

RELATIONAL BENEFITS FOR GRAB DRIVERS'
SATISFACTION AND COMMITMENT

BY

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ABSTRACT

Electronic-hailing or e-hailing service is an intermediary which provides electronic platform and database to match ride demand and supply of the users to the drivers. However, this type of sharing economy-services model has been struggling with conventional regulatory requirement in many countries, including Malaysia. The battle has changed the Malaysian e-hailing service industry landscape and eventually affected the driver-service provider relationship. As a result, the number of drivers dropped; fewer drivers are available to serve the demand and end-customers are experiencing increment in ride fares during the early period of regulatory enforcement. In response to the issues, the giant e-hailing service provider in Southeast Asia, *Grab*, has revised their driver-partner benefits program actively to fascinate drivers to stay longer with them. Consequently, this study proposed the link of relational benefits-relationship commitment that preceded in commitment-trust theory to rule the presented ontology. In addition, satisfaction is positioned as a mediator between the relational benefits and relationship commitment. This study adopted a quantitative approach, where the data collection process was employed through a survey questionnaire to test the proposed hypotheses. A total of 259 valid samples was obtained from *Grab* drivers all over Malaysia, and subsequently were analyzed using SPSS 25 and SmartPLS 3.0. Overall, the findings disclosed that confidence benefits, special treatment benefits and honor benefits were positively influence drivers' satisfaction and drivers' commitment towards their service provider, *Grab*. The study findings, however, demonstrated that the confidence benefit failed to influence driver commitment directly. In the meantime, driver satisfaction is found to be a successful mediator in the relationship between confidence benefit, special treatment benefit and honor benefit with driver commitment. Based on the obtained findings, this study provides some practical recommendation to preserve the e-hailing drivers' welfare and well-being in this two-sided service industry.

ملخص البحث

خدمة الاستدعاء الإلكتروني أو e-hailing هي وسيط يوفر منصة إلكترونية وقاعدة بيانات لمطابقة طلب الركوب وإمداد المستخدمين بالسائقين. ومع ذلك، فإن هذا النوع من نموذج خدمات الاقتصاد التشاركي كان يكافح مع المتطلبات التنظيمية التقليدية في العديد من البلدان، بما في ذلك ماليزيا. لقد غيرت المعركة المشهد الماليزي لصناعة خدمات الاستدعاء الإلكتروني وأثرت في النهاية على العلاقة بين مزود خدمة السائق والسائق. ونتيجة لذلك، انخفض عدد السائقين. ويتوفر عدد أقل من السائقين لتلبية الطلب ويشهد العملاء النهائيون زيادة في أسعار الركوب خلال الفترة المبكرة من التطبيق التنظيمي. استجابةً لهذه المشكلات، قامت شركة Grab، مزود خدمة الاتصال الإلكتروني العملاق في جنوب شرق آسيا، بمراجعة برنامج مزايا الشركاء السائقين بشكل نشط لإثارة إعجاب السائقين بالبقاء لفترة أطول معهم. وبناءً على ذلك، اقترحت هذه الدراسة الارتباط بين الفوائد العلائقية والتزام العلاقة الذي سبقه في نظرية الالتزام والثقة لحكم الأنطولوجيا المقدمة. بالإضافة إلى ذلك، يتم وضع الرضا كوسيط بين الفوائد العلائقية والالتزام بالعلاقة. اعتمدت هذه الدراسة على المنهج الكمي، حيث تم استخدام عملية جمع البيانات من خلال استبيان مسح لاختبار الفرضيات المقترحة. تم الحصول على إجمالي 259 عينة صالحة من سائقي Grab في جميع أنحاء ماليزيا، ثم تم تحليلها باستخدام SPSS 25 و SmartPLS 3.0. بشكل عام، كشفت النتائج أن مزايا الثقة ومزايا المعاملة الخاصة ومزايا الشرف كان لها تأثير إيجابي على رضا السائقين والتزام السائقين تجاه مزود الخدمة، Grab. ومع ذلك، أظهرت نتائج الدراسة أن ميزة الثقة فشلت في التأثير على التزام السائق بشكل مباشر. في غضون ذلك، تم العثور على رضا السائق ليكون وسيطاً ناجحاً في العلاقة بين منفعة الثقة ومزايا المعاملة الخاصة ومزايا الشرف مع التزام السائق. استناداً إلى النتائج التي تم الحصول عليها، تقدم هذه الدراسة بعض التوصيات العملية للحفاظ على رفاهية ورفاهية سائقي خدمات النقل الإلكتروني في صناعة الخدمات ذات الوجهين هذه.

