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## CREATING E-LOYALTY ON ONLINE SHOPPING TRANSACTION THROUGH *E-SERVICE QUALITY* AND *E-TRUST*

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### Abstract

The objective of this research is to determine the extent of e-service quality and e-trust influence the e-loyalty in online shopping by combining two research models. This research employs survey by using purposive sampling technique to 120 internet users in Magelang, Central Java. The respondents of the research are customer that ever doing transaction more than 2 times in the website. The data analysis was done using SPSS 21.00 and hypothesis testing was through Path Analysis. The research identifies that four hypotheses are supported that are the relationship between of e-service quality, e-trust to e-satisfaction and e-satisfaction, e-trust to e-loyalty are positive and significant and one hypothesis is not supported that is the relationship between e-service quality to e-loyalty is positive but not significant.

**Keywords:** *e-service quality, e-trust, e-satisfaction, e-loyalty*

### Introduction

During globalization era, technology strongly correlates with internet. The development of technology from year to year seems to also influence the growth of internet, including in Indonesia. The technology could be utilized by many parties in the society without any limitation and disruption (id.wikipedia.org, 2015). The rapid development of information technology and internet has positive influence for Indonesian society. Some of these positives influences include easy accessibility of information, communication, support for many forms of occupation, and soon (id.wikipedia.org, 2015). Internet is an eletelectronic media that supports the growth of

e-commerce. E-commerce is a facility with direct connection with trade of goods, services, and other related businesses, through electronic media. As a developing country, the number of internet users in Indonesia keeps increasing each year.

The high number of internet users in Indonesia could create a new opportunity for online shopping. With the rise of e-commerce, we could perform transactions such as selling, buying, or marketing products through online or direct selling by using the internet. Enthusiasts for online shopping in Indonesia also reaches significant number, which could be seen through a survey conducted by Asosiasi Penyelenggara Jasa Internet Indonesia (APJII), in the following figure:

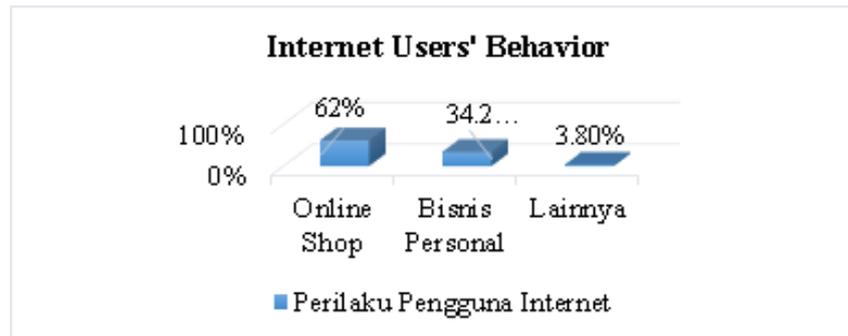


Figure 1 Graphic of Internet Users' Behavior

Source: www.apjii.or.id downloaded on 26 April 2017

Based on Figure 1, we can see that most internet users visit website for online shop with 62% from 132.7 million or 82.2 million of internet users in Indonesia. As the result, this could trigger the appearance of various e-commerce companies that will compete to provide goods and services.

On a survey of *Popularity Brand Index* organized by W&S, it shows that in Indonesia, there are several e-commerce companies with high competitiveness, as seen in the following table:

Table 1 Popularity Brand Index of E-commerce Sites in 2016

month_year	brand	top_of_mind	purchased	intention	brand_index
August, 2016	Lazada	33.7	24.5	20.4	26.4
August, 2016	Tokopedia	16.7	21.3	18.8	19.9
August, 2016	Bukalapak	10.6	13.3	13.6	13.2

Source: W&S Group Research, 2016

Table 1 shows that there is a competition between e-commerce companies. No significant difference of index between each company means that they are competing to stay on top and to garner more attention from their consumers.

In *e-commerce*, consumers' loyalty is one of the proper strategies to survive the competition by maintaining good relationship with its consumers. Consumers' loyalty means a lot for company including e-commerce in order to preserve the sustainability of their business including their performance. There are many factors that could influence consumers' satisfaction including trust and service quality. *E-trust* is important because logically consumers have higher level of risk perception if compared to direct transaction in terms of shipping, payment, and personal information. Trust grows through a long process. Once trust has arisen between consumers and company, it will be easier for the company to maintain good relationship with their customers. Service quality is one of key aspects in determining whether or not a business will succeed. Good online service involves more than mere interaction with a site,

described as quality of a process and expands to quality of the result and recovery, which should be well calculated. Satisfaction felt by customers for good service quality could enhance their trust to repeat transaction. Furthermore, customers' satisfaction could also improve customer's trust and loyalty. If customers had trusted and become loyal towards an e-commerce company, they would not hesitate to purchase goods from that company. On the contrary, if a customer feel dissatisfied with the service, they will hesitate, even feel distrust towards the company, and they will not be loyal and choose other company with similar service.

