

FACTORS AFFECTING GEN Z E-LOYALTY IN ONLINE SHOPPING

Ravell Immanuel
Aulia Danibrata

ABSTRACT

The purpose of this study was to determine the effect of E-Service Quality, Online Customer, and E-Satisfaction on E-Loyalty of Gen Z using Lazada as research object. The research design used in descriptive and causality research using a questionnaire as a primary data collection tool in which each variable was measured by 5-point Likert scale the sampling in the study was purposive sampling or in more detail is judgmental sampling and uses 203 respondents. The respondents of this study were Gen Z who is the decision maker when it comes to purchasing product on Lazada website, and the website-based apps and mobile-based apps. Data were analyzed using PLS SEM. The result showed that there is an influence of e-service quality, online customer value, and e-satisfaction on e-loyalty.

Keywords: E-service quality, online customer value, e-satisfaction, e-loyalty, gen z.

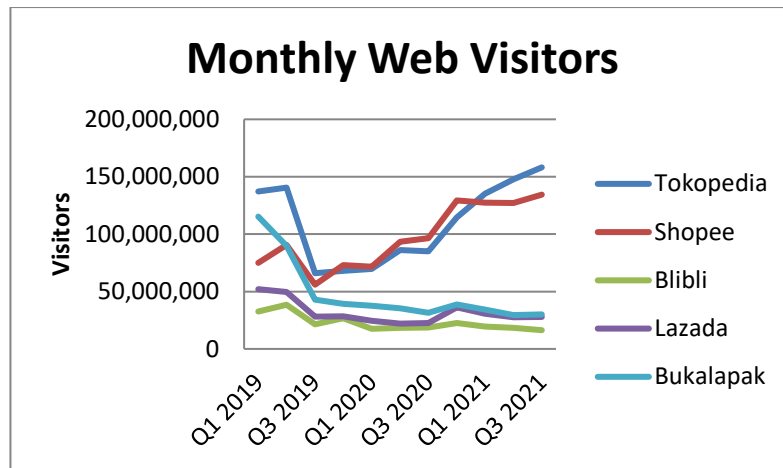
INTRODUCTION

The Internet has undoubtedly transformed many aspects of human life. The most important factors for improving economic and social conditions are innovations, particularly in information and technology. A digital presence not only provides new ways to run a business, but it also presents new challenges for businesses to achieve customer satisfaction and loyalty by embracing new technology.

Stated by APJII (Indonesian Internet Service Providers Association) in their report for second quarter of 2019 - 2020, The number of internet users in Indonesia until the second quarter of 2020 reached 196.7 million or 73.7 percent of the population. This number increased by about 25.5 million users compared to last year. The increase was driven by the presence of an increasingly evenly distributed fast internet infrastructure and massive digital transformation due to the Covid-19 pandemic since March 2020.

Industry 4.0 refers to automation and data exchange, and it entails utilizing a set of technologies to generate competitive advantages in today's global market. Nitschke et al., (2016) postulate that Industry 4.0 provides both opportunities and challenges for consumer products and retail companies. In fact, companies must consider a combination of an online and offline outlet by mastering the latest technology able to support real time information and inventories, as well as being able to create interface features. Rajalie and Briliana (2014) state that basically consumers have the ability to use technology to help them find the products or services they need at that time. But it all depends on the motivation, abilities and opportunities that exist (Brilliana et al., 2015) Empty shelves during COVID 19 have generated severe problems for the consumers' (Lufkin, 2020). COVID 19 has forced consumers to change the way they preferred to shop. There is an increased shift in consumer buying behavior from traditional shopping to online shopping (Reddy, 2020). National Retail Federation (NRF) has surveyed on consumer's online shopping behavior in this epidemic situation and has briefed certain consumer buying behavioral changes such as 9 out of 10 customers have changed their shopping practices and more than 50% of customers have changed their traditional shopping habits by ordering products online. And also, about 6 out of 10 customers stated that they avoid going to store due to the fear of being infected and ordering necessary goods from online marketing tools.

Started back in 2010-2011, E-commerce in Indonesia really has an impact on anyone. Their marketing using National Online Shopping Day (Harbolnas) successfully stealing every consumers attention. When Harbolnas comes, at that time, consumers will get a large number of products at promo prices. This boosted every transaction in e-commerce Nowadays, e-commerce competition to attract potential customers is getting tougher. Nowadays, the competition for attracting potential customers in e-commerce is becoming more intense. Each e-commerce now has its own set of advantages to win this fierce competition.