APPROVAL PAGE

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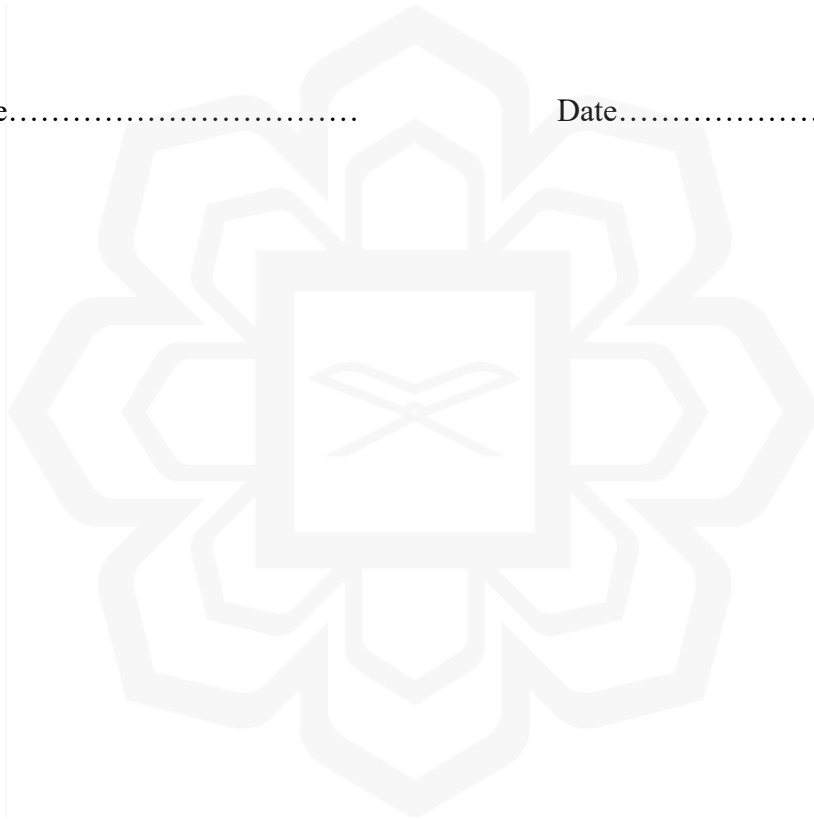
DECLARATION

I hereby declare that this dissertation is the result of my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