In Indonesia, there are many emerging e-commerce companies, in which such phenomenon urges them to implement proper strategies in order to ensure competition and to lead their e-commerce company in Indonesia. With such strict business competition, it is expected that company should always pay attention to and prioritize customers in all activities and undertaken programs. Customers become parties who are always in the top priority, by hoping that they will be satisfied, comfortable, and eventually become

loyal to the company. Due to the importance of loyalty for the company's survivability, the company should be able to continuously maintain and enhance its customers' loyalty. Therefore, in order to improve the customers' loyalty, company should have good relationship with their customers to fully understand their needs and demands.

Within the context of e-commerce, trust and ease of transaction highly influence customers' loyalty, because a loyal customer is someone with trust for online store and will repeatedly buy from the store, has commitment for the offered products even though they have other choices from another store, and will recommend the products for other people (Siagian and Cahyono, 2014;84). Many scholars define customer satisfaction as a response from behavior shown by customer by comparing between performance or result and the expected result. If the result is below the expectation, customers will feel dissatisfaction, less satisfied, or even dissatisfied; on the contrary, if it matches their expectation, customers will feel satisfaction and if the performance exceeds their expectation, they will be extremely satisfied.

The quality of online service in online environment is important in determining success or failure of electronic commerce. Parasuraman et al (2005;112) state that online service quality can be defined as level in which a website could effectively and efficiently facilitate the customer's shopping needs, making purchases, and the delivery process of goods and services. The quality assessment of website is not only from the experience during website interaction but also from the interaction for getting the service. The growing quality of online services will make it more effective and attractive, which helps the company achieve the highest level of customer satisfaction.

In e-commerce context, customer trust is defined as customer's willingness to place themselves in the possibility of experiencing loss during internet shopping transactions, based on the expectation that the seller promises a transaction that will satisfy the customers and is able to deliver the promised goods and services (Lim et al., 2001). Koufaris and Hampton-Sosa in Gregg and Walczak (2010) mention that trust plays a very important role whenever two parties are involved in online transactions. Mayer et al. (1995) have proposed a common typology of trust built on

theories of social psychology and an extensive overview of the literature of trust.

Yashinta Asteria Norhermaya (2016) conducts a study entitled "*Analisis Pengaruh Kepuasan Pelanggan terhadap Kepercayaan dan Loyalitas Pelanggan Untuk Meningkatkan Minat beli ulang studi pada pelanggan Lazada.co.id*" finds that customer satisfaction has influence on trust; trust and customer loyalty also have positive influence to repurchase intentions. Amila Sativa (2015) mentions that e-trust has positive and significant influence on e-satisfaction; e-service quality has positive and significant influence on e-satisfaction; e-satisfaction has positive and significant influence on e-loyalty; e-service quality has positive and significant influence on e-loyalty; while, e-trust has no significant influence on e-loyalty. The research is in line with Anggita Septiani's study (2016) that e-service quality has a significant effect on customer satisfaction. From several previous studies, this research would like to try to examine the extent to which e-service quality and e-trust have an effect on creating e-loyalty in online transaction by combining several research models (Adopting Anggita Septiani (2016) and Bayu Andika (2015)'s research).

Over the last few years, there has been an increase in service quality and customer satisfaction in the same business. This shows that service quality has strong influence on customer satisfaction. Tjiptono (2007) states that service quality is the expected level of excellence and control over level of excellence to meet customer desires. Service quality encourages customers to commit to the products and services of a company, which will affect the increase in market share of a product. Based on the above notions, several hypotheses can be formulated hypothesis in the following:

### **H1. E-Service Quality has positive and significant influence on E-Satisfaction**

Trust factor is one of the key factors that affect the occurrence of transactions in online shop, since without consumer's trust towards the seller, there would be no transaction. Only consumers who have confidence in sellers are willing to take risks for purchase in e-commerce. When consumers trusts in online store and then make transactions, they will feel satisfied if the obtained

results is as promised by the seller and will feel disappointed if the results obtained did not match their expectations. Satisfied customers are likely to repeat the same online store purchase when they want to buy from an online shop. Based on this idea, it can be further formulated as follows:

**H2. E-trust has positive and significant influence on e-satisfaction**

Consumer satisfaction is the focus of attention for businessmen, because they could win the competition in business world if they have better understanding of customer satisfaction concept as a strategy. With satisfaction, consumers could improve their loyalty to a company. Consumer’s satisfaction and loyalty towards a certain company is important to increase profits, in which the company always needs to maintain good relations with customers. Based on the above, a hypothesis can be formulated as follows:

