

Harmonizing Social Impact and Corporate Success: The Nexus of GOTO's Contribution to Society and Profitability

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KEYWORDS	ABSTRACT
Social impact; Corporate Profitability; Strategy	This research examines the relationship between social impact and corporate profitability in the context of GoTo, Indonesia's largest technology conglomerate. This study analyzes GoTo's transformation from a simple ojek service to a comprehensive digital ecosystem, as well as its role during the COVID-19 pandemic. Using quantitative and qualitative mixed methods, this study investigates changes in consumer behavior, GoTo's economic contributions, and post-IPO challenges. Key findings show a significant increase in GoTo's service usage during the pandemic, with annual contributions reaching 1.6% of Indonesia's GDP. However, GoTo's pursuit of profitability post-IPO faces market volatility and regulatory scrutiny, particularly regarding driver-partner welfare. This research highlights the complexity of balancing social missions with the demands of profitability in the gig economy, emphasizing the importance of a holistic approach to sustainable growth that considers the interests of all stakeholders.

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1. Introduction

GoTo began its activities as an Ojek-based transport service company in 2010. In that period, GoTo, which was then still known as GoJek, started its activities from 20 ojek and 1 call Centre only (Almunawar & Anshari, 2022). Only after 5 years did the Gojek application be completed, and an increase in orders was received to 10,000 orders every day. This success also made them successful in getting Series funding. It didn't take long; Gojek managed to become a Unicorn company a year later (Cho & Anindya, 2021). In 2021, Gojek made a big breakthrough by merging with the largest e-commerce company in Indonesia, Tokopedia. The merger of these two companies created the largest technology company in Indonesia and ensured a "go-to" ecosystem for various daily needs. Today, GoTo is a multi-service company with products ranging from transportation, logistics, financing, dining and shopping. The company is also listed on the stock exchange and is one of the largest-value companies in Indonesia (Foss & Saebi, 2017).

Pandemic Blessings for Gojek and Tokopedia

On 2 March 2020, the Indonesian government announced the first case of Covid-19. It did not take long for Covid-19 to spread in Indonesia and become a pandemic. At its peak on 31 March 2020, the Indonesian government declared the implementation of Large-Scale Social Restrictions (PSBB). This condition then makes the Indonesian people stay home and cannot do activities outside the home. This condition indirectly increases the potential for digital transactions from the Indonesian people. Based on a study from the Demographic Institute of the Faculty of Economics and Business, University of Indonesia, the annual economic contribution of the GoTo ecosystem reached 1.6% of Indonesia's GDP. This contribution increased from the previous year by 60% and reached 249 trillion rupiah. In the same study, GoTo said that there were changes in consumption patterns during the pandemic. GoFood customers, for example, experienced a 65% increase compared to before the pandemic. Also, 36% of consumers also stated that they used online delivery services more often (Belk, 2014). On the payment side, GoTo users experienced a 68% increase in the use of GoPay. The increase also occurred in the use of the PayLater feature with a magnitude of 57% (Goto, 2023).

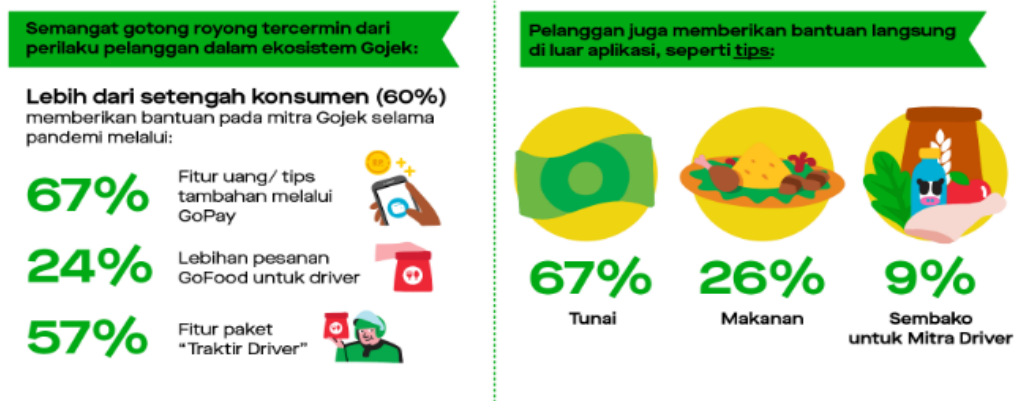


Figure 1 Driver Partner Support Programme from Consumers

Source: Gojek.com (2020)

Not only does GoTo encourage an increase in the number of application users, but it also encourages an increase in the welfare of its partners, especially drivers. Based on the same study's results, more than half of consumers (60%) assisted Gojek partners during the pandemic through several ways, such as the money tips feature, GoFood order overrides, and the driver treat feature. In addition to these features, some customers stated they provided cash, food and necessities for driver-partners.

