutions through its ease. But the reality told the

contradiction. There were some individuals or groups who react in negative ways and reject the existing of Go-Jek. Day by day, the rejection phenomena became close to criminal actions and brought the Go-Jek customers and Go-Jek drivers in unsecure situation as author told before. It needs to be solved soon to prevent the Go-Jek customers, Go-Jek drivers and other parties who related with Go-Jek from worse rejection action than before. Hence, understanding the motives behind the rejection phenomena toward Go-Jek become interesting and open for research to gain insights for the rejection solution.

This study gives theoretical framework about conventional motorbike taxi and Go-Jek operational procedure and literature review about how business new entrants influence existing players in the market. This paper also describes some previous similar conflict solution for possible solutions to be taken in Go-Jek rejection problem combined with suggestions from the experts. Then, this study proposes the conceptual framework of the rejection in Bandung which covers all stakeholders and related activities.

## **MATERIALS AND METHODS**

**Rejection to new entrants of transportation business:** In rapid business competition in information and technology era, the market demand force the provider to give them the efficiency, fast service, transparency, safety and comfort. The provider should able to see more than what customer need. The tense of the competition become hard and tight. Therefore, it is not rare evoke some reactions. The rejection phenomena is not only happened to Go-Jek as a new entrant in transportation business with technology innovation in Bandung. Similar rejection was also experienced by previous several new entrants companies when they operated their business for the first time such as blue bird taxi and Uber. Secondary data that collected from the online news told that most of the reason behind the rejection action was decreasing profit for existing public transportation. Although, the rejection cases to the new entrants in transportation happened in several times before, the rejection theory was not developed yet.

On the way to expand the successful of blue bird, since 1970 in the beginning of 2005 in Bandung where taxi did not use fair rate system, blue bird came to give solution in fare system. Using taximeter, blue bird tried to develop customer trust and comfortable. The other taxi which has already existed did not happy at all with the blue bird strategy (DetikNews, 2006, 2015). They felt rivalled. Furthermore, blue bird entry brought dramatic

impact to their income when most of their customer switched to blue bird service and government supported blue bird operation.

Businesses which use friendly technology such as smartphone and applications are growing and come as a part of the public transportation system. Uber is one of innovation in public transportation business by Uber Technologies Inc. which offer smart services (Uber car and Uber taxi) from application in smartphone or tablet to order and pays their service by Google Wallet, PayPal or credit card. Although, they are already expanded internationally, including Indonesia and those new business idea come from spectacle technological innovation, it came under criticism according to the security of its application, privacy breach of customer database information, driver credibility and the business legality itself. Uber expansion to Bandung got some rejection from the incumbent taxi companies (DetikNews, 2006, 2015). Uber was accused does not provide assurance for passengers and pool and office to operate their business.

Phenomena at those business competitions has been grew into various responses. In growing up of information and technology era, the enterprises try to compete with their business process which offers new value such as the simplicity, efficiency, transparency to customer and so on. However, innovation does not be always accepted. It also faces much rejection frequently from competitors or government itself.

### **Business concept of general motorbike taxi and Go-Jek:**

A business should have the best customer offering in each and every market. Some of businesses take advantages from disadvantages or recessive condition in the market. Then, it is called as solution. The business exists in the society and the economy merely because it has a specific purpose to supply economic goods and service (Drucker, 1993). In Indonesia, there are many kinds of public transportation operated such as angkot which stands for angkutan kota, means city transport, becak or trishaw, bus, train, motorbike taxi and so on. Motorbike taxi is an alternative to deliver people from their home to main road or even cross the main roads.

Motorbike taxi come up to offer solution in transportation services for route's limitation from the others public transportation or specified route. Motorbike taxi use a motorcycle in operation. Therefore it has small capacity for their passenger (one seat only) as we know it as a motorcycle taxi. It has effective service with time flexibility, large area of destination, ability to bypass the

traffic and low fare relatively. Now a days, motorbike taxi can be found in most areas of Bandung and the other cities in Indonesia from towns where traffic jams commonly hinder other forms of transport, to rural areas inaccessible by four-wheeled vehicles. They build small stations in those area then customers able to find them easily. Their operation is arranged by solidarity and queuing system in service. Some area has unionized operation. The first driver that come to motorbike taxi station deserve to get the first customer and so does the next. For the fare system, it can be negotiated between the driver and the customer.

Generally, the motorbike taxi drivers are men who aged over 17 years old with low educational background level. That kind of job do not required difficult skills just as long as people can ride motorcycle have formal riding license, knowledge of the operational area and of course have a motorcycle. Many motorbike taxi drivers own their vehicles either buy them on credit or rent them although in some areas, stolen motorcycles are common. The ease with which driver's licenses can be obtained has also been a contributing factor. Those are reasons why motorbike taxi become potential business or alternative job especially in metropolitan city which have high mobility.

