

# The Effects of Trust, Service Quality and Perceived Value on Satisfaction and Their Impact on Loyalty

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**Keywords:** Trust, Service Quality, Perceived Value, Satisfaction, Loyalty.

**Abstract:** The purpose of this research is to analyse the effect of trust, service quality and perceived value on satisfaction and their impact on customer loyalty. The samples of this research are 115 customers, and the questionnaire uses the method of data collection from the respondents chosen by the non-probability sampling method and purposive sampling technique. The data analysis technique which was used was quantitative analysis using Structural Equation Modelling (SEM) and Partial Least Squares (PLS). The results of the analysis demonstrate that Trust, Service Quality, and Perceived Value have a positive and significant effect on customer satisfaction. Satisfaction has a positive influence on customer loyalty and is an intervening variable that has a positive and significant impact on customer loyalty. Trust and Perceived Value have a positive effect on customer loyalty, while Service Quality does not have a positive effect on Loyalty directly.

## 1 INTRODUCTION

The use of the internet network as digital promotion media to perform a range of economic activities, especially marketing, is called electronic commerce or e-commerce. E-commerce is an activity of conducting business transactions online through media and devices integrated with the internet. Laudon (2012) explains that e-commerce refers to the use of the internet and websites for business transactions.

The e-commerce market in Indonesia has high prospect, which is evident by the growing number of active internet users in Indonesia leading to an increase in e-commerce sites both domestically and from abroad. This adds to the difficulty of competing e-commerce businesses in maintaining e-commerce sites/websites in Indonesia. To be able to succeed in an online business, a service strategy focused on the customer is required.

Every e-commerce site/website attempts to provide the best offer and shopping experience for its customer satisfaction by maintaining the customer loyalty. Customer loyalty in online business is not only able to be measured through product quality, but also through the transaction experience on the site as a whole, from ordering to

the arrival of goods to the customers. Online buyers tend to be very critical as they can easily compare prices and product specifications from one site to another; hence, ordering and purchasing can simply occur in a few clicks.

### 1.1 Research Problems

An intensely tight competition with numerous similar competitors in the e-commerce business world is the toughest challenge for Tokopedia to retain its current customers and attract new consumers to conduct online buying and selling services through Tokopedia. Referring to this matter, the problem formulations of this research are as follows:

- 1) Does *Trust* have an effect on *Satisfaction*?
- 2) Does *Service quality* have an effect on *Satisfaction*?
- 3) Does *Perceived Value* have an effect on *Satisfaction*?
- 4) Does *Satisfaction* have an effect on *Loyalty*?
- 5) Does *Trust* have an effect on *Loyalty*?
- 6) Does *Service quality* have an effect on *Loyalty*?
- 7) Does *Perceived Value* have an effect on *Loyalty*?

## 1.2 Research Objective

This research aims to analyze the effects of Trust, Service Quality and Perceived Value on customer satisfaction and their impact on customer loyalty.

## 2 LITERATURE REVIEW

### 2.1 Trust

Morgan and Hunt in (Akbar and Parvez, 2009: 26) stated that "trust exists only when one party has confidence in an exchange of partner's reliability and integrity". Furthermore, trust is defined as a condition when one of the parties involved in the exchange process is convinced of the other party's reliability and integrity. Consumer confidence is basically the consumers' entire knowledge and conclusions made on objects, attributes, and benefits (Mowen and Minor, 2002: 312).

### 2.2 Service Quality

Service quality is defined by Zeithaml et al., (2013) as the ability of website to provide effective and efficient product shopping, payment and delivery experience. Service quality dimensions, according to Wolfinbarger and Gilly (2003), consist of website design, reliability, security, and customer service. Service quality includes the suitability of goods or services purchased, shipping, and website maintenance (whether the website loads quickly, whether the payment system is safe and reliable, whether customer service is friendly, etc.). Meanwhile, according to Arief (2006), service quality is the expected level of excellence and control over the level of excellence to meet customer needs.

### 2.3 Perceived Value

Kotler (2003: 60) states that "Customer perceived value is the difference between the prospective customer evaluation of all the benefits and all the costs of an offering and perceived alternatives". Zeithaml (1988, in Sanchez and Iniesta, 2007) proposed 4 criteria of perceived value definition; i.e. low prices, things on products desired by consumers, quality obtained from products based on the prices offered, and what consumers receive from what they give (benefit and sacrifice).

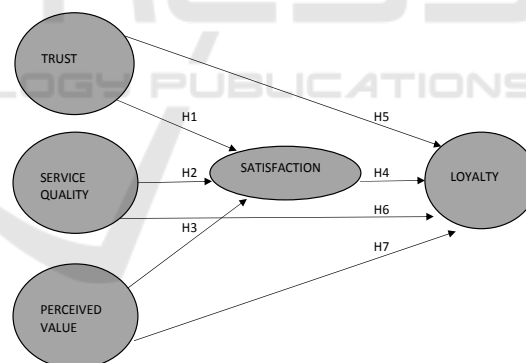
## 2.4 Satisfaction

Customer satisfaction is a comparison between customer expectation and the perceived quality (Kotler, 2000). Customer satisfaction is also defined as a deep commitment to re-purchase or subscribe to a product or service consistently in the future to the same brand, despite the influence of situation and marketing efforts potentially causes the switching behavior (Jamal and Anastasiadou, 2009).