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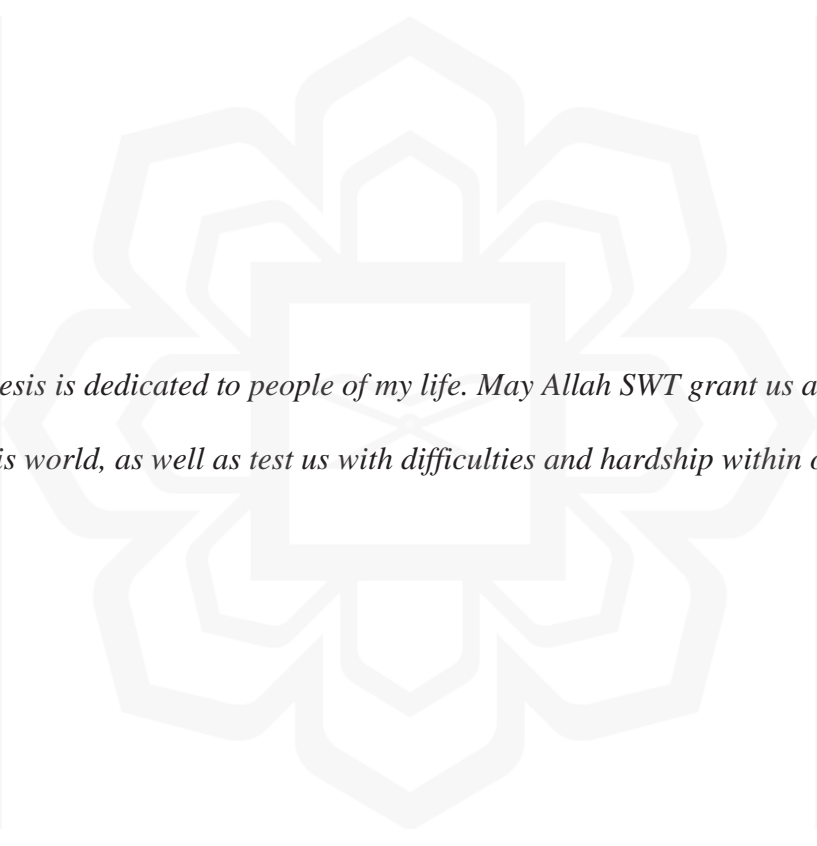
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This thesis is dedicated to people of my life. May Allah SWT grant us all that we need in this world, as well as test us with difficulties and hardship within our capacity.

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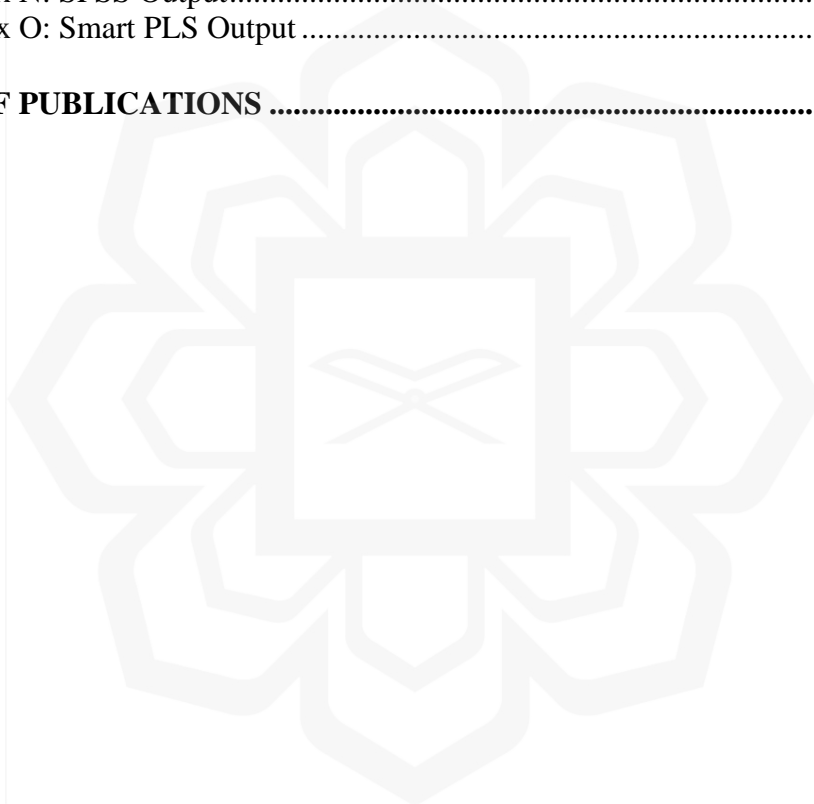
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LIST OF ABBREVIATIONS