Motorbike taxi drivers do not have standard fare of distance. Before the trip begins, the passenger usually haggles with the driver over the fare which generally ranges from 5,000-10,000 rupiah (about US\$0.30-US\$0.70) for short trips. Indonesian law requires motorcycle riders to wear helmets; often on motorbike taxi, however only the driver does so. Although, the driver will sometimes provide a helmet for the passenger, more often, drivers simply avoid main streets and the attention of police. They do not have standard operation procedure of service and safety. There is no regular scheduling system. That is why motorbike taxi may be considered as unprofessional. In Indonesia as stipulated in the Law of Traffic and Road No. 22 of 2009, there are five types of motor vehicles that is recognized by government, namely motorcycle, passenger cars, buses, freight cars and special vehicles. And the only car that can be used as general motor vehicles or public transportation as provided for in Article 47 Paragraph 3. Although, it is unlicensed, people still relied on ojek to help them in daily transportation problem especially in facing traffic jams. Many people choose them over taxicabs which are safer but slower and more expensive.

Looking at the problem of motorbike taxi transportation system, Nadiem Makarim found a new

system of public transportation service for new market segmentation. He developed Go-Jek Company which brings new service system from traditional motorbike taxi revolution into online Information and Technology (IT) adaptation. It is a common implementation to install IT basic infrastructure that allows an "e-Commerce" (electronic commerce) for a small shopper where products can be negotiated directly to internet-connected customers (Kalakota and Robinson, 2001). The main principals when this idea comes up are improving motorbike taxi driver welfare and also help government to integrate all public transportation ecosystems. Adaptability is one of important to business in certain specific sense. It is increasingly valuable quality even for company and also the target (Vernon, 2002).

Attempting to define the concept, others understand its relationships with information system (Hedman and Kalling, 2003) and other business concepts such as corporate strategy. Corporate strategy which Go-Jek constructed is online-order base in smartphone application. Fastest door-to-door service of its kind make the customer can call the motorbike taxi from their place without come to motorbike taxi station. Tracking system make customer sure the rider in his way. They put also a full identity of the rider in system to be recognized by customer. Talking about financial agents (credit card operator, banks) accounting, legal and fiscal agents and others is completely transparent in order to attend a customer's need (Kalakota and Robinson, 2001). Therefore, Go-Jek implements fair fare based distance route system or transparent pricing. Supporting with map direction the rider and the customer know which direction they will take and how far then how much the customer should pay the fare. To attract customers, Go-Jek applies several discounts: for first-time users and in some special occasion like in religious holidays.

Go-Jek makes motorbike taxi occupation become professional business with hiring specified criteria for its employee, Standard Operation Procedure (SOP) orientation training and standard uniform. The main SOP is of course to ensure customer safety and service distribution. Wider market grabs solution, Go-Jek is able to break limitation of area services with application system rather than traditional one. As an e-commerce business, Go-Jek apply a sharing profit system 20:80 between the company and the employees or drivers. Now Go-Jek leverages their business in developing cooperation with other companies. This cooperation purposes to maintain company cash flow. Therefore, Go-Jek is able to gain the income from their loyalist customer every day.

**Customer needs for city transportation:** Service quality of transportation modes influence the customer satisfaction that leads to decision to choose the transportation modes. Therefore, it is important to know what kind of service quality that leads to customer satisfaction.

Service quality of transportation modes influence the customer satisfaction that leads to decision to choose the transportation modes. Therefore, it is important to know what kind of service quality that leads to customer satisfaction. Transportation Research Board (1999) proposed ten principals to measure customer satisfaction of service quality in transportation industry. They are reliability, responsiveness, competence, access, courtesy, communication, credibility, security, security, understanding the customer and tangible. Transportation Research Board (2003) refined the proposal and came up with eight principals which are availability, service monitoring, community, travel time, safety and security, maintenance and construction, economic and capacity. It also found that fare has significant impact while service quality (access and egress time, service intervals, time spent on board the vehicle, the waiting environment, effect of vehicle characteristics, public transport interchange, reliability and information provision) has less significant impact to the demand of public transport.