Source: Iprice

Figure 1 Monthly Web Visitors

The graphic above shows that Lazada from the first 2019 quarter until the third 2020 quarter still struggle to maintain their loyal customer. Although at fourth 2020 quarter it began to rise but it comes back down when it reaches first quarter of 2021. This is not a good sign when e-commerce losing their visitors. From loyalty perspective, we could see that almost half of the visitors at the first quarter of 2019 are not coming back to visit lazada in the next quarter and from that behavior we could conclude that Lazada is slowly losing their loyal customer. This is why we need to identify the problem why Lazada is losing their loyal customer especially this research analyzing it from e-satisfaction perspective with e-service quality as exogenous variable and online customer value as the mediator.

Generation Z (Gen Z) is commonly defined as a digital native who has been heavily influenced by online interaction and internet connectivity from a young age. The number of Generation Z in Southeast Asia is increasing year after year. In Indonesia, the number of Gen Z is estimated to be 74,93 million (27.94 percent of the total population) (Badan Pusat Statistik, 2021). As a result, targeting Gen Z and meeting their needs is extremely profitable. Furthermore, it was discovered that Generation Z has enormous purchasing power. More than four out of every five parents involve their children in purchasing than their parents did (National Retail Federation, 2019). According to APJII, this generation also dominates internet and smartphone usage globally. The majority of internet users in Indonesia are between the ages of 10 and 14 and between the ages of 15 and 19.

As one of the most educated generations, Generation Z is well aware of the cost of any product they intend to purchase. When compared to previous generations, Gen Z will pose the most difficult challenge for businesses because they want to ensure that they choose the best products at the lowest possible price and never try to expand their search to unknown brands. (Priporas, Stylos, & Fotiadis, 2017). Companies can solve and prevent problems (efficiency, fierce competition, globalization, and digitization) by attracting Gen Z as potential customers, despite their lower brand loyalty. Schlossberg (2016) discovered that Gen Z has higher expectations and is more concerned with the buying experience. By maintaining high e-service quality, Gen Z will perceive benefits and a positive experience, and businesses will be able to satisfy Gen Z and create customer value for them.

By fostering positive relationships between customers and providers, online customer value can be used to determine economic, social, and functional impacts (Bressolles et al., 2015). These effects include the value that customers expect after all of the effort they put in to obtain the product. The greater the number of customers who receive value from a product, the greater the number of satisfied customers. Furthermore, e-service quality and online customer value become two critical success factors not only for creating customer satisfaction but also for building customer loyalty.

E-SERVICE QUALITY

Other than that, Sastry & Rao (2017) stated that e-service quality is the customer's valuation of that particular online retail website's service in terms of to what extent that meets their shopping needs and expectations. Several researchers have developed specific dimensions for service quality in an online context, which have been modified from the five basic dimensions of service quality by Parasuraman et al (1985). In this study, e-service quality is measured using Ladhari's (2010) five dimensions of ease of use, security/privacy, aesthetics, reliability, and information.

As a digital native, Generation Z is intimately familiar with technology. When it comes to technology and the Internet, they tend to crave comfort. A satisfying online shopping experience can be achieved by providing high-quality websites with appealing designs and layouts, detailed information, and an accessible/easy way to navigate or search for information and products on the websites. Meanwhile, as a key point, improving quality is not only effective for increasing profits and satisfaction, but it also adds value to the customers' experience. When customers evaluate all of the services provided by online shopping, there is a strong link to various types of benefits, including economic, social, and functional benefits. These advantages are referred to as online customer value. (Bressolles, 2015). In conclusion, e-service quality is the overall evaluation of online shopping website's service in terms of whether the customer's needs are met the expectation. In conclusion, e-service quality is the overall evaluation of online shopping website's service in terms of whether the customer's needs are met the expectation.

H1: There is an influence of e-service quality towards e-satisfaction.

H2: There is an influence of e-service quality towards online customer value.

