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THE INFLUENCE OF TRUST AND SERVICE QUALITY ON LOYALTY
THROUGH CUSTOMER SATISFACTION IN INDONESIAN MARKET
PLACES

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Abstract

This research aims at examining the influence of customer trust and service quality on customer satisfaction and their impacts on customer loyalty in Indonesian market places. The research data was collected by using questionnaires which were distributed to 100 customers. In analyzing the data, the researcher applied path analysis method to answer the designated research problems. Research results stated that service quality variables influence customer satisfaction and customer loyalty, while customer trust influences customer satisfaction only.

INTRODUCTION

Rapid technology development provides convenience to human in the world. The technology industry worldwide has never stopped developing and creating works that provide convenience to human life. One of technologies which is widely used is internet. Internet technology was created along with the era progress, where internet presence can be dissemination means of information, entertainment, employment, etc. It is easy to enjoy and use internet, in which kids and adults have access to internet everywhere and at any time. In this modern era, internet can be used via a smartphone. With all of conveniences and benefits given, internet has currently been part of daily life style. In line with current development of digital era, business people do not necessarily see each other for a transaction, thus distance and time are no longer constraints for both parties. This is caused by the technology that has changed previously offline to currently online paradigms. Buyers and sellers can meet online at marketplace and it is caused by e-commerce industry. Sellers can market goods or services they want to sell at marketplace sites, which are then available for buyers to search and view online.

The total internet users worldwide until 2017 have reached 4.224 billion people or equal to 50% of total population worldwide. This number will certainly not stop growing, and such increase is equal to addition of 354 million people within a year. Meanwhile the data of internet users in 2017

was 143 million with growth of 7% for internet in Indonesia in 2000 (Internet world stars). One of the opportunities that can be exploited is to help human perform sale and purchase in online transactions. Online shopping is one of the most popular online activities worldwide but the usage varies by region. With the huge number of people having ever been shopping via e-commerce industry, the total value of e-commerce global market reached a fantastic value, which was USD 1.915 trillion, thus with this number, many people benefit from e-commerce industry. Indonesia contains a huge population numbering more than 260 million people. In combination with rising per capita GDP and purchasing power this population forms a huge consumer force. Based on Indonesia Investment that Online shopping - as well as other online activities (such as social media or gaming) - is a popular activity among the Indonesian population because Indonesia has a young population (hence more interested in digital technology and more able to adapt it into their lives). Indonesia's middle-class segment continues to expand. To determine the exact number of middle class consumers in Indonesia is a matter of definition. Using a low bar, Indonesia has 45-75 million middle class and affluent consumers. However, all institutions expect the number of middle class consumers to grow rapidly in the years and decades to come. In line with the fact that there are so many e-commerce marketplaces emerging in Indonesia which provide various goods and services, a problem arises in this e-commerce industry, i.e. consumer's trust in e-commerce. When shopping online, we cannot see or sense directly any goods and services offered. This causes trust issue for buyers in e-commerce industry. According to Napitupulu & Aditomo (2015), customer trust has significant influence on customer satisfaction in e-commerce in Indonesia. These researchers wanted to find out the influence of service quality on customer loyalty in marketplace in Indonesia. Customer satisfaction is expected to be customer loyalty for them to keep shopping from the seller. However, this also differs from the opinion of Brilliant & Achyar (2013) who stated that customer satisfaction is not influenced by customer loyalty, thus, the researchers wanted to study the influence of customer satisfaction on customer loyalty in the market place in Indonesia. According to Napitupulu & Aditomo (2015), there are many constraints in e-commerce business in Indonesia. One of the constraints is that there are many customers who do not trust the security of online shopping. Based on the background of problems presented, following problems are identified: How is the influence of customer trust on customer satisfaction in the market place in Indonesia? How is the influence of service quality on customer satisfaction in the market place in Indonesia? How is the influence of customer trust on customer loyalty in the market place in Indonesia? How is the influence of service quality on customer loyalty in the market place in Indonesia? How is the influence of customer satisfaction on customer loyalty in the market place in Indonesia?

LITERATURE REVIEW

Marketing Strategy

By applying appropriate and effective marketing strategy locally and globally, a company is expected to be able to compete with other companies in controlling the market. According to Tjiptono and Chandra (2012),

marketing strategy a statement (either implicit or explicit) of how a brand or product line achieve its objective.

Global Marketing Strategy

In this globalization era, companies are required to compete with world class companies from various countries. To do this, a company must apply a good global marketing strategy. According to Johansson (2010), global marketing strategy is a strategy which covers multi-nations of several areas in the world which aims at coordinating marketing efforts of a company in the market of such nations.

E-Commerce

Sidharta and Suzanto (2015) stated that e-commerce is a transaction process of goods or services via an information system which utilizes information technology, while according to Wong (2010), it is a purchase, sale and marketing of goods and services via an electronic system such as television, radio, and computer or internet network and, thus, e-commerce can also be defined as a business process using electronic technology which connects companies, consumers, and the community in an electronic transaction and an exchange or sale of goods, services and information electronically.