Previous studies showed several frameworks used to understand the customer satisfaction in public transportation. Joewono and Kubota (2007) used six determinants of service quality (availability, accessibility, information, customer service, fare and negative experience with the crew) and found that those determinants were important factors in influencing the overall satisfaction. Directorate General of Ground Transportation conducted a survey for public transportation passenger to propose a minimum service quality of road-base public transportation in urban area. Based on the study, the criteria of service quality indicators and level of its importance in big city like Bandung are safety, security, fare, punctuality, convenience and easy access to ticket (very important) travel time, crew service, cleanliness, operating hour and information (important) and accessibility, number of mode changes, waiting time and walking distance (quite important). Anderson *et al.* (2013) measured what customer perceived as convenience in public transportation adopting eight attributes of service quality in public transportation (availability, accessibility, information, time, customer care, comfort, security and environmental impact).

**New entrants influence existing players:** New entrants are seen as a threat by existing players as they have ability and desire to gain market share. The threat of new entry endangers the incumbent's potential profit. It forces the incumbents to react to defend their market share and potential profit examined how the existing players probably react in the midst of competition with new entrants. He introduced defensive and offensive marketing strategies in response of new entrant's threat. Defensive strategy is an attempt to make the market looks unattractive and discourage potentials entrant to enter the market. "Incumbents try to shape the challenger's expectations about the industry's profitability and convince them that the return on their investment will be so low that it does not warrant making an investment in that industry." Meanwhile, offensive strategy is an attempt to attain competitive position by taking market share away from new entrants.

Ito and Kato (2012) examined the probability of the incumbents leave the market due to the new entrants in Japan as the form of defensive strategy. Incumbents in the non-tradable services sector (construction, electricity, water disposal, etc.) are the most likely to be affected by new entrants. The reason is difficulties of incumbents to expand their customer base outside the region. Meanwhile, in tradable services sectors (real estate, insurance, telecommunication, etc.) medium-scale entrants are the one that most likely drive out incumbents.

As the offensive strategy, Goolsbee and Syverson (2004) study show how new entries affect the price on market. The finding shows that incumbents respond to new entries threat by dropping fares significantly as an anticipation strategy. This is the attempt from incumbents to maintain the long-term loyal customers before customers have a new carrier to choose from. Business level strategy is concerned with what the firm does to successfully use its competitive advantages in specific product markets. In the global economy, competitive rivalry is intensifying (Dewett and Williams, 2007) meaning that the significance of its effect on firm's business-level strategies is increasing. Firms that develop and use effective business-level strategies tend to outperform competitors in individual product markets, even when experiencing intense competitive rivalry (Sahay, 2007).

**Suggestion for the conflict solution:** In 2006, the rejection towards blue bird taxi operation in Bandung came to the culmination point with destruction of some of its fleet (DetikNews, 2006). Semi-structured interview was

conducted to ask Bandung department of transportation about the government strategy and policy to overcome the conflict. Mayor of Bandung City at the moment, Dada Rosada, invited the existing taxi companies' management and drivers to talk about the future of Bandung transportation. He argued the drivers for their complaint about the low occupation of their existing taxi operation with the long-term development of the city. He described that Bandung was developing and boosted its tourism sector to attract more visitors which finally could have impact to the city and citizens economic growth. He also told them about the importance of competition in many aspects, especially in taxi business. He asked the existing taxi companies to add their fleet together with service quality improvement. He promised to speed the operational permit procedure for additional taxi registered.

About the online transportation in Jakarta, Basuki Tjahaja Purnama, Jakarta Governor, said that he would still allow the app-based transportation to operate in the capital but they had to register their vehicles as public transportation and pay the required taxes (The Jakarta Post, 2016). He added that they also had to put stickers on vehicles to make them visible as public transportation. The central government has also been trying to find a balance between protecting traditional drivers and not shutting down the app-based services which are highly popular among members of the middle class. Those two policies from Bandung and Jakarta government were levelling the playing field among the new entrants and the incumbents.

The similar conflict do not only happened in Indonesia. Overcame the conflict between cab companies and online ridesharing transportation modes like Uber in San Francisco, the government took a first step in May 2015 by waiving medallion or operation permit renewal fees for 2015 (Beyer, 2015). Currently, cab companies must pay \$250,000 upfront for medallions and \$1,000 annually to renew them. By waiving this year's fee, San Francisco Municipal Transportation Agency (SFMTA) were trying to level the playing field for all the competing transportation modes. The same solution was taken by other cities in the US, New York City and Boston. Further, Beyer (2015) also proposed a reformation to cab transportation medallion, a reimbursement plan. It could be varied from full to partial reimbursement based on the tax payment discipline. Partial refunds could be done with the biggest sums going towards those who bought medallions most recently and who thus had the least time to cash in.

## RESULTS AND DISCUSSION

**Conceptual framework for the solution:** To understand this problem we need a holistic view to all related stakeholders and motives. The conceptual model can be developed as shown in Fig. 1.