**H3. E-satisfaction has positive and significant influence on e-loyalty**

Service quality is the main factor affecting customer loyalty because satisfied customer’s personal value and experience positive mood to service will have a high loyalty to the company. Customers are often not loyal due to poor service or decreasing service quality from their expectation. Service encourages customers to commit to the

products and services of a company, in which it will increase the market share of a product. Based on the above it can be formulated as follows:

**H4. E-Service Quality has positive and significant influence on E-Loyalty**

High consumer confidence in certain goods and services can create high consumer loyalty, which indirectly will have a positive impact on the company. When every transaction always results in satisfaction, consumer satisfaction will continue to grow and become consumer trust to online store. Therefore, consumer will be loyal to online store rather than taking another risk by making purchase from different online store. Based on the above it can be formulated as follows:

**H5. E-trust has positive and significant influence on e-loyalty**

**Research Methods**

The sample in this study is the entire population in Magelang who had made an online sale transaction. The criteria of respondents in this study are people who have made online purchase transaction for at least two times on the three most popular online shops by W&S Research Group. The data collection is conducted through a survey with questionnaire distribution. Definition of Operational and Measurement of Variable can be seen in the following table:

**Table 2 Definition of Operational and Measurement of Variable**

No	Variables	Definition	Parameter
1	<i>E-service Quality</i>	E-service quality can be defined as level in which a website could effectively and efficiently facilitate the customer’s shopping needs, making purchases, and the delivery process of goods and services (Parasuraman et al, 2005).	(Zeithmal and Parasuraman, 2005) : 1) Efficiency 2) Flexibility 3) <i>System Availability</i> 4) Privacy 5) Responsiveness 6) Compensation 7) Contact
2	<i>E-Trust</i>	<i>E-trust</i> is defined as the consumers’ willingness to place themselves on the possibility of loss in shopping transaction through internet, based on the hope that seller will promise to give transaction that will satisfy consumers and is able to send the promised goods and services (Lim et al, 2001).	(Mayer and Davis 1995) : 1) Ability 2) Integrity 3) Benevolence
			<i>Continued</i>

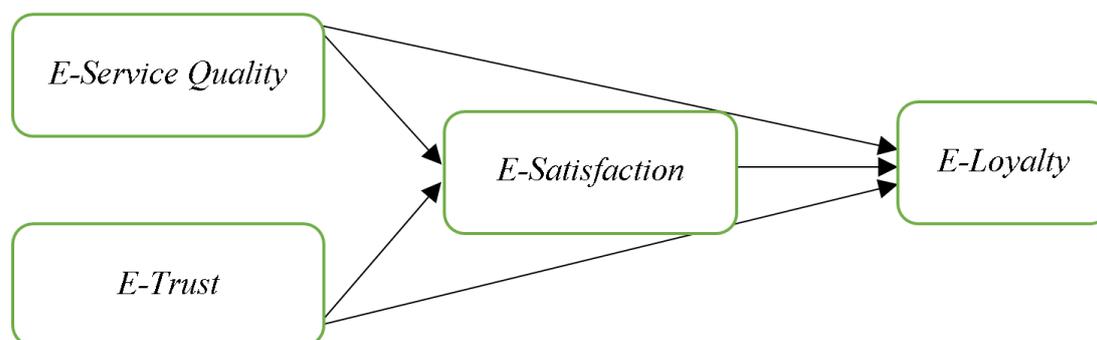
3	<i>E-Satisfaction</i>	According to Kotler, <i>E-Satisfaction</i> is the level of one's feelings after comparing performance or results they receive from their expectation (Kotler and Armstrong: 52).	(Tjiptono, 2007) : 1) General Satisfaction 2) Confirmation of Hope 3) Ideal Situation
4	<i>E-Loyalty</i>	<i>E-loyalty</i> is defined as a commitment to consistently repurchase a chosen product or service in the future, which will create repeat purchase of goods and services from similar brand (Cahyono 2014).	(Kotler and Keller, 2006) : 1) <i>Repeat Purchase</i> (Loyalty to repurchase products). 2) <i>Purchases Across Product and Services Line</i> 3) <i>Refers Others</i> (A condition where customers recommend and give positive response) 4) <i>Demonstrate</i> (Demonstrate a certain product)

### Findings And Discussion

In this study, there were 132 questionnaires given to respondents, but only 120 were analyzed because 12 of them are either incomplete or damaged. Based on the questionnaires data, the results of respondent classification showed that most visited site is *tokopedia* with 40%, and based on female that is more dominant than male with 60.8%, age of respondent who are mostly within 16-25 years old with 56.7%, then the last percentage of education that is dominated by

senior high school graduates by 44.2%, student/college student also dominates the occupation criteria with 40.8%, and the last is criteria with the largest income, within the range of IDR 1000000 – IDR 2000000 with 44.2%.