ONLINE CUSTOMER VALUE

Perceived value defined by Naami et al (2017) as Customer evaluation of the paid costs to obtain a specific goods and service and the found benefits from that specific good or service. The ease of accessing detailed information about the product being offered is one of the perceived benefits in an online environment. In the meantime, the buyer's effort consists of time, effort, and money (Kim & Stoel, 2004). Regrettably, only a few studies have looked into online customer value (Bressolles et al., 2015).

Sheth et al. (1991) proposed the four dimensions of online customer value: economic value (value-based pricing or cost), functional value (perceived quality and expected performance of the product), emotional value (feelings that occur from consuming the product) and social value (the ability to enhance the social self-concept). Gen Z expects great value from a product and is more concerned with the overall experience (Schlossberg, 2016). Without a doubt, one of the most important factors that businesses should consider is online customer value, as customers expect to receive benefits (values) from their transactions. Customers will be satisfied once they receive more value. So, perceived value can be concluded as the evaluation of the trade-off between what we paid and what we received

H3: There is an influence of online customer value towards e-satisfaction

H4: Online customer value mediates e-service quality and e-satisfaction.

E-SATISFACTION

According to Wilis & Nurwulandari (2020), E-satisfaction is described as emotional reaction to a service experience in an online context. Numerous studies have focused on satisfaction to determine post-purchase behavior such as profits, customer retention, repurchase intention, recommendation to others, word of mouth, and loyalty (Ayuni, 2019). It has been proven that higher levels of satisfaction lead to higher levels of loyalty (Toufaily et al., 2013).

Customer satisfaction must be the top priority as a fundamental determinant of long-term customer relationship behavior (Ayuni, 2019). Despite the fact that Gen Z members have low levels of loyalty, winning their hearts and minds will be extremely beneficial to a company. E-satisfaction can be defined as the customer's e holistic evaluation of online shopping experience.

H5: There is a relationship between e-satisfaction and e-loyalty.

E-LOYALTY

Quan et al (2019), stated that e-loyalty is a commitment to revisit a brand's website consistently for shopping on that website without switching to other websites. E-loyalty focuses not only on price but also on the purchase of online products/services and/or the repetitive behavior of visits, by accessing a company's website as the first choice among other alternatives, supported by favorable beliefs and positive emotions toward the online company, despite situational influences and marketing efforts that lead to transfer behavior (Cronin et al., 2000).

There are two kinds of loyalty: attitudinal and behavioral (Cronin et al., 2000; Toufaily et al., 2013). This study using scales that reflect the customers' attitudinal loyalty (repurchase intention, word of mouth, and recommendation to others (Cronin et al., 2000). E-loyalty can be concluded as a consumer's attitude to revisiting and repurchasing from the same website consistently without switching to other websites.



Figure 2 Research Model

RESEARCH METHODS

Malhotra (2019, 96) explained that descriptive research is “a type of conclusive research that has as its major objective the description of something usually market characteristics or functions.” Meanwhile, casual research is “a type of conclusive research where the major objective is to obtain evidence regarding cause-and-effect (causal) relationship.” (Malhotra, 2019, 101). The causal study attempts to determine whether one variable causes another variable to change.

The sampling technique used by this research is non-probability sampling type judgmental sampling defined by Malhotra (2019, 379): “Judgmental sampling is a form of convenience sampling in which the population elements are purposely selected based on the judgment of the researcher.” The data collection tool chosen in this research is a questionnaire that was distributed for 2 months starting in October 2021. The object of this research is Lazada with the criteria of respondent is Indonesian's Gen Z or people who born between 1997 and 2006 and had shopping online at least three times in the last two months. The total number of the sample included in this research are according to Hair et al. (2017, 24) “this rule of thumb is equivalent to saying that the minimum sample size should be 10 times the maximum number of arrowheads pointing at a latent variable anywhere in the PLS

path model". So the sample used in this research is 203 respondents. In this study to measure the variables using a questionnaire distributed online with each variable measured by a Likert scale with a value of 1-5 (Strongly Disagree - Strongly Agree).