Customer Trust

Sheth and Mittal (2004) explained that trust is willingness to rely on the ability, integrity and motivation of others to serve any needs and interests as agreed implicitly or explicitly. Meanwhile, according to Gul (2014), trust is a positive psychological condition which takes place in certain relationship, or, in other words, a positive psychological condition which takes place between a customer and certain product or service.

Service Quality

Quality has the definition of good or bad extent or degree or level of something. According to ISO-8402 (Yong & Loh, 2003), quality means the totality of facilities and characteristics of a product or service which fulfill a need, either explicitly or implicitly. Quality means anything costumers deem as quality (Gerson, 2004). Meanwhile, according to Kotler (2009), quality is the overall properties of a product or service which affect its ability to satisfy a need, either explicitly or implicitly.

Customer Satisfaction

Customer satisfaction is a person's feeling of pleasure or disappointment arising after comparing the performance or outcome of a product he/she has been thinking of with his/her expected performance (Kotler & Keller, 2013). According to Kotler and Armstrong (2016), consumer satisfaction is the extent to which perceived product performance meets buyer expectations.

Customer Loyalty

A business aims at creating customer satisfaction. Customer satisfaction may give some benefits, one of which is harmonious relationship between the company and its customers which then gives a good ground for repeat purchases and creates loyalty to a brand and advantageous word of mouth

recommendation for the company (Tjiptono & Chandra, 2012). Vanessa (2007) argued that customer loyalty as a customer who is satisfied with a company's product or service and he/she becomes an enthusiastic word of mouth advertiser. She also stated that loyalty is not only regarding a company's product and service, but also all of company's product and service portfolios as part of lifetime loyalty to brand.

MATERIALS AND METHODS

The research design used in this study was associative. This study analyzed customer trust (X1), service quality (X2), customer satisfaction (Y), and its impact on customer loyalty (Z). The unit of analysis aimed at this research is individual who market place customer in Jakarta is. For the purposes of data analysis, this research used Path Analysis model through SPSS Statistics software. In this study, researchers used non-probability sampling with purposive sampling method because the population number is unknown. To determine the required number of samples, the researcher determined the minimum sample size for the path analysis test that was 100 respondents. The hypothesis test design used a 95% confidence level, where the significance level (α) is 5% or 0.05. Based on the research objectives that have been determined, the type of data used in this study was quantitative data. Quantitative data is data expressed in the form of numbers and is the result of calculation and measurement. The data source used in this study was primary data because data was obtained from questionnaires distributed to the users or customers of e-commerce industry in the city of Jakarta.

RESULTS AND DISCUSSIONS

Validity and Reliability Tests

The validity test in this research used trust level of 95% and $df = n-2$. Based on the results of correlation test above, the Sig value between variables X1 and Y was 0.000, which is lower ($<$) than 0.05, and the r value was 0.753, thus we may conclude that variables X1 and Y have strong significant relationship and direction. Meanwhile, the interpretation of the Results of Correlation Test for X1 and Z variables stated that the Sig value between variables X1 and Z was 0.000, which is lower ($<$) than 0.05, and the r value was positive 0.643, thus we may conclude that variables X1 and Z have a strong significant relationship and direction, which means that if the value of Customer Trust variable (X1) increases, the value of Customer Loyalty variable (Z) will also increase, and, on the contrary, if the value of Customer Trust variable (X1) decreases, the value of Customer Loyalty variable (Z) will also decrease.

Path Analysis

In this research, the writer used path analysis, which was expected to find out whether there is influence and to what extent such influence for Customer Satisfaction and Service Quality variables on the Customer Satisfaction variable is and its impact on Customer Loyalty variable. Test of Path Analysis on Sub-structure 1, Test of sub-structure 1 was conducted to test the influence of Customer Trust (X1) and Service Quality (X2) variables on Customer Satisfaction (Y) with sub-structure model.

Test of Path Analysis on Sub-structure 2

This was to test the influence of Customer Trust (X1) and Service Quality (X2) variables on Customer Satisfaction (Y) and their impact on Customer Loyalty (Z) variable. In sub-structure 2, the researcher tested partially and simultaneously to what extent the influence of Customer Trust(X1) and Service Quality (X2) variables on Customer Satisfaction (Y) and their impact on Customer Loyalty (Z) variable; Predictors: (Constant), Customer Satisfaction, Customer Trust, Service Quality.

CONCLUSIONS

Based on the test results for sub-structure 1 and sub-structure 2, the following conclusions are reached: Customer Trust has direct influence on Customer Satisfaction of 0.419 in the market place in Indonesia. Service Quality has direct influence on Customer Satisfaction of 0.422 in the market place in Indonesia. Customer Trust has direct influence on Customer Loyalty of 0.244 in the market place in Indonesia. Service Quality has direct influence on Customer Loyalty of 0.394 in the market place in Indonesia. Customer Satisfaction has direct influence on Customer Loyalty of 0.117 in the market place in Indonesia.

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