Prior to model testing, the researchers conducted pilot test using 20 respondents. The pilot test results state that all item statements in the questionnaire are valid and reliable to use. After that, the researchers performed validity and reliability test for the acquired data. The results of the test are valid and reliable.



**Figure 2 Research Model of E-Loyalty**

The result of t test statistic for e-service quality variable is t value of 2.643 with significance level 0.009, because the significance is less than 0.05 (0.009<0.05), and the regression coefficient has positive value equal to 0.275. This study proves the first hypothesis that “e-service quality has significant effect on e-satisfaction.” Hence, it can be concluded that **H1 is supported**, which means that E-Service Quality has significant

effect on E-Satisfaction. When consumers trust online store and make a purchase, consumers will achieve satisfaction if the results they obtain are as promised by the seller, and will feel disappointed when it does not match their expectation. Reliability, responsiveness, access, flexibility, ease of navigation, efficiency, security assurance, and so on can be very influential factors in service delivery. Consumers who are satisfied with the

services provided are likely to repeat purchase at the same online store purchase when they want to shop. Furthermore, this research finds that the significance level of e-trust on e-satisfaction is below 0.05 ( $0.017 < 0.05$ ), in which it can be considered as significant. Based on the results of this study, it can be concluded that **H2 is supported**, which means that E-trust has significant effect on e-satisfaction.

E-satisfaction is a crucial factor in e-commerce-based marketing. Customer trust can be created if the online shop can provide what the customer wants, and s/he will not feel dissatisfied towards the online shop. As the result, a sense of trust will arise. Consumer satisfaction is the focus of attention for businessmen, because better understanding on the concept of customer satisfaction as a strategy will ensure the success to win the competition in the business world. If the consumer is satisfied, they will definitely continue to make purchases through the same online shop, which will also trigger loyal attitude towards the online shop. It can be concluded that consumer satisfaction influences consumer loyalty with the level of significance below 0.05 ( $0.000 < 0.05$ ). Based on the results of this study, it can be concluded that **H3 is supported**, which means that E-satisfaction has significant effect on e-loyalty.

Service quality is the main factor affecting customer loyalty because a satisfied customer will have positive personal value and mood towards the service and they will have higher loyalty to the company. Disloyal customers are often times caused by bad customer service or decreasing service quality, contrasting to the customers' expectation. Therefore, to fetch higher number of loyal customers, an online shop should not just focus on service factor, but also many other factors that will affect loyalty. This study finds that e-service quality does not have positive or significant influence to e-loyalty, with significant t value above 0.05, which is ( $0.567 > 0.05$ ). Based on the results of the study, it can be concluded that **H4 is not supported**.

E-trust proves to have a positive effect on e-loyalty, which means that customers who have high confidence in an e-commerce company will tend to re-purchase from the company, or in other words the customer will be loyal to one company. In this study, since the correlation between E-trust and e-loyalty has a significance level below 0.05 that is ( $0.000 < 0.05$ ), it can be concluded that

consumer trust has positive effect on consumer loyalty. Customers who already trust one online shop usually will be loyal to that store even though s/he might find other online stores. Based on the results of the study, it can be concluded that **H5 is supported**.

The test result of path analysis shows direct and indirect effect of e-service quality on e-loyalty that is mediated by e-satisfaction, in this case the indirect effect can be obtained from multiplication of standardized coefficients value ( $0.233 \times 0.423$ ) = 0.0985, and the value of direct influence variable is 0.051. Therefore, the mediation coefficient of 0.0985 is greater than the direct effect value of 0.051. This study states that "the indirect correlation of e-service quality on e-loyalty or mediated with e-satisfaction is greater than direct correlation of e-service quality on e-loyalty." Based on the findings, it can be concluded that path analysis test result finds that e-trust has positive effect on e-loyalty without mediated by e-satisfaction.

## Conclusion

Based on the findings and discussion, it can be concluded that there are six supported hypotheses and one unproven hypothesis, in which E-trust does not have significant relation with e-loyalty mediated by e-satisfaction on online shopping. According to the findings, discussion, and conclusion we gather, there are several limitations that we found. Therefore, it is hoped that future research would be able to advance this research by studying other factors that could influence e-loyalty, for example *word of mouth*, *brand image*, and *website quality*. Future research could also employ different approaches in examining e-loyalty, such as by conducting in-depth interview towards customers, in which the researcher could acquire huge variation of data if compared to questionnaires with available answers.

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