



The Effect of Perceived Price Fairness, Product Quality, and Service Quality on Customer Loyalty with Customer Satisfaction Mediation on Shopee Consumers

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Abstract. This study aims to examine the effect of product price fairness, product quality, and service quality on customer loyalty by customer satisfaction mediation. This research was conducted on Shopee consumers in Surabaya. This study used quantitative methods with PLS (partial least square) test equipment. The results show that product fairness has an effect on customer loyalty, while product quality and service quality have no effect on customer loyalty. Product price fairness and service quality have an effect on customer satisfaction, while product quality has no effect. While customer satisfaction affects customer loyalty.

Keywords: Product price fairness · Product quality · Service quality · Customer satisfaction · Customer loyalty

1 Introduction

Consumers who shop online feel more benefits from the internet, and they usually compare the perceived benefits with shopping channels. In addition to the convenience of finding out about products, prices, options, and availability, there's also the added bonus of having fun while doing, impulse, customer service, and a wide selection of retailers are the reasons consumers choose online shopping.

E-commerce is one of the ways in which Indonesian businesspeople are expected to reach customers today. E-commerce is the practice of conducting business over the internet in order to purchase and sell various goods, services, and pieces of information [1]. The C2C platform is a business model carried out between consumers. Online platforms operating in the C2C category act as intermediaries between fellow users, so they are not involved in the procurement process, such as Bukalapak, Shopee, Tokopedia, Blibli.com, Jd.id, and Lazada.co.id.

The important thing needed by the company is to maintain its business (existence). Loyalty is the key for entrepreneurs in maintaining their business, supported by several factors, one of which is customer satisfaction. This is because customers who are satisfied with the value of a company's product will be loyal in the long term. This study focuses on achieving customer loyalty by customer satisfaction mediation. For this reason, it is

necessary to have supporting factors, including perceived price fairness, product quality, and service quality. These three factors are closely related and can create business profits that also impact the existence of the B2C marketplace, especially in building customer loyalty by creating customer satisfaction first.

Customers' reactions to prices, such as contentment, loyalty, and price acceptance, can be influenced by their perceptions of price fairness. Based on Asadi [2] found that marketers must be able to understand the economic and psychological responses to different prices and price changes in order to manage pricing decisions effectively. Price refers to what customers give up or sacrifice to get a product or service [3]. Customers generally perceive the price as an objective value (objective price) or monetary and as a perceived value (perceived price) or non-monetary. The first price assumption represents the actual price tag for a product or service. While the second refers to the perceived price by customers by comparison and is subjective. Perceived price is more descriptive of the situation than the accurate price [3]. The perceived price fairness variable selection is based on Asadi [2] and Consequera [4]. Perceived price fairness affects customer satisfaction [4]. This research was conducted with respondents of Islamic-Iranian cultural arts products. Based on these two studies, this study will re-examine the importance of perceived price fairness in influencing customer satisfaction and loyalty to Shopee Consumers in Surabaya.

Product quality refers to a product or service's ability to meet or exceed customer expectations in terms of features and properties [5]. When a business is able to deliver products that meet or exceed the expectations of its customers, it can be considered high quality. A company's reputation will be enhanced if it provides high-quality products and services. Long-term relationships allow the company to better understand the expectations of its customers. The company stands to gain from this. The product quality variable was selected based on the research of Cater and Cater [6] and Hoe and Mansori [7]. Research by Cater and Cater [6] found that price has a negative effect on satisfaction, while delivery performance, supplier understanding, and personal contact have a positive effect.

On the contrary, customer satisfaction has a positive impact on customer loyalty in terms of both behavior and attitude. As a result, price and product quality have a negative impact on behavioral loyalty, while personal interactions have a positive impact on attitude loyalty. While research by Hoe and Mansori [7] showed that the product quality dimensions, to a certain extent, performance, functionality, and dependability have an impact on customer satisfaction, but the link is weak. This could be due to procurement staff's different emphasis on expense as their best prime concern. Due to the inconsistency of the research results, this study will examine the product quality dimensions in influencing customer satisfaction and customer loyalty.

Defining and measuring quality of service is a notion of competitive spirit that has generated a great deal of interest in academicians and practitioners. Service quality has yet to be defined in a precise manner [8]. Customers' expectations of a service and their perceptions of how it was delivered have traditionally been referred to as service quality [9]. This study used the SERVQUAL scale using the indicator Parasuraman [9], which has five factors (responsiveness, assurance, tangibility, empathy, and reliability). The service quality variable was selected based on Kumar's [8] and Tanisah and Maftuhah's

[10] research. Kumar's [8] found that service loyalty and customer satisfaction are not affected by all service quality dimensions. For customer satisfaction, only empathy and reliability matter, while for customer loyalty, it's empathy, responsiveness, assurance, and palpability that matter. Only empathy can influence customer loyalty whenever it comes to consumer satisfaction mediation. Meanwhile, a positive significant impact on customer loyalty is provided by high-quality service [10]. Customer satisfaction, on the other hand, has little effect on customer loyalty. Kumar's [8] used the path analysis method, while Tanisah and Maftuhah's [10] used multiple regression analysis. Due to the inconsistency of research results and differences in research methods, the purpose of this study is to examine how service quality affects customer satisfaction and customer loyalty in different contexts.