IPO and GoTo Profitability Demands

On 11 April 2022, GoTo was listed on the main board of the Indonesia Stock Exchange for the first time. The listing followed an offering period from 1 to 7 April 2022. GoTo set the IPO price at IDR 338 per share, offering 46.7 billion new series A shares. Through this sale, GoTo aimed to raise IDR 15.8 trillion. This IPO was reported as the third-largest in Asia and the fifth-largest globally in 2022. After the IPO, GoTo's stock faced challenges. On its first trading day, GoTo's shares rallied by 18%, reaching Rp 400 per share. However, on 12 April, GoTo stock entered the red zone, falling by 4.71%.

The downward trend continued, with GoTo shares touching Rp 312 and Rp 300 within one month after the IPO.

In the following month, GoTo shares again experienced pressure where the price had decreased to Rp 190. Luckily on 25 May, the price increased again to Rp 304. The stock touched Rp 412 in the middle of June. But the latest challenge came at the end of November. In that period, GoTo shares went through a lockup period. **Lockup** is a condition where shareholders from the pre-IPO period cannot sell their shares. The lock-up period is implemented to prevent pre-IPO shareholders from selling their shares and causing the price to fall. In addition, selling shares from pre-IPO shareholders can make the market perceive that the shares are not profitable enough. During this period, GoTo shares fell and experienced an auto-reject bottom (ARB) during the week. An **auto-reject bottom (ARB)** is a condition where the stock experiences such an extreme decline that the exchange closes trading for the stock. This is done to prevent market panic over the share price. GoTo itself experienced a price drop to Rp 107 per share. The peak of GoTo shares had touched Rp 82 per share (CNBC, 2022).



Figure 2. GoTo Share Price Movement

Source: Trandingview (2023)

After almost two weeks, GoTo stock slowly returned to the upside. However, GoTo stock never returned to the same level as before. By the end of 2022, GoTo stock had fallen 74.26% from its initial IPO price, with such a high price drop. GoTo stock has lost its market capitalization from IDR 361.23 trillion to only IDR 103.04 trillion.

Chasing Company Profitability After IPO

In response to the ARB volumes in early December 2022, the IDX invited GoTo executives to conduct an incidental public expose. Public exposure is an activity where a company announces the current condition of the company in order to provide confidence to shareholders. The IDX conducted this public exposure to ease the market's panic over the potential of the stock price decline that has occurred many times. At the public expose, Patrick Cao, Group President of GoTo, shared some of the company's priorities. In the public expose document distributed, there are two main commitments from the GoTo company, namely quality business growth and driving overall efficiency. Both aim to increase the company's profitability. In an official statement, GoTo President Director Andre Soelistyo stated his commitment to record positive EBITDA in the fourth quarter of 2023. This commitment

can be seen in GoTo's financial statements in the first quarter of 2023. Overall, there was a 67% growth in adjusted EBITDA from last year to IDR -1.6 trillion or -1.1% of gross transaction value.

When looking at gross revenue from GoTo in the quarter this year it reached Rp 5.98 trillion, up 14% yoy from Rp 5.23 trillion. When viewed in more detail, gross revenue for on-demand services through Gojek rose 12% to Rp 2.99 trillion. E-commerce gross revenue via Tokopedia rose 21% to Rp 2.26 trillion from Rp 1.87 trillion, and fintech revenue via GoTo Financial (GTF) shot up 25% to Rp 424 billion from Rp 338 billion. In addition to increasing sales, GoTo reduced its net loss by 41% in the first quarter of 2023 to Rp 3.89 trillion from the net loss for the same period in 2022, worth Rp 6.61 trillion.

