

Do e-services and promotion affect customer loyalty?

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Received: 11-12-2021 | Revision: 28-12-2021 | Accepted: 17-01-2022

DOI: <https://doi.org/10.22219/jiko.v7i01.19920>

Abstract

This study aims to determine the effect of the quality of electronic services and sales promotion on customer satisfaction and loyalty, either directly or indirectly, where customer satisfaction is an intervening variable. This research is explanatory research with 96 respondents. Determination of the sample using non-probability sampling technique and applying structural equation modeling for analysis. The results of the study show that the quality of electronic services has a positive and significant effect on customer satisfaction; electronic services have no significant impact on loyalty; sales promotion has a positive and significant impact on customer satisfaction; sales promotion has a negative and significant effect on customer loyalty; customer satisfaction has a positive and significant impact on customer loyalty; the quality of electronic services has a positive and significant impact on customer loyalty through customer satisfaction. Sales promotion has a positive and significant effect on customer loyalty through customer satisfaction.

Keywords: Quality of electronic services; sales promotion; customer satisfaction; customer loyalty.

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Introduction

Service activities on online activities are called electronic service quality (e-service quality; according to Kaya et al. (2019) the quality of electronic services is the overall interaction that occurs between consumers and the website, where the website provides convenience, efficiency, and effectiveness in shopping, purchasing and product delivery. The high quality of electronic services dramatically affects the organization's image because poor service directly affects customer satisfaction and loyalty (Gazor et al., 2012). Ting et al. (2016) state that the quality of electronic services affects customer loyalty through customer satisfaction. Meanwhile, Hutabarat & Prabawani (2020) stated that sales promotion had a significant effect on loyalty through customer satisfaction.

Kotler and Armstrong (2016) argue that sales promotion is a collection of short-term intensive tools to immediately stimulate the purchase of products or services. Sales promotion is one of the tools often used by marketers to meet customer expectations which are expected to increase sales and create repeat purchases that we call customer loyalty (God, 2018). The quality of electronic services and sales promotions provided by the marketplace will make customers feel satisfied when making transactions and end with higher probability of loyalty. Loyalty is a deep commitment to repurchase or subscribe to a product or service consistently in the future (Tjiptono, 2015). According to Kotler and Keller (2012), the key to win competitive competition is the company's ability to increase customer loyalty. Customer loyalty will be the key to success and competitive advantage for the company in the short and long term.

Research conducted by RedSeed, when the pandemic occurs, it is estimated that there will be an increase of 12 million new e-commerce users. As many as 40% of new e-commerce users say they will continue to use e-commerce after the pandemic is over. Many e-commerce platforms can be used for online shopping, including marketplaces, websites, and social media. The most widely used platform by the Indonesian people in the market, followed by websites and then social media².

Shopee is one of the largest foreign marketplaces in Indonesia. This marketplace comes from Singapore, which was first launched in 2015 under the auspices of the SEA Group. Since the launch, Shopee has expanded to Malaysia, Thailand, Taiwan, Indonesia, Vietnam, and the Philippines. Shopee beat other significant marketplaces in Indonesia with the most prominent visitors for four

² <https://www.sirclo.com/sum-user-e-commerce-indonesia-di-tahun-2020-rapidly-increasing/>. Retrieved April 10, 2021.

quarters in 2020³. Shopee is in second place, behind Tokopedia with a value of 29.73%; this percentage has decreased compared to January, which reached 29.78%⁴.

The Snapcart study in June 2020 found that among the five well-known marketplaces in Indonesia, most Shopee users were in the 19-24 year age group (72%) and those aged less than 19 years (69%). In addition, a study from indonesiabaik.id 2020 stated that the younger generation has a low level of loyalty⁵. Therefore, this study focuses on Shopee customer loyalty with service quality, promotion, and customer satisfaction as exogenous variables.

Method

The type of research used is explanatory research with a quantitative approach. The population in the study were students of the Management Department, Faculty of Economics and Business, University of Palangka Raya, Intake of 2017-2020 who had used Shopee. The sampling technique used is non-probability sampling. The respondents used were 96 people with the characteristics of having used Shopee at least two times. The research instrument used was a questionnaire with a Likert scale and analyzed by structural equation modeling (SEM).