| | |
|----------|---|
| AI | Anticritical Intelligence |
| APAD | Agensi Pengangkutan Awam Darat Malaysia |
| AVE | Average Variance Extracted |
| CFA | Confirmation Factor Analysis |
| CPUC | California Public Utilities Commission |
| CR | Construct Reliability |
| GDP | Gross Domestic Product |
| GPS | Global Positioning System |
| GLOW | Global Online Workforce |
| ECT | Expectation Confirmation Theory |
| EPF | Employees' Provident Fund |
| E-PV | Electronic-Public Vehicle Permits |
| FP | Foundation Proposition |
| HTMT | Heterotrait-Monotrait Ratio of Correlations |
| ITF | International Transportation Forum |
| PLS-SEM | Partial Least Square- Structural Equation Modelling |
| PENJANA | Pelan Jana Semula Ekonomi Negara |
| PERMAI | Perlindungan Ekonomi & Rakyat Malaysia |
| MDEC | <i>Malaysia Digital Economy Corporation</i> |
| NRP | National Recovery Plan |
| SET | Social Exchange Theory |
| SD-Logic | Service Dominant-Logic |
| SOCISO | Social Security Organization |
| SRMR | Standardized Root Mean Square Residual |
| SPSS | Statistical Package for the Social Sciences |
| TNC | Transportation Network Companies |
| TPEP | Taxi Passenger Enhancement Program |
| VIF | Variance Inflation Factor |

CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

The emergence of sharing economy-services has impacted customers' lifestyle in different ways. E-hailing services particularly, is one of the examples which constituted the new category of services, prominently demonstrated great performance within the decade of years. However, as life is full of challenges, none of us is exempted. Despite of the remarkable victory, the service industry has been in a battle with "conventional regulatory requirement" in many countries, including Malaysia. The challenging period has affected the Malaysian service industry landscape and eventually jeopardizing the driver-service provider rapport. As a respond to these issues, platform providers have been proactively revising their approaches to fascinate their drivers to "reheat" the electronic platform league after the industry has officially regulated. Hence, this study is inspired by understanding the theoretical approaches that may lie behind the aforementioned issues.

1.2 BACKGROUND OF STUDY

Sharing economy has started to heat the global business league since emergence of the internet, mobile technologies and rapid advancement in analytics and artificial intelligence (AI); shifting consumer preferences and consumption patterns in less than a decade (Jochen, Fung, Amrish, & Helen, 2019). There is no doubt that the sharing business model eases people to transact directly from one to another through unprecedented ways. Brands such as Airbnb and Uber appear to be a pioneer in commercializing the business model as electronic platform providers. Functioning as an intermediary, this electronic platform offers the sort of information to match demand and supply of availability for accommodation or transportation to be rented (Sun, Teunter, Babai, & Hua, 2019; Wang, He, Yang, & Oliver Gao, 2016).

The booming of ride hailing industry in Malaysia was sparked by Uber in 2012. Created by Travis Kalanick and Garrett Camp in March 2012, Uber Technology Inc. was launched in San Francisco, United States of America (Goh, 2014). Between 2015 to 2016, Uber seems pleasant to rule the service market in Southeast Asia. In the meantime, *Grab* became the first local Southeast Asian company that competes in this service industry (Davis, 2018). As well as Uber Tech, *Grab* was initiated in the year of 2012 as MyTeksi Sdn Bhd, which was officially launched in Malaysia before decided to shift their operation center to Singapore. At first, *Grab* approached the Malaysian local taxi owners to join their partnership, however the effort was unsuccessful due to low participation of taxi owners during that time. Only a mere 40 taxi drivers in Kuala Lumpur agreed to participate during the first trial (Grab, 2019c).