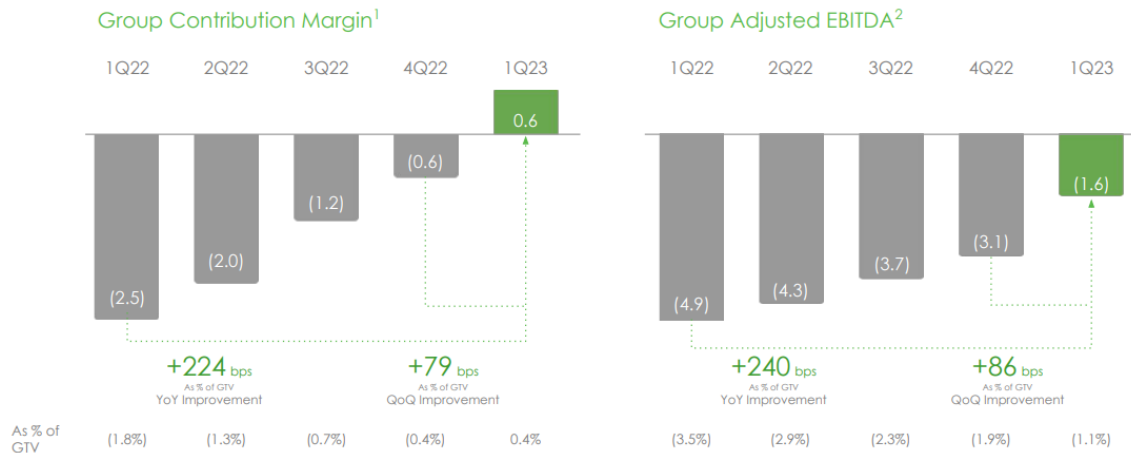


Figure 3. Contribution Margin and EBITDA of GoTo in the First Quarter of 2023

Source: GoTo (2023)

To increase profitability, GoTo increases the take rate of each product service provided. The take rate is the service fee charged by the company to consumers who use the service. As of early 2020, GoTo's on-demand service, Gojek, has a take rate of 20.8% for each service provided. Meanwhile, Tokopedia has a take rate of 4% for each service provided.

Profitability Trade-Off: Social Mission

To tidy up the issue of online transportation in Indonesia, the Ministry of Transportation of the Republic of Indonesia also made regulations regarding discounted tariffs from applicator companies to drivers (Mahalana et al., 2021). This regulation is then contained in the Decree of the Minister of Transportation No. KP 667/2022 concerning Guidelines for Calculating the Cost of Services for the Use of Motorbikes Used for the Benefit of the Public by Applications (Delgado Jiménez et al., 2022). The regulation confirms that the commission fee that application providers can take is 15%. However, the Ministry of Transportation revised the regulation through the Minister of Transportation Decree No. 1001/2022. According to the regulations, the deduction allowed by app companies for drivers is 20%. This is set to accommodate the needs of service provider companies such as GoTo. Even so, the Chairperson of the Indonesian Transport Workers Union (SPAI), Lily Pujiati, said that there are still many violations of the provisions of the limit on tariff deductions made by application owners.

"Even though it has been set at a maximum of 20%, the application still violates this provision by making deductions to Ojol drivers of more than 20%. The cuts that burden Jol drivers are in the range of 22%- 40% in each order."

Chairman of the Online Ojek Driver Association Garda Indonesia, Igun Wicaksono, explained that the large deductions given by the application provider company have reduced the interest of the drivers. This does not follow the conditions of the job when it first appeared in 2010 to 2015 when the income of online Ojek drivers could reach Rp 10 million. In addition to implementing higher tariffs, massive recruitment conducted by online Ojek companies in 2016 also contributed to the declining interest of the drivers. They get fewer orders because they have to compete with many other drivers. Igun also said that this can be caused by the mindset of companies that are focused on profit and are not concerned with the fate of their drivers. In the news quoted from CNBC Indonesia, GoTo's President Director, Andre Soelistyo, explained that 50% of Gojek's active drivers do work as part-timers. According to him, Gojek focuses on providing as many job opportunities as possible, not permanent jobs.

2. Materials and Methods

This research method employs both quantitative and qualitative approaches. The quantitative approach involves collecting data to measure changes in service usage and its impact on the economy and profitability of GoTo. In contrast, the qualitative approach aims to gain deep insights from GoTo's consumers and employees regarding their experiences and adaptations during the pandemic. Primary data is obtained through surveys of GoTo service users and in-depth interviews with GoTo employees. In contrast, secondary data is sourced from study reports by the Demographic Institute of the Faculty of Economics and Business, University of Indonesia, GoTo's annual reports, media publications, and the company's financial data. The research population includes users of GoTo services in Indonesia (GoRide, GoCar, GoFood, GoPay), with a sample of 500 users randomly selected for the quantitative survey and 20 users and 10 employees for in-depth interviews. Data collection techniques include a quantitative survey through online questionnaires to measure service usage during the pandemic, semi-structured interviews with users and employees to gain deep insights into their experiences, and secondary data analysis from related reports and publications to understand GoTo's economic context and impact during the pandemic.