RESEARCH RESULTS

Based on the results of questionnaire processing, the characteristics of Lazada customer respondents are as follows:

Table 1 Respondent Identity based on Age

Age	Frequency	Percent
15-20	69	34%
21-25	134	66%
Total	203	100%

Source: Primary data output

Table 2 Respondent Identity based on shopping intensity in the last 2 months

Intensity (in the last 2 months)	Frequency	Percent
3 times	51	25.1%
> 3 times	152	74.9%
Total	293	100%

Source: Primary data output

Table 3 Validity and Reliability Test

Variable	Indicator	Convergent Validity			AVE		CR	α	Desc
		Loading Factor	p-value	Des	AVE	Desc	CR	α	
ESQ	ESQ1	0,779	<0.01	Valid	0,560	Valid	0,942	0,932	Reliable
	ESQ2	0,778	<0.01	Valid					
	ESQ3	0,870	<0.01	Valid					
	ESQ4	0,831	<0.01	Valid					
	ESQ5	0,776	<0.01	Valid					
	ESQ6	0,774	<0.01	Valid					
	ESQ7	0,782	<0.01	Valid					
	ESQ8	0,564	<0.01	Valid					
	ESQ9	0,518	<0.01	Valid					
	ESQ10	0,715	<0.01	Valid					
	ESQ11	0,748	<0.01	Valid					
	ESQ12	0,785	<0.01	Valid					
	ESQ13	0,730	<0.01	Valid					
OCV	OCV1	0,760	<0.01	Valid	0,663	Valid	0,921	0,897	Reliable
	OCV2	0,842	<0.01	Valid					
	OCV3	0,857	<0.01	Valid					
	OCV4	0,872	<0.01	Valid					
	OCV5	0,847	<0.01	Valid					
	OCV6	0,693	<0.01	Valid					
ESAT	ESAT1	0,896	<0.01	Valid	0,827	Valid	0,935	0,895	Reliable
	ESAT2	0,915	<0.01	Valid					
	ESAT3	0,916	<0.01	Valid					
ELOY	ELOY1	0,921	<0.01	Valid	0,824	Valid	0,934	0,893	Reliable
	ELOY2	0,911	<0.01	Valid					
	ELOY3	0,892	<0.01	Valid					

Source: Warppls output

Based on the table above, it is known that all the reflective indicator shows loading factor ≥ 0.4 (Valid) and AVE value ≥ 0.5 (Valid), while the reliability measurement shows that all the composite reliability > 0.7 and Cronbach's Alpha value > 0.5 . (Solimun, 2017) As a result, it is possible to conclude that all of the latent variables have suitable and fit indicators. The requirements of the first-order construct were also completely met. As a result, these indicators are appropriate for analysis as a second-order construct.

Table 4 Summary of Path Coefficient and p-value

Independent Variable	Dependent Variable	Path Coefficient	P-Value	Inference
E-Service Quality	Online Customer Value	0.756	<0.001	Highly Significant
E-Service Quality	E-Satisfaction	0.576	<0.001	Highly Significant
Online Customer Value	E-Satisfaction	0.233	<0.001	Highly Significant
E-Satisfaction	E-Loyalty	0.812	<0.001	Highly Significant

Source: Warppls output

Table 5 Mediation Variable Analysis

Independent Variable	Mediation Variable	Dependent Variable	Indirect Path Coefficient	P-Value	Results
E-service quality	Online customer value	E-Satisfaction	0,176	<0.001	Meditation
E-service quality	E-Satisfaction	E-Loyalty	0,468	<0.001	Meditation
Online customer value	E-Satisfaction	E-Loyalty	0,189	<0.001	Meditation

Source: Warppls output

It shows from the table above that Hypotheses 1 has p-value of <0.001. The result shows that p-value < level of significance. It means that there is an influence of e-service quality towards e-satisfaction. Path coefficient of effect of e-service quality towards e-satisfaction shows a value of 0.756. It shows that e-service quality has a positive effect on e-satisfaction. It means that every 1% increase of e-service quality would increase e-satisfaction by 75,6%.

Stated that Hypotheses 2 has p-value of <0,001 level of significance. It means that There is an influence of E-Service Quality towards E-Satisfaction of Gen Z in shopping online. Path coefficient of effect of E-service quality E-Satisfaction shows a value of 0.576. It shows that product consumption values has a positive effect on brand commitment. It means that every 1% increase of e-service quality would increase online customer value by 57,6%.

Hypothesis 3 has p-value of <0,001. The result shows that p-value < level of significance. It means that there is an influence of online customer value significantly towards e-satisfaction. Path coefficient of effect of online customer value towards e-satisfaction shows a value of 0.233. It shows that online customer value has a positive effect on e-satisfaction. It means that every 1% increase of online customer value would increase e-satisfaction behavior by 23,3%.

