

The Effect of Price on Service Quality, Customer Satisfaction and Customer Loyalty

(Case Study on One of The E-Commerce)

Bulan Tati Fitria¹, Haris Nurdiansyah²

Sekolah Tinggi Ilmu Ekonomi Pasundan, Bandung^{1,2}

Email: bulan@stiepas.ac.id¹, haris.stiepas.ac.id²

Abstract

Sales are a crucial indicator of a company's ability to carry out its operations successfully. Sales in this context refer to products or services that the business has offered and that customers have accepted or used favorably. A firm's level of sales indicates how successful it is in conducting business operations; the higher the sales level a company achieves, the more successful the company is. The impact of price on customer satisfaction and service quality is investigated in this study. Researchers employed partial least squares (PLS), a non-parametric method, to test the research model. The research model was also predicted using a cross-sectional survey with 100 respondents using one e-commerce site. The findings demonstrated that price impacted customer loyalty, satisfaction, and service quality. The findings also demonstrate the critical role that strategic price policies play in boosting consumer loyalty and happiness.

Keywords: e-commerce, price, customer satisfaction, service quality, and customer loyalty.

INTRODUCTION

In the business sector, especially in marketing, information technology is essential. Technology in marketing enables integrated processes for organizing, determining prices for, advertising, and distributing goods and services to customers.

Geographical barriers to communication and interpersonal connection have disappeared in the age of globalization. The Internet is a network of interconnected systems supporting all Internet users globally using the Internet protocol suite (TCP/IP) standard. The Internet demonstrates its enormous role as a powerful tool for generating consumer interest. Various elements, including low prices, a wide variety of product types, high-quality products, multiple promotions, trust, service quality, and other aspects, influence customers' decisions to purchase online.

Consumer perceptions of the quality of internet services (e-services) impact online purchases. Consumers can access the marketplace website from anywhere and any time to choose and decide which things to buy online without going to an actual store. Payments are made through a transfer mechanism, making the payment system simple. This convenience draws customers to Internet shopping. (Abror, Sidharta, & Suzanto, 2019; Abor et al., 2015)

Sale is a crucial indicator of a business's ability to conduct its operations successfully. In this context, sales represent the company's products or services that customers have attained, accepted, and regarded favorably. A corporation becomes closer to the flourishing category in conducting its business activities the more sales it generates. (Riyani and others, 2021)

Due to the emergence of numerous competitors and changes in economic conditions, such as changes in income, purchasing power, community needs, and desires, which will ultimately affect a person's behavior as a consumer regarding the products offered, the level of consumer satisfaction with the products offered is very high. Aditia and others, 2021

Consumer satisfaction results when comparing consumers' expectations and the reality they experience after purchasing goods or services. (Zkan et al., 2019; Megawati, 2017) Customers will be more likely to trust the online market if they are satisfied with their shopping experiences. Organizations must first acquire these criteria to preserve their survival in the business market and increase their competitive edge. (VO et al., 2020; Adi Wibowo et al., 2022; Gopi & Samat, 2020) Similar difficulties arise for businesses as they try to sustain market share in the face of fierce competition in today's business environment. In addition to ensuring customer happiness, the ultimate objective of business is to build and

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maintain a clientele—potential customers with spending power who constantly benefit the business. (Ningsih, 2016; Larashati, 2019)

The pre-survey data displays the kinds and quantity of customer complaints for one social media user who engages in e-commerce. Most complaints center on poor and useless customer service, arbitrary order cancellations, and lengthy refund procedures. Under these circumstances, Lazada must develop a plan to deal with these problems and offer service quality that satisfies consumer expectations. The importance of the service they obtain will determine how much they use it. Customer satisfaction may suffer as a result.

Prentice et al. (2020) claim that we measure service quality by how well the provided service level aligns with customer expectations. We refer to the result of comparing consumers' impressions of the service they receive and the service they expect from a company as service quality.

Price perception is another aspect that may have an impact on consumer happiness. Controllable price affects consumers' acceptance or rejection of a product. Slack and others (2010) The price of a product significantly impacts demand; if the price is low, there will be an increase in demand for the supplied goods, and if the price is high, there will be a decrease in demand. Rahayu and others, 2023 The price choice will significantly increase consumer interest. The corporation will prioritize that product if its price is reasonable and consistent with consumer purchasing power. In 2021, Shen and Yahya

According to Riyani et al. (2021), "If the price established by a company does not correspond to the benefits of the product, it might lower customer satisfaction levels, and vice versa, if the price set by a company is in line with the benefits received, it will improve service quality. Therefore, customer satisfaction is increased to a greater degree the higher the perceived benefits for consumers. Consumers may protest and feel disappointed when e-commerce falls short of these expectations. Given that customers will transfer to less expensive e-commerce platforms with comparable services if pricing is excessively high or uneven, Consumers will become disinterested in the supplier of the goods if the paid the price does not correspond to the obtained service quality or if the perceived service quality is lower than anticipated. Customers are more likely to use that provider repeatedly if the opposite occurs.