In 2014, *Grab* changes their strategy to approach the non-taxi owners, which are the private vehicles' owners to be their driver-partner. Subsequently, the strategy was seemingly well-impressive and managed to uphold their position as a giant e-hailing service provider in Southeast Asia (Lee, 2020). Uber then sold its market share to *Grab* in March of 2018 as an exchange for a stake in the Singapore-based firm after 5 years operating in Malaysia. The acquisition, amounting about US\$700 billion has widen the *Grab's* territory in Southeast Asia, which allows it to take over Uber's operations and assets in Cambodia, Indonesia, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam (Russell, 2018; Toh, 2018). *Grab's* market share in Southeast Asia entails 72% in the ride-hailing market, 50% in the online food delivery market, and 23% in the digital wallet payments market (Lei, 2021). To date, *Grab* has contributed US\$5.8 billion (\$\$8 billion) to Southeast Asia's economy between 2018 and 2019 (Devanesan, 2020). *Grab* now operates in 397 cities across eight Southeast Asian countries (as illustrated in Figure 1.1) and its mobile application has received over 214 million downloads (Anshuman, 2021).



Source: (Grab, 2019c)

Figure 1.1: *Grab's* Operating Country as at December 2019

The remarkable story of *Grab* has enabled the mechanism of other local e-hailing service firm to join the league. More significantly, there are 32 local e-hailing providers were reported to have registered with Agensi Pengangkutan Awam Darat Malaysia (APAD) as of March 2021 (Refer Appendix A). Hence, the competition among *Grab* and other new e-hailing players such as MyCar and MyTaxi begins to heat up the Malaysian e-hailing service league. Meanwhile, the active participation of local e-hailing players into the service market, coupled with the high demand from end-customer has urged the government to control the service industry (Izahar, 2018; Amirnuddin et al., 2017). As a result, the service industry has been officially regulated under the same regulation that the taxi industry is subjected to since 12th October 2019 (Mokthar, 2019). Several amendments have been made in the Akta SPAD 2010, Akta 714 and Akta 715 to legalize the e-hailing service industry in Malaysia (Refer Appendix C). In addition, the enforcement of regulation on the service industry is relevant to control the threat towards the welfare of traditional taxi drivers who are operating in a regulated environment previously (Jais & Marzuki, 2020; Ooi, Lim, & Fernandez, 2020).

Correspondingly, *Grab* is the single e-hailing service provider which has initiated the *Grab* driver-partner benefits program since 2017; aiming to encourage participation e-hailing driver into their platform actively. Despite having the e-hailing industry officially regulated, the benefits program has been revised again, however, the attempt was unsuccessful in obtaining the drivers' feedback towards the benefit program due to the pandemic arises in March 2020. In line with the effort to embrace the Covid-19 pandemic aftermath, the Malaysian government initiated Pelan Jana Semula Ekonomi Negara (PENJANA), with a package of RM75 million (Dahlan, 2020). This incentive includes RM50 million to provide a Voluntary Contribution with Retirement Incentive or known as an *i-Saraan*, for gig workers (including the independence worker, e.g., e-hailing driver; food dispatcher) incorporated through SOCSO and EPF. The remainder of RM25 million is under the purview of Malaysia Digital Economy Corporation (MDEC), through Global Online Workforce (GLOW) programs. Previously, almost 9,000 registered e-hailing drivers received the one-off RM500 aid in April 2020 under "Pakej Ransangan Ekonomi" by the Malaysian government, in effort to reduce their burden during movement control order. In conjunction with this effort, *Grab* has also upgraded their *Grab* driver-partners benefit program in December 2020, aiming to upskill and improve the financial resilience of more than 120,000 driver-and delivery-partners (Azhar, 2019; Grab, 2020a).