The hypothesis

H1: The quality of electronic services significantly affects customer satisfaction.

H2: The quality of electronic services significantly effect significant to loyalty customer.

H3: Sales promotion has a significant effect on customer satisfaction.

H4: Sales promotion has a significant effect on customer loyalty.

H5: Customer satisfaction has a significant effect on customer loyalty.

H6: The quality of electronic services significantly affects loyalty customers through customer satisfaction.

H7: Sales promotion significantly affects customer loyalty through customer satisfaction.

Empirical Result

Measurement Model (Outer Model)

Measurement of the model by testing convergent validity, discriminant validity, reliability testing. The outer loading value can be used at least 0.5

³ <https://id.techinasia.com/iprice-shopee-e-commerce-terpopuler-2020>. Retrieved July 16, 2021.

⁴ <https://www.liputan6.com/teknoread/4535892/riset-e-commerce-lokal-rajai-Industry-Lokapasar-Indonesia>. Retrieved July 16, 2021.

⁵ <http://www.indonesiabaik.id/index.php/infografis/yuk-kenalan-dengan-millennial-Indonesia>.. Retrieved 27 February 2021. Retrieved July 16, 2021.

(Chin in Ghozali, 2015). In this study, the external loading value must be more than 0.6; based on this criteria, on the electronic service quality variable (X1), three items out of 10 existing indicator must be eliminated (X1.2, X1.3, X1.4). For sales promotion (X2), two out of eight indicator items also must be eliminated (X2.6, X2.7).

Table 1. Outer loading

Variable	Items	Outer Loading	Category
Electronic Service Quality (X1)	X1.1	0.740	Valid
	X1.5	0.649	Valid
	X1.6	0.731	Valid
	X1.7	0.789	Valid
	X1.8	0.800	Valid
	X1.9	0.637	Valid
	X1.10	0.616	Valid
	X2.1	0.806	Valid
	X2.2	0.731	Valid
	Sales Promotion (X2)	X2.3	0.744
X2.4		0.794	Valid
X2.5		0.716	Valid
X2.8		0.754	Valid
Z.1		0.711	Valid
Customer Satisfaction (Z)	Z.2	0.772	Valid
	Z.3	0.731	Valid
	Z.4	0.776	Valid
	Z.5	0.753	Valid
	Z.6	0.784	Valid
	Y.1	0.754	Valid
Customer Loyalty (Y)	Y.2	0.807	Valid
	Y.3	0.750	Valid
	Y.4	0.767	Valid
	Y.5	0.842	Valid
	Y.6	0.812	Valid

Convergent Validity, Discriminant Validity and Reliability Test

Convergent validity from the measurement model can be seen from the correlation between item scores and construct scores. The upper bound of outer loading value that used in this study is more than 0.6. In addition to looking at the outer loading value, the convergent validity test can be seen from the average variance extracted (AVE). The model is claimed to be good if the AVE value of each construct is more than 0.50.

Discriminant validity is used to test that the indicator does not have a high correlation. An indicator is declared to meet the requirements of discriminant validity if the value of cross-loadings on the construct indicator has a more excellent value than the value of other construct indicators (Ghozali, 2015). The reliability test was carried out to test the reliability of the variables measured by the composite reliability and Cronbach alpha values. The variable is reliable if the combined reliability value and Cronbach alpha are more than 0.7.

Structural Model (Inner Model)

Tests for evaluating the structural model (inner model) in PLS are carried out in 3 ways, first by looking at the R-square value for each endogenous variable as the predictive power of the structural model. Second, look at the importance of Q^2 , which is used to measure how well the observed value produced by the model and its parameters is. Third, the path coefficient value to determine the significance is based on the t-statistic value.