## 2.5 Loyalty

Customer loyalty in an online context is defined as a commitment to continue purchasing certain products and a tendency to consistently do word of mouth communication in the future (Chang et al., 2009). Furthermore, Griffin (2005) argued that loyal customers are customers who: repurchase regularly (repeat buyers), repurchase the same product or service offered by the company, purchase across product and service lines, refer the product or service to others, communicate by word of mouth regarding the product or service to others, and demonstrate immunity to the full of competitions.

## 2.6 Conceptual Framework



## 2.7 Hypotheses

- H1: *Trust* has an effect on Tokopedia's customer *Satisfaction*
- H2: *Service quality* has an effect on Tokopedia's customer *Satisfaction*
- H3: *Perceived Value* has an effect on Tokopedia's customer *Satisfaction*
- H4: *Satisfaction* has an effect on Tokopedia's customer *Loyalty*
- H5: *Trust* has an effect on Tokopedia's customer *Loyalty*

H6: *Service quality* has an effect on Tokopedia's customer *Loyalty*

H7: *Perceived Value* has an effect on Tokopedia's customer *Loyalty*

### 3 RESEARCH METHOD

#### 3.1 Objects of Research

The object in this study is the loyalty of Tokopedia customers, with Satisfaction as an intervening variable. Satisfaction is a dependent factor that is derived from Trust, Service Quality and Perceived Value as independent factors of Tokopedia customers. The research also looks at how big the impact is.

#### 3.2 Population and Samples

The population covers Tokopedia e-commerce customers who have purchased products in Tokopedia at least 2 (two) times. Meanwhile, the number of samples is based on Hair et al., (2010) who suggested that the total number of sample size should be at least 100-200 samples with 5-10 in each indicator or estimated parameter. Therefore, in fulfilling these requirements, the number of samples is set at 115. The sample selection method utilizes non probability sampling method with purposive sampling technique.

#### 3.3 Data Analysis Technique

The data analysis technique used is quantitative analysis by using smart PLS. Furthermore, analysis is carried out on the outer model evaluation, inner model evaluation, path analysis, and hypothesis of mediation/indirect influence testing.

## 4 ANALYSIS AND DISCUSSION

#### 4.1 Measurement Model Testing (Outer Model)

The measurement model aims to test the accuracy of the relationship between indicators in a variable in measuring the latent variables. Testing of the measurement model consists of: convergent testing and discriminant validity, as well as composite reliability testing.

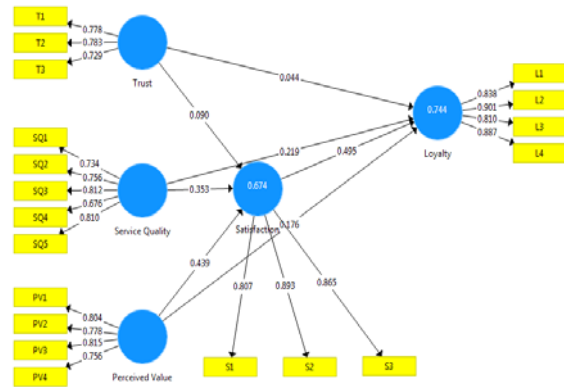


Figure 1: Outer Model.

#### 4.2 Validity Test

The validity test aims to measure the accuracy of indicators in measuring the latent variables. According to Ghazali (2008), an indicator is considered valid if it has a loading factor above 0.70. All loading factors of the indicators are above 0.7. Hence, it can be concluded that all indicators are valid.

#### 4.3 Reliability Test

Reliability of a variable is measured based on the values of cronbach alpha and composite reliability greater than 0.7 (Hair et al, 2010: 157).

Table 1: Composite Reliability Value.

	Composite Reliability	Cronbachs Alpha
L	0,919	0,882
PV	0,868	0,798
S	0,891	0,816
SQ	0,872	0,816
T	0,808	0,723

All variables in this research have composite reliability and Cronbach alpha values above 0.7. Thus, all variables in this research are reliable.

#### 4.4 Structural Model Testing (Inner Model) – Hypothesis Test

The structural model (inner model) in this research consists of three exogenous latent variables (trust, service quality, perceived value) and two

endogenous latent variables (satisfaction and loyalty).

Table 2: Path Coefficients.

	Original Sample	Sample Mean	Standard Deviation	Standard Error	T Statistics
PV-L	0,458205	0,463466	0,093018	0,093018	4,925963
PV -S	0,17381	0,170467	0,104642	0,104642	2,66099
S - L	0,369324	0,367367	0,130187	0,130187	5,66197
SQ -L	0,113986	0,11152	0,131142	0,131142	0,86918
SQ -S	0,702024	0,703126	0,104892	0,104892	6,6928
T - L	0,586199	0,583746	0,030084	0,030084	2,0020
T -S	0,520436	0,520032	0,020624	0,020624	3,6028

#### 4.5 Hypothesis 1. The Effect of Trust on Satisfaction

The effect of trust (T) on satisfaction (S) shows that the t-statistic value of 3.602 is greater than the t-table which is 1.960. This means the first hypothesis is accepted.