Several elements, including Service Quality and Price, influence customer happiness on one of the e-commerce platforms, according to the data results and supported by the theories offered by the experts above.

RESEARCH METHOD

Researchers conducted a survey utilizing an exploratory factor analysis approach with obliminal rotation to examine the effects of study variables. The target market is customers that have previously used an e-commerce platform to make purchases. A non-parametric structural equation modeling (PLS) method is used by researchers with 100 respondents, all of whom had used an e-commerce site to make purchases. The researchers post a Google Form link on social media for data collection.

Convenience sampling is used to obtain the data, and it involves asking customers whether they would be willing to complete a standardized questionnaire that the researchers have created. Four months after the questionnaires were collected, the study is still ongoing. The respondents, a total of 100 consumers, had the following characteristics, which the researchers used to replicate their findings:

Table 1. Characteristics of Respondents

No.	Chracteristic	Frequency	Presentation
1.	Gender		
	- Woman	60	60%
	- Man	40	40%
2.	Age		
	- 16-20 Years	12	12%
	- 21-25 Years	71	72%
	- 26-30 Years	10	10%
	- > 35 Years	6	6%
3.	Last education		
	SMA/SMK	70	70%
	- Diplomas	4	4%
	- Bachelor's degree (S1)	24	24%
	- Undergraduate (S2) Lainnya	1	1%
4.	Type of work		
	- Student	50	50%
	- Government employees	0	0%
	- Private employees	23	23%
	- Businessman	8	8%
	- Other	19	19%

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The information researchers provide includes population demographics, such as gender, age, education, and employment type. We can make the following analysis using this information:

Gender: The population under study comprises 60% females and 40% males. This indicates that females outnumber males in this population.

Age: The majority of the population—72%—falls between the ages of 21 and 25. A scant 6% of people are over 35 years old, and 12% are between the ages of 16 and 20. The other categories are less significant. This suggests that people are generally young.

Last Education Level: The bulk of the population, about 70%, has a high school diploma or equivalent. Only 1% have a master's or another degree, whereas 24% have a bachelors. This indicates that the majority of the population has completed high school.

Job Type: 50% of the population are students. Additionally, private businesses employ 23%, 8% run their businesses, and "Other" jobs, including unpaid jobs or those in the non-profit sector, engage 19%. None are working in government service. This data confirms the previous analysis, suggesting a predominantly young population, as half are still in school.

Table 2. Outer Loading Indicator Calculation Results for Research

	Assurance	Price	Repurchase	Responsiveness
As1				0,904
As2				0,874
As3				0,824
As4	0,819			0,643
P1	0,905			
P2	0,923			
P3	0,819			
Rep1		0,919		
Rep2		0,894		
Rep3		0,868		
Res1			0,800	
Res2			0,869	
Res3			0,767	
Res4			0,769	

Table 2 shows that the research instrument has an outer loading greater than 0.5, so further testing can determine the validity and reliability of the research construct.

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Table 3. Results of Calculation of Construct Validity and Reliability

	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Assurance	0,860	0,914	0,781
Price	0,874	0,923	0,799
Repurchase	0,815	0,878	0,644
Responsiveness	0,830	0,888	0,668

Table 3 shows the value of the research construct > 0.7 for Cronbach's Alpha and Composite reliability. Likewise with the Average Variance Extracted value > 0.5 , so it can be said that the research construct is valid and reliable.

RESULT AND DISCUSSION

Furthermore, the researcher processed the calculation data which showed the variation in results, which are shown in Table 3 and Figure 1.

Table 4. Calculation Results for Path Coefficients, R Square and Hypotheses

	Original Sample (O)	Standard Deviation (STDEV)	T Statistics ((O/STDEV)	P Values
Assurance -> Price	0,365	0,122	2,992	0,003
Price -> Repurchase	0,694	0,061	11,301	0,000
Responsiveness -> Price	0,368	0,113	3,244	0,001
R square	R square		R Square Adjusted	
Price	0,474		0,463	
Repurchase	0,481		0,476	

Assurance exhibits a substantial link with the Price based on the calculation findings displayed in the p-value. Price and repurchase have a strong link. Price and responsiveness have a strong link. This means that there is a substantial association between assurance and Price, as well as between Price and repurchase and between responsiveness and pricing, according to the p-value results. R-square values of 0.474 and 0.481 point to well-developed models that fall into the "good" category.