Indeed, to survive in this unprecedented and challenging period, 'extra homework' needs to be done by the service provider. In this respect, relying on the superior core service seems to be inadequate (Patterson & Smith, 2001b). Realizing the fact that the e-hailing service provider own no ownership upon the vehicle, thus, ensuring active participation from the driver is tremendously important (He, Wang, Lin, & Tang, 2018; Wang, He, Yang, & Oliver Gao, 2016). Likewise, offering a pleasant benefit to the drivers seems to be the best option to remain significant in this type of two-sided market (Browne, 2021; Dahlan, 2020; Rosenblat, 2020). Hence, efforts from service provider needs to clearly executed in order to retain active drivers, subsequently maintaining a valuable relation with them (Soni, 2019; Gremler & Gwinner, 2015; Colgate, Buchanan & Elmsly, 2005). Consequently, this study aims to focus on the e-hailing driver-service provider

relationship, by emphasizing the relevant benefits that can increase drivers' satisfaction to prolong their commitment with the service provider.

1.3 PROBLEM STATEMENT

The issues regarding regulatory procedures have demotivated drivers to discontinue driving with *Grab*. As a result, 50% of the e-hailing drivers chose to quit driving with them due to the cost and time frame of the regulatory procedures (Kanyakumari, 2019; Mahfuzah, 2019). Through their press statement, *Grab* justified the following consequences, fewer drivers are in "ready mode" and end-customers are facing increment in ride fares during the early period of regulatory enforcement (Grab, 2019a). Although *Grab* offers "Pakej Pikul Bersama" to reduce the regulatory expenses borne by the drivers, an exploratory study revealed, the other benefits that were offered at the particular time were claimed to be insufficient due to the increasing expenses of vehicles' maintenance (Refer Appendix B). This episode has created dissatisfaction among *Grab* drivers.

After experiencing the hardship throughout of the regulatory procedures, "job tapping" activity started to arise among *Grab* drivers to compete in stealing jobs among one another (Tariq, 2020). It was reported that around 1% of daily job affected caused by illegal activities, between October 2019 until March 2020 (FMT, 2020). *Grab* is aware that the job stealing activity is actively happening, thus taking necessary action upon it (Nicker, 2020). Again, this situation has triggered frustration among *Grab* drivers. Recently, the Covid-19 pandemic has just worsened the circumstance of the e-hailing demand (Ammeran, 2020). *Grab* admitted ride-hailing demand plunges by 90% due to the decline in e-hailing customers (Tong, 2020). Thus, drivers earn significantly lesser than they used to, after factoring in the supposed drop in number of passenger bookings and an increase in drivers, amid the Covid-19 pandemic. As a result, the above undesirable scenes had affected drivers-service provider relationship.

Meanwhile, the empirical work on relational benefits (also known as a relationship benefits) through commitment-trust theory indicates that a customer will commit longer in a commercial relationship when they receive additional benefits beyond the core service

provided (Morgan & Hunt, 1994). Early research by Gwinner, Gremler, and Bitner (1998) proposed three types of relational benefits, namely confidence benefit, social benefit and special treatment benefit which were found to be effective to satisfy customers and strengthen their relationship with the service provider. As the nature of business transaction nowadays has evolved from the brick and mortar to the internet-based business, social benefit was reported to be inapplicable for such business nature (Colgate et al., 2005; Su; Yen & Gwinner, 2003). Due to the limitation of internet-based services to allow a face-to-face interaction between customer and service employee, there is no opportunity to develop social benefit as highlighted in the prior study by Gwinner et al. (1998) (Refer Yen and Gwinner, 2003). Besides, Gremler and Gwinner (2015) also admitted that discussion of social benefits remains open for the low contact services.

Although there is a lack of direct human the online-based business interaction (including the e-hailing service), online customers still hoping to enjoy recognition and comfort occurring in human contacts (Soni, 2019; Verma, Sharma, & Sheth, 2016; Su et al., 2009). To further picture the social association in the online setting, a study by Su et al., (2009) discovered there is a joyful experience obtained from online transaction that may lead to positive emotional outcome, that is known as a honors benefits. For instance, this type of relation benefits has been studied by previous studies no other than Kong, Zhang, and Wang, (2009) and Luo et al., (2019). Besides, the mentioned studies been conducted in Asian context which resulted a significance outcome in towards satisfaction (Refer Su et al., 2009), company relation (Refer Kong et al., 2009) and customer emotional attachment (Refer Luo et al., 2019).