Trust has a positive influence on customer satisfaction, namely: Tokopedia continues to increase trust as a trusted third party (online shopping intermediary media) by ensuring the confidentiality of users' personal data. Their data is safely maintained so that customer accounts are not hijacked by other people. Tokopedia must be more anticipative and selective about the potential store seller who wants to commit fraud with various types of covert frauds, such as issuing strict administrative requirements and requiring clear account accreditation data.

#### 4.6 Hypothesis 2. The Effect of Service Quality on Satisfaction

The effect of service quality (SQ) on satisfaction (S) shows that the t-statistic value of 6.692 is greater than the t-table which is 1.960. This means that service quality has a significant effect on satisfaction or indicates that the second hypothesis is accepted.

Service Quality has a positive influence on Satisfaction, namely: Tokopedia in the face of increasingly tight online business competition at this time must be able to provide the best service compared to its competitors. This includes active response to customer complaints with call center being active 24 hours a day, and faster delivery of goods in order to satisfy customers.

#### 4.7 Hypothesis 3. The Effect of Perceived Value on Satisfaction

The effect of perceived value (PV) on satisfaction (S) shows that the t-statistic value of 2.660 is greater than the t-table which is 1.960. This means that perceived value has a significant effect on satisfaction, or indicates that the third hypothesis is accepted.

Perceived Value has a positive influence on customer satisfaction, namely: Tokopedia can provide convenience in terms of payment of product orders by being able to pay using the COD (cash on delivery) method. This is done so customers are satisfied as they can see the goods, check the suitability of the order, and then pay it in cash or even credit.

#### 4.8 Hypothesis 4. The Effect of Satisfaction on Loyalty

The effect of satisfaction (S) on loyalty (L) shows that the t-statistic value of 5.661 is greater than the t-table which is 1.960. This means that satisfaction significantly affects loyalty, or the fourth hypothesis is accepted.

Satisfaction has a positive influence on customer loyalty, namely: Increased customer satisfaction has a higher influence on customer loyalty. Tokopedia creates loyalty programs for customers by providing special discounts, free delivery, and special customer service ratings by tracking how often customers spend and the amount of money spent in one month or even a year. These were done so that customer satisfaction and loyalty increases.

#### 4.9 Hypothesis 5. The Effect of Trust on Loyalty

Referring to the fifth hypothesis test, the effect of trust (T) on loyalty (L) shows the t-statistic value of 2,002 greater than the t-table which is 1,960. This result demonstrates that trust has a significant effect on loyalty, meaning that the fifth hypothesis is accepted.

Trust has a positive influence on customer loyalty, namely: Security in conducting transactions, such as product photos that are appropriate and relevant and providing compensation if problems occur when customers make transactions.

#### 4.10 Hypothesis 6. The Effect of Service Quality on Loyalty

The sixth hypothesis test shows that the effect of service quality (SQ) on loyalty (L) variable in the t-statistic value of 0.869 is smaller than the t-table which is 1.960. This means that service quality is not proven to affect loyalty, or the sixth hypothesis is rejected.

Service Quality has a non-positive (small) effect on customer loyalty, namely: This indicates that service quality or service quality does not have a significant influence on the level of loyalty of Tokopedia customers, because it must involve several parties besides Tokopedia as an ecommerce service. This includes service quality of sellers (online stores/ Tokopedia merchants) and service quality of goods delivery companies. Service quality must be mediated by customer satisfaction in order to have a significant effect on loyalty, so for that, Tokopedia needs to focus as a regulator to ensure cooperation synergy and service quality standards from several parties to satisfy both customers (online stores) and goods/product delivery service companies.

#### 4.11 Hypothesis 7. The Effect of Perceived Value on Loyalty

The seventh hypothesis test highlights that the effect of the perceived value (PV) on the loyalty (L) results in the t-statistic value of 4.925 greater than the t-table which is 1.960. This means that perceived value has a significant effect on loyalty or it also indicates that the seventh hypothesis is accepted.

Perceived Value has a positive influence on customer loyalty, namely: a memorable and enjoyable shopping experience such as easy and fast in buying a product / service and being able to get interest-free installments by cooperating with a bank or other funding institutions. Tokopedia must further enhance the promotional program by providing products with the lowest prices but with the best quality. They should also guarantee that the product is genuine with an official guarantee.

## 5 CONCLUSION AND FURTHER RESEARCH

Trust, Service Quality, and Perceived Value has proven to be able to provide satisfaction for customers and have a positive impact on customer

loyalty. Therefore, Tokopedia needs more innovation and focus on considering customer loyalty in order to survive among other high quality and excellent competition of online retail services in Indonesia.

Other influencing factors can also be examined in further studies by adding other variables, such as price, promotion, discount, and switching cost. Customer relationship marketing can also be investigated.

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