Hypotheses 4, The indirect coefficient path e-satisfaction towards e-loyalty through online customer value is 0,176 with p-value = <0.001. Based on p<0,10 rule then it could be stated that the indirect effect of e-satisfaction towards e-loyalty through online customer value is highly significant, so online customer value is proven to be a mediation variable which mediates e-service quality and e-satisfaction. Meanwhile, the direct effect e-satisfaction towards e-loyalty is also significant, then it means online customer value is a partial mediation

And finally, Hypotheses 5 has a p-value of <0.001. The result shows that p-value < level of significance. It means that there is an influence of e-satisfaction towards e-loyalty. Path coefficient of effect of e-satisfaction towards e-loyalty shows a value of 0.812. It shows that e-satisfaction has a positive effect on e-loyalty. It means that every 1% increase e-satisfaction would increase e-loyalty by 81,2%.

CONCLUSION

Based on the findings, we can conclude that e-satisfaction, online customer value, and e-satisfaction all influenced Gen Z e-loyalty in Lazada. This research could be applied to another e-commerce to improve their overall website ease of use, information, security, reliability, and aesthetic elements in order to anticipate online customer value and achieve e-satisfaction customers. As a note from online customer value, e-commerce should put more account in their economic, social, and functional value to satisfy their customers. And in this research, we know that e-satisfaction is very important when we want to generate loyal customer so we should keep that in mind.

This research have some limitations such as: (1) The research only conducted towards a particular brand (Lazada) so the result could be significantly different towards another brand. (2) Due to covid-19 pandemic, questionnaires can only be distributed using Google Forms. (3) Due to the questionnaire distributed online, the researcher cannot determine the seriousness of the respondents in filling out the questionnaire (4) Due to time limitations in completing the theses, so that this study only uses 203 respondents, in which these 203 respondents are considered to represent the population of Gen Z. These are several suggestions and recommendation that could be done on this research in the future: (1) It is recommended for researchers to study another brand in order to get different result. (2) It is recommended for researchers to use statements that are easily understood by respondents. (3) Future studies should use more samples so that the samples taken can represent the population better (4) Adding more question to the questionnaire in future research to improve the data. (5) The respondents should be classified in more detail especially in their buying power so the sample could be more homogeneous.