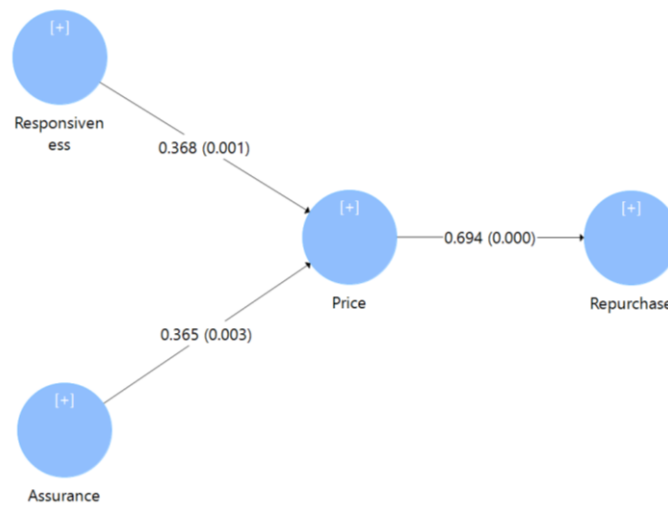


Figure 1. Moderating Service Quality, Customer Satisfaction and Customer Loyalty in One E-Commerce

Table 3 and Figure 1 demonstrate that responsiveness and assurance affect price, which suggests repurchasing. Customers appreciate an e-commerce company's responsiveness in terms of quick customer service responses, accurate information delivery, responses to every request for service from a customer, and ease of contact if an order-related problem arises. Additionally, the business can promise prompt service, gain customers' confidence, and provide a money-back guarantee if the purchased item is damaged or defective and the replacement stock is either out of stock or unavailable. By enabling easy product verification, easy connection with the seller, and a search function within the program, the company also helps consumers. As a result, customers are more likely to stick with one online retailer rather than switch to a rival. The findings of the study support earlier research projects, including those carried out by

Customer loyalty is impacted by satisfaction when a company can offer superior service to rivals through thoughtful service replies. Additionally, the business offers a complaint service for customers who have grievances regarding things they have purchased. In this way, the corporation meets customer expectations. Customers demonstrate their loyalty to the retail business by readily suggesting the service, and they maintain their loyalty by repurchasing products based on selections that suit their needs. Customers are pleased with the company's goods and services because they satisfy their needs. The findings of the study support earlier research projects, including those carried out by

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Customers' pleasure significantly impacts whether they will make another purchase in e-commerce; therefore, service quality and price must be kept up to keep customers coming back.

The success of e-commerce is influenced by the company's obligation to keep customers and its promises to them.

Before achieving client happiness, an e-commerce business must pay close attention to two essential components: service quality and price. (Pandey, Tripathi, Jain, & Roy, 2020; Wu, Li, & Li, 2018) Customer happiness primarily depends on the quality of the services, not on how much anything costs. 2019's Muskat, Hörtnagl, Prayag, and Wagner; 2021's Trevio & Trevio. As a result, customers typically compare the cost of comparable goods or services made or offered by other businesses.

CONCLUSION

The study's findings suggest that customers in e-commerce businesses can be satisfied by the availability of service quality, driven by a price that they can afford and a price that is in line with the quality of the product offered.

Additionally, according to the research, consumer satisfaction affects brand loyalty. The ability of the business to alter service quality to increase customer satisfaction is a requirement for improving service quality. Client service needs to be accurate when delivering information, reply to every client or application that wants assistance, and make it simple to contact the e-commerce party if there is a problem with the ordered goods to increase the service quality. In order to ensure that the pricing reflects the product's quality and impacts consumer happiness, the corporation must think carefully about price setting.

The aspects that affect consumer satisfaction must be considered to raise it, such as creating a strong SOP and educating customer service representatives to comprehend customers better when they file complaints. Every Lazada customer wants a marketplace website that never experiences network disruptions, as this makes it more difficult for customers to conduct transactions or find the necessary goods. Therefore, a company should be aware of every desire of its customers. Additionally, the business should charge less than rivals since, if the price charged is in line with what customers want, they will be pleased with the cost of the supplied goods.

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