Our model begins with motivation. It explains the motives of stakeholders (i.e., drivers, owner) to do new business and determine whether they will join or not join with those new business. Go-Jek developed its operation in Bandung, since it saw that there was interesting business opportunity in motorbike transportation. The founders were motivated to provide motorbike taxi service with better quality. By recruiting people who want to be its partner as drivers, Go-Jek offer a new motorbike taxi experience with user-friendly digital-based order system with single rate policy to all destination in the city which is below the conventional motorbike taxi common rate. It also offers clean helmet and masker to ensure customer's convenience and add its competitive advantage. Those motivation will influence the operation management of new business such as their recruitment and operational procedures.

Then, the pattern of operational management of new business will influence the business competition. By entering the same market, Go-Jek had made competition to the existing provider which is conventional motorbike taxi. Sometimes, it could bring negative impact (i.e., decreasing their market share and income) for the existing business, but also could bring positive impact (i.e., ease of access) for the customers. The negative impacts toward existing business trigger the rejection of new entrants. Some of conventional motorbike taxi drivers decided to be Go-Jek drivers but some of them refuse to join the partnership due to several reasons. Over the days, Go-Jek market possession grew so fast and threatened the conventional motorbike taxi driver's income. The refusal continued to resistance or rejection which in some cases followed by criminal actions to Go-Jek drivers. To solve the problem of rejection, the government should concern about the people's need and their protection when using the service. Prior to this study, the regulation about motorbike as public transportation is not developed yet. A regulation could be the foundation for all stakeholders to develop their business and keep the competition fair. Police also has important role because some of rejections became a criminal. The institution should not let the problems to be more serious. In cooperation with Go-Jek management and the drivers, government, publics and conventional motorbike taxi drivers, Bandung City police should try to conduct dialogues to solve the rejection.

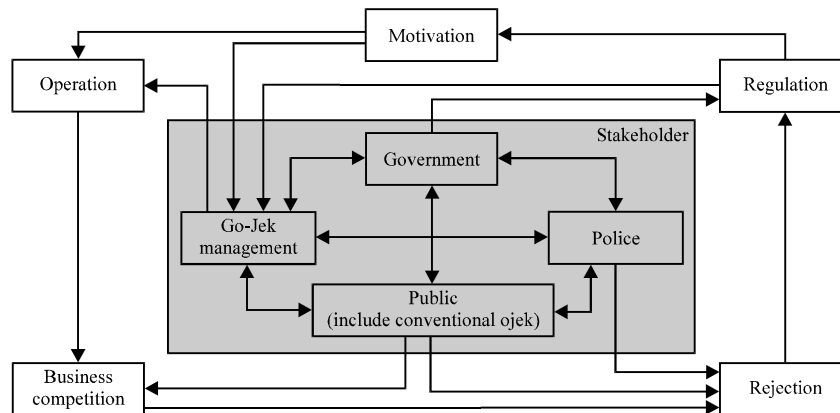


Fig. 1: Conceptual framework of Go-Jek rejection in Bandung

## CONCLUSION

This study gives the theoretical framework about conventional motorbike taxi and Go-Jek operational procedure and literature review about how business new entrants influence existing players in the market. It also describes some previous similar conflict solution for possible solutions to be taken in Go-Jek rejection problem combined with suggestions from the experts. Based on the literature review, researchers take conclusion that Go-Jek existence brought more intense business competition. Linkage of all stakeholders related in the motorbike taxi business mapped in the conceptual framework should be explored to find the detailed root cause and of course to find the win-win solution to overcome the conflict.

## RECOMMENDATIONS

Research may be conducted further by collecting actual data to understand the real motives happened that trigger the rejection phenomena to Go-Jek operation using case study method. Possible research questions that could be addressed are why the rejection phenomena of transportation business new entrants exist, how the rejection happen and how to solve the conflict. According to Yin (2003), a case study design should be considered when the focus of the study is to answer “how” and “why” questions; we want to cover contextual conditions because we believe they are relevant to the phenomenon and context; the boundaries are not clear between the phenomenon and context.

The cases for this study (i.e., the rejection phenomena of Go-Jek in Bandung) was selected for the following reasons: Go-Jek as new entrants adopt ICT in their business. It means that Go-Jek becomes a good

example for transportation mode in 21st century that everything is close with technology; some of the society give positive response to the Go-Jek but some of them also give negative response. One of the negative response is rejection action such as violation and persecution. The rejection actions become worse day by day and disturb the society. At the end, this rejection case will give us possibility to understand the motives and plot of the rejection in the field of transportation.

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