The R-square value is used to see how far exogenous variables can explain the endogenous variables. Based on the table above, it can be seen that the R-square value for the customer satisfaction variable (Z) is 0.852, it can be interpreted that the customer satisfaction variable (Z) can be explained by the electronic service quality variable (X1) and the sales promotion variable (X2) by 85.2%. In contrast, the remaining 14.8% is explained by other variables outside the research model. Furthermore, the R-square value for the customer loyalty variable (Y) is 0.725; it can be interpreted that the customer loyalty variable can be explained by the electronic service quality variable (X1), sales promotion variable (X2), and customer satisfaction variable (Z) of 72.5%. In comparison, other variables outside the research model explain the remaining 27.5%.

Furthermore, based on the table above, it is known that the Q-Squares predictive relevance for the customer satisfaction variable (Z) is 0.477, meaning that it has a sizeable predictive capacity and a good model. And the value of Q-Squares predictive relevance for customer loyalty variable (Y) is 0.440, meaning that it has a sizeable predictive capacity and a good model.

Discussion

The quality of electronic services has a significant effect on customer satisfaction. This is in line with research conducted by Willis & Nurwulandari (2020), which proves that the quality of electronic services has a positive and significant effect on customer satisfaction. The higher the quality of the services provided will result in higher satisfaction (Kotler & Keller, 2016). The quality of electronic services has a vital role in creating a value accepted by customers in the scope of online shopping. This value received has a role in the customer's

assessment when comparing the benefits with the customer's sacrifices to obtain the product(Gupron, 2020).

Table 2. Value of average variance extracted (AVE)

Variable	Average Variance Extracted (AVE)	Note:
Electronic Service Quality (X1)	0.57	Valid
Sales Promotion (X2)	0.55	Valid
Customer Satisfaction (Z)	0.50	Valid
Customer Loyalty (Y)	0.63	Valid

Table 3. Cross loadings value

	Electronic Service Quality (X1)	Sales Promotion (X2)	Customer Satisfaction (Z)	Customer Loyalty (Y)
X1.1	0.740	0.541	0.624	0.426
X1.5	0.649	0.496	0.652	0.620
X1.6	0.731	0.581	0.712	0.606
X1.7	0.789	0.610	0.682	0.524
X1.8	0.800	0.607	0.725	0.547
X1.9	0.637	0.501	0.573	0.550
X1.10	0.616	0.412	0.561	0.476
X2.1	0.570	0.806	0.596	0.387
X2.2	0.527	0.731	0.527	0.321
X2.3	0.553	0.744	0.530	0.263
X2.4	0.666	0.794	0.670	0.522
X2.5	0.584	0.716	0.617	0.461
X2.8	0.517	0.754	0.522	0.363
Z.1	0.665	0.594	0.711	0.578
Z.2	0.687	0.510	0.772	0.642
Z.3	0.694	0.548	0.731	0.547
Z.4	0.700	0.591	0.776	0.605
Z.5	0.692	0.626	0.753	0.677
Z.6	0.709	0.613	0.784	0.703
Y.1	0.603	0.414	0.684	0.754
Y.2	0.629	0.477	0.678	0.807
Y.3	0.591	0.437	0.601	0.750
Y.4	0.606	0.426	0.636	0.767
Y.5	0.577	0.440	0.669	0.842
Y.6	0.590	0.296	0.661	0.812

Table 4. Value of composite reliability and Cronbach Alpha, R-Square (R2) and Q2

	Composite Reliability	Cronbach Alpha	Classification
Electronic Service Quality (X1)	0.877	0.835	Reliable
Sales Promotion (X2)	0.890	0.852	Reliable
Customer Satisfaction (Z)	0.888	0.849	Reliable
Customer Loyalty (Y)	0.908	0.879	Reliable
	R-Square	Q2 Predictive Relevance	
Customer Satisfaction (Z)	0.852		0.477
Customer Loyalty (Y)	0.725		0.440

Service quality has no significant effect on customer loyalty; this is in line with research conducted Berliana & Zulestiana (2020) and Romadhan et al. (2019), which states that the quality of electronic services has no significant effect on customer loyalty. This finding means that the quality of electronic services has no impact on customer loyalty. It shows no difference between customer expectations for the performance of electronic services before using and brand perceptions of the services received (Romadhan et al., 2019). According to Kotler & Keller (2016), if the service provided exceeds consumer expectations, consumers are likely to reuse the service.