3. Result and Discussion

Results

The COVID-19 pandemic presented unprecedented challenges globally, yet for GoTo, formerly Gojek, it also catalyzed significant shifts in consumer behaviour and digital adoption in Indonesia (Soesilo & Rahman, 2022). The onset of nationwide lockdowns in March 2020 propelled a surge in digital transactions, transforming GoTo's ecosystem and amplifying its economic contribution. A study by the Demographic Institute of the Faculty of Economics and Business, University of Indonesia, revealed a substantial uptick in GoTo's economic impact, with the platform's annual contribution reaching 1.6% of Indonesia's GDP, a 60% increase from the previous year.

Notably, GoFood experienced a 65% surge in usage, reflecting heightened reliance on online delivery services. In comparison, GoPay witnessed a 68% increase in utilization, underscoring the pivotal role of digital payments amidst the pandemic. These shifts in consumer behaviour indicate a

growing dependence on digital platforms and highlight the essential nature of GoTo's services during times of crisis.

GoTo's journey towards profitability post-IPO has been marked by volatility and market challenges. Despite an impressive debut on the Indonesia Stock Exchange, GoTo's stock faced subsequent fluctuations, experiencing significant share price and market capitalization declines. The company's commitment to enhancing profitability has been underscored by initiatives to drive overall efficiency and quality business growth. In public exposure, GoTo executives emphasized priorities to record positive EBITDA, signalling a strategic focus on financial performance and shareholder value creation **agenda** (Demirkan & Spohrer, 2014; Heinze et al., 2016).

GoTo's pursuit of profitability has been accompanied by scrutiny over its social impact and treatment of partners, particularly ojek drivers. Regulatory interventions to curb tariff deductions underscore broader concerns over fair compensation and job security for gig workers. Despite efforts to accommodate drivers through revised regulations, reports of excessive deductions and declining earnings highlight ongoing challenges in balancing profitability with social responsibility (Chin & Liu, 2018).

GoTo's emphasis on providing consumption job **consumption** opportunities, albeit predominantly as part-time roles, underscores tensions between profit maximization and worker welfare in the gig economy landscape. The company's initiatives to drive efficiency and quality growth are essential for long-term sustainability. However, it must also address the welfare of its gig workers to ensure a balanced approach to profitability and social responsibility.

Discussion

Conclusion: Harmonizing Social Impact and Corporate Success

The COVID-19 pandemic presented unprecedented challenges globally, yet for GoTo, formerly GoJek, it also catalyzed significant shifts in consumer behaviour and digital adoption in Indonesia (Zhang & Hayashi, 2020). The onset of nationwide lockdowns in March 2020 propelled a surge in digital transactions, transforming GoTo's ecosystem and amplifying its economic contribution. A study by the Demographic Institute of the Faculty of Economics and Business, University of Indonesia, revealed a substantial uptick in GoTo's economic impact, with the platform's annual contribution reaching 1.6% of Indonesia's GDP, a 60% increase from the previous year. Notably, GoFood experienced a 65% surge in usage, reflecting heightened reliance on online delivery services, while GoPay witnessed a 68% increase in utilization, underscoring the pivotal role of digital payments amidst the pandemic. GoTo's journey towards profitability post-IPO has been marked by volatility and market challenges. Despite an impressive debut on the Indonesia Stock Exchange, GoTo's stock faced subsequent fluctuations, experiencing significant declines in share price and market capitalization. The company's commitment to enhancing profitability has been underscored by initiatives to drive overall efficiency and quality business growth. In a public expose, GoTo executives emphasized priorities aimed at recording positive EBITDA, signaling a strategic focus on financial performance and shareholder value creation (Hill et al., 2020). GoTo's pursuit of profitability has been accompanied by scrutiny over its social impact and treatment of partners, particularly ojek drivers. Regulatory interventions aimed at curbing tariff deductions underscore broader concerns over fair compensation and job security for gig workers. Despite efforts to accommodate drivers through revised regulations, reports of excessive deductions and declining earnings highlight ongoing challenges in balancing profitability with social responsibility. GoTo's emphasis on providing job

opportunities, albeit predominantly as part-time roles, underscores tensions between profit maximization and worker welfare in the gig economy landscape.

4. Conclusion

GoTo's journey exemplifies the delicate balance between social impact and profitability in the tech sector. While the company played a crucial role in Indonesia's digital transformation during the COVID-19 pandemic, it now faces challenges reconciling profit goals with social responsibilities. As GoTo evolves, addressing fair compensation, job security, and regulatory compliance for gig workers will be vital for sustainable growth. The company must skillfully navigate these challenges to maintain its leadership in Indonesia's digital economy while upholding its social mission and ensuring long-term viability.

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