In addition, there are sufficient studies that observed the relational benefits in the internet-based business since the virtual commerce dominated the customer buying culture (Soni, 2019; Verma et al., 2016). However, deficiency in past literatures is found to be existed when studies on relational benefits in the internet-based business is transferred from a past relationship (face-to-face), while the relationship of some business nature is said to be relied only on the virtual relationships (Soni, 2019; Gremler & Gwinner, 2015; Su et al., 2009 Colgate et al., 2005). One should expect a different antecedents and consequences

when the “never meet” relationship is formed. Hence, this deficiency demand further discussion.

Based on the above preceding discussion, there is a need for a better understanding of possible relational benefit types which may lead to e-hailing drivers’ satisfaction, and subsequently reinforce their commitment with the service provider. Hence, the present study intends to examine relationship between confidence benefit, special treatment benefit, and honor benefit with e-hailing drivers’ satisfaction, and eventually the influence on their commitment in the e-hailing services context. In line with the intention, social exchange theory and service-dominant logic will also be explained to further justify the present research context.

1.4 RESEARCH QUESTIONS

The main research question is to discover “*what are the influence of the new benefits offered by Grab on the e-hailing drivers’ satisfaction and their subsequent commitment with the service provider?*”. Hence, the following research questions, are also relevant to be addressed.

- i. What are the influences of confidence benefit, special treatment benefit and honor benefit offered by the service provider on the e-hailing drivers’ satisfaction?
- ii. Does confidence benefit influence e-hailing drivers to commit with their service provider?
- iii. Does special treatment benefit influence e-hailing drivers to commit with their service provider?
- iv. Do e-hailing drivers’ satisfaction may reinforce their commitment with the service provider?
- v. Do e-hailing drivers’ satisfaction mediate the effects of confidence benefit, special treatment benefit and honor benefit offered on drivers’ commitment with the service provider?

1.5 RESEARCH OBJECTIVES

This study aimed to achieve the followings objectives:

- i. To identify the key antecedents of relational benefit provided by *Grab* which may influence the e-hailing drivers' satisfaction towards their service provider.
- ii. To determine the relationship between confidence benefit on e-hailing drivers' commitment with their service provider.
- iii. To determine the relationship between special treatment benefit on e-hailing drivers' commitment with their service provider.
- iv. To determine the relationship between the e-hailing drivers' satisfaction with their commitment to the service provider.
- v. To examine the mediating effects of the e-hailing drivers' satisfaction between the new offered relational benefits and their commitment to the service provider.

1.6 SCOPE OF THE STUDY

The decision to emphasize the focus on a single e-hailing provider is made base on three considerations. First, note that the obvious domination of single e-hailing service provider in Malaysia (and Southeast Asia in general) is well-led by *Grab* nowadays (Anshuman, 2021; Lee, 2020). In fact, *Grab* has demonstrated their monopolistic gesture since they took over the market share sold by Uber Tech since 2018 (Devanesan, 2020). Even after the service industry has been officially regulated in Malaysia, *Grab* is the single e-hailing service provider that shows their effort to anticipate with the changes by revising their driver-partners benefits program proactively (Grab, 2020; The Star, 2020 Azhar, 2019). In addition, an in-depth explanation is also provided in the research methodology and design to further justify the selection of target respondent and sampling technique.

Secondly, service exchanges can take many forms (Wirtz & Lovelock, 2018). Accordingly, a service relationship occurs when a customer repeated his/her interaction with the same service provider. Whereas, at the other end of their continuum, a service encountered is a situation in which a customer has a single interaction with the provider