Sales promotion has a positive significant effect on customer satisfaction. This is in line with research conducted by Suwandi (2020) and God (2018), which proves that sales promotion has a positive and significant effect on customer satisfaction. Providing added value can be an opportunity for companies to increase satisfaction. The added value referred to in this statement is in the form of sales promotion activities such as discounts, cashback, shopping vouchers, free shipping, and others carried out by Shopee. The more intense sales promotions Shopee, the more customer satisfaction will increase.

Sales promotion has a negative and significant effect on customer loyalty. This is not by the research conducted by Je & Yazdani (2015), which states that sales promotion has a positive and significant effect on customer loyalty. This condition happens because the sales promotions provided by Shopee are almost the same as other marketplaces. In addition, the time of giving promos is almost close between marketplaces, which results in the number of promo choices faced by consumers. Therefore, it is difficult for customers to remain loyal to only one marketplace. Based on this, Shopee must create a form of sales promotion that is its trademark and is easy for customers to remember.

Table 5. Test results with bootstrapping

	Original Sample	t- Statistics	p- Value	Category
Electronic Service Quality (X1) -> Customer Satisfaction (Z)	0.781	15,604	0.000	Significant
Electronic Service Quality (X1) -> Customer Loyalty (Y)	0.086	0.625	0.532	Not Significant
Sales Promotion (X2) -> Customer Satisfaction (Z)	0.178	3.092	0.002	Significant
Sales Promotion (X2) -> Customer Loyalty (Y)	-0.296	2.866	0.004	Significant
Customer Satisfaction (Z) -> Customer Loyalty (Y)	0.981	7,869	0.000	Significant
Electronic Service Quality (X1) -> Customer Satisfaction (Z) -> Customer Loyalty (Y)	0.766	7,042	0.000	Significant
Sales Promotion (X2) -> Customer Satisfaction (Z) -> Customer Loyalty (Y)	0.174	2,890	0.004	Significant

Customer satisfaction significantly affects customer loyalty; this is in line with research conducted by Vijay et al. (2019) and Sasono et al. (2021), which proves that customer satisfaction has a positive and significant effect on customer loyalty. The satisfaction of customers' benefits can increase customer loyalty itself (Dhiranty et al., 2017). A high level of customer satisfaction can increase customer satisfaction, prevent customer turnover, increase the number of customers, and improve business reputation. Satisfaction has a role in the formation of loyalty. Therefore, the higher the satisfaction customers feel, their level of loyalty will also increase (Quan et al., 2021).

Service quality affects customer loyalty through customer satisfaction; this is in line with research conducted by (Management, 2018) which proves that the quality of electronic services has a positive and significant effect on customer loyalty through customer satisfaction; this result also shows that provides good quality electronic services, customer satisfaction will increase, then over a specific period customers will be loyal.

Sales promotion has a significant effect on customer loyalty through customer satisfaction. This result is supported by Hutabarat & Prabawani (2020), which also states that sales promotion impacts customer loyalty through customer satisfaction. The effect of the stimulus provided by the sales promotion can pleasure customers. Customer loyalty is obtained from consumer satisfaction by repeatedly buying products at the same place (Alma, 2016). Thus, the more frequent promotions Shopee, the higher the customer satisfaction that can trigger customer loyalty.

Conclusions

Based on the results of the analysis, it can be concluded that the quality of electronic services does not directly affect customer loyalty. Still, the quality of electronic services positively impacts customer satisfaction. The quality of electronic services has a significant positive impact on customer loyalty through the mediating role of satisfaction. Therefore, it is vital to maintain excellent customer service to maintain customer satisfaction and loyalty. Meanwhile, promotions have direct and indirect impacts on customer loyalty. If the quality of services and promotions can be maintained, then we believe that loyalty is something that the company should earn, leading to sustainable revenue and profit.

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