REFERENCES

- APJII. "Laporan Survei Internet APJII 2019-2020-Q2." *APJII*. n.d. <https://www.apjii.or.id/content/read/39/521/Laporan-Survei-Internet-APJII-2019-2020-Q2> (accessed August 11, 2021).
- Ayuni, Risca Fitri. "THE ONLINE SHOPPING HABITS AND E-LOYALTY OF GEN Z AS NATIVES IN." *Journal of Indonesian Economy and Business*, 2019.
- Badan Pusat Statistik. *Hasil Sensus Penduduk 2020*. January 21, 2021. <https://www.bps.go.id/pressrelease/2021/01/21/1854/hasil-sensus-penduduk-2020.html> (accessed January 5, 2022).
- Bressolles, Gregory , Francois Durrieu, and Kenneth R Deans. "An Examination of the Online Service-Profit Chain." *International Journal of Retail & Distribution Management*, 2015: 6.
- Cronin, J. J., M. K Brady, and G. T. M Hult. "Assessing the Effects of Quality, Value, and Customer Satisfaction on Consumer Behavioral Intentions in Service Environments." *Journal of Retailing*, 2000: 193–218.
- Kim, Soyoun , and Leslie Stoel. "Apparel retailers:website quality dimensions and satisfaction." *Journal of Retailing and Consumer Services* , 2004: 109–117.
- Malhotra, Naresh K. *Marketing research : an applied orientation*. United Kingdom: Pearson Education, 2019.
- Naami, Abdollah , Zahra Rahimi, and Parisa Ghandvar. "The Effect of Perceived Value, Perceived Risk, and Price on Customers Buying Intention (Case Study: Employees of Presov Electronics Company) ." *International Review of Management and Marketing*, 2017: 166.
- National Retail Federation. "National Retail Federation." *Consumer View Fall 2019 : Keeping up with Gen Z*. October 1, 2019. <https://nrf.com/research/consumer-view-fall-2019> (accessed January 7, 2022).
- Nitschke, Axel , Peter Hochrainer, Harald Dutzler, Benedikt Schmaus, and Stefan Schrauf. "Industry 4.0: Opportunities and challenges for consumer product and retail companies." *Strategy and part of PWC network*. n.d. <https://www.strategyand.pwc.com/de/en/industries/consumer-markets/retail-industry-4-0.html> (accessed January 6, 2022).
- Parasuraman, A. , Valarie A. Zeithaml , and Leonard L. Berry. "A Conceptual Model of Service Quality and Its Implications for Future Research." *Journal of Marketing*, 1985: 41.
- Priporas , Constantinos-Vasilios , Nikolaos Stylos , and Anestis K. Fotiadis . "Generation Z consumers' expectations of interactions in smart." *Computers in Human Behavior*, 2017: 374–381.
- Quan, Nguyen Hong, Nguyen Thi Khanh Chi, Duong Thi Hoai Nhung, Nguyen Thi Kim Ngan, and Le Thai Phong. "The influence of website brand equity, e-brand experience on e-loyalty: The mediating." *Management Science Letters*, 2019: 66.
- Sastry, DVR.S. T , and B. Madhusudhana Rao. "Consumer perception about the influence of online retail service quality." *Journal of Business and Retail Management Research*, 2017: 178-186.
- Schlossberg, Mallory . *INSIDER*. August 6, 2016. <https://www.businessinsider.com/millennials-vs-gen-z-2016-8?r=US&IR=T> (accessed January 17, 2022).
- Solimun, Adji Achmad Rinaldo Fernandes, and Nurjannah. *Metode Statistika Multivariat; Pemodelan Persamaan Struktural (SEM); Pendekatan WarpPLS*. Malang: UB Press, 2017.
- Toufaily, Elissar , Line Ricard, and Jean Perrien . "Customer loyalty to a commercial website: Descriptive meta-analysis." *Journal of Business Research*, 2012: 1437-1445.
- Wilis, Ratih Anggoro , and Andini Nurwulandari. "The effect of E-Service Quality, E-Trust, Price and Brand Image." *Jurnal Ilmiah MEA (Manajemen, Ekonomi, dan Akuntansi)*, 2020: 1066.

Ravell Immanuel
Trisakti School of Management,
Jl. Kyai Tapa No. 20, Jakarta, Indonesia
Email: ravellimmanuel@gmail.com,

Aulia Danibrata
Trisakti School of Management,
Jl. Kyai Tapa No. 20, Jakarta, Indonesia
Email: dani@stietrisakti.ac.id

APPENDIX ITEM MEASUREMENT VARIABLE

E-Service Quality (13 indicators)		Source
ESQ1	It is easy to navigate and to find what you are looking for on this site	Ayuni, Risca Fitri (2019)
ESQ2	The site is easy to use	
ESQ3	The organization and layout of this site makes it easier to search for information	
ESQ4	It is easy to search for information on this site	
ESQ5	This site provides detailed information about the product(s) or service(s) offered	
ESQ6	The information on the site is precise	
ESQ7	The information on the site is relevant	
ESQ8	I trust this site not to misuse my personal information	
ESQ9	I trust the overall security of the site	
ESQ10	This site gives indications of products' availability	
ESQ11	This site offers several means of delivery	
ESQ12	The site is creative	
ESQ13	This site is visually attractive	
Online Customer Value (6 indicators)		
OCV1	The prices of products sold on this website are competitive	Ayuni, Risca Fitri (2019)
OCV2	The prices of products proposed on this website are particularly interesting	
OCV3	Visiting this site gives me something good to talk about with my friends	
OCV4	My family and friends will definitely approve of me visiting this site	
OCV5	I can easily compare product prices on this website	
OCV6	I find that it is convenient to buy wine on this website	
E-Satisfaction		
ESAT1	I am satisfied with my decision to explore this website	Ayuni, Risca Fitri (2019)
ESAT2	My choice to explore this website was a good one	
ESAT3	I am confident it was the right thing to explore this website	
E-Loyalty		
ELOY1	I would buy from this website again in the future	Ayuni, Risca Fitri (2019)
ELOY2	I would recommend this website to a friend	
ELOY3	I would like to visit this website again in the future	