2 Research Methods

The target population in this study was Shopee consumers. The sampling technique used the judgment (purposive) sampling method, which is sampling method in which an experienced person selects a sample of people based on his or her own evaluation of the characteristics that suit the sample members [11]. The characteristics of the samples taken in this study were active consumers who buy and transact on the Shopee application. In terms of transaction repetition, two years is the ideal time for respondents to remember transaction d

3 Results and Discussion

This study's final structural model is given (Fig. 1). The hypothesis's significance was determined by comparing the T-table and T-statistic values. The hypothesis is accepted if the T-statistic is greater than the T-table value. According to this study, the critical value for 95% confidence (95 percent alpha) with a 5% significance level of error is 1.96. The SmartPLS program (version 3), run on computer media, was used to conduct the Partial Least Squares (PLS) analysis for this study. The following summarizes the outcomes of the path analysis (Tabel 1).

As shown in Table 1, the p-values for H2 are 0.814, which means they are above the 0.05 significance level, so the hypothesis that product quality affects customer loyalty is rejected. Customers' loyalty is not affected by service quality since the p-values are 0.067, that also is above the 0.05 significance level, as such H3 is rejected.

Product quality has no impact on satisfaction of customer since p-values are 0.930, which means it is greater than the 0.05 significance level, so H5 is rejected. As for the path or other path analysis that has p-values smaller than 0.05, the hypotheses are accepted.

The effect of mediation in this study can be seen from the PLS output results, which show specific indirect effects, as shown in Table 2. This section compares the relationship between variables through p-values of direct and indirect effects. The following explains customer satisfaction in mediating the effect of perceived price fairness, product quality, and service quality on customer loyalty.

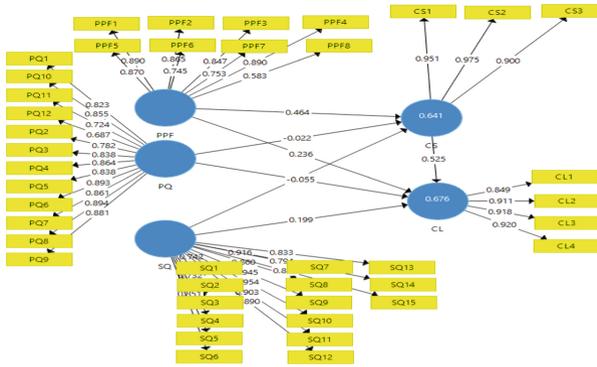


Fig. 1. Structural Analysis Model.

Table 1. Summary of Path Analysis Results

Path	T-Statistics	P-Values	Remarks
Perceived Price Fairness → Customer Loyalty	2.746	0.006	H1 accepted
Product Quality → Customer Loyalty	0.235	0.814	H2 rejected
Service Quality → Customer Loyalty	1.836	0.067	H3 rejected
Perceived Price Fairness → Customer Satisfaction	2.776	0.006	H4 accepted
Product Quality → Customer Satisfaction	0.088	0.930	H5 rejected
Service Quality → Customer Satisfaction	2.802	0.005	H6 accepted
Customer Satisfaction → Customer Loyalty	2.482	0.013	H7 accepted

Table 2. Summary of Indirect Influence Results (Indirect Effects)

Path	P-Value
PPF → CS → CL	0.038
PQ → CS → CL	0.934
SQ → CS → CL	0.111

The p-values of the indirect effects of PPF → CS → CL show a value of 0.038, which is significant because the value is smaller than 0.05. Next, look at the p-values of the direct effects between PPF → CL of 0.006, which is significant because the value is smaller than 0.05. The next step is to determine whether the value of indirect and direct influences is positive. In this mediation, customer satisfaction serves as a supplementary partial mediation, that also means that price fairness can enhance customer loyalty.

The p-values of the indirect effects of PPF → CS → CL show a value of 0.934, which is not significant because the value is greater than 0.05. Next, look at the p-values

of the direct effects between PPF \rightarrow CL of 0.814, therefore, we can conclude that no mediating effect exists since the value is higher than 0.05. Because of this, customer satisfaction cannot counteract the influence of product quality on customer loyalty.

The p-values of the indirect effects of SQ \rightarrow CS \rightarrow CL show a value of 0.934, which is not significant because the value is greater than 0.05. Next, look at the p-values of the direct effects between SQ \rightarrow CL of 0.067, which means that it is not significant because the value is greater than 0.05, as a result, the mediation effect can be ruled out. Customers' loyalty to a brand cannot be influenced by satisfaction with the brand.

4 Conclusion

The results of the study indicate the influence of perceived price fairness on customer loyalty. It can be concluded that price is important in retaining customers. If the prices given by other marketplaces are felt to be cheaper, customers will switch to other marketplaces. Product quality has no effect on customer loyalty. It can be concluded that better product quality does not affect customer loyalty. This shows that product quality is not the most important thing for customers. Service quality has no effect on customer loyalty. It can be concluded that good service quality does not encourage customers to return to buy the product or recommend it to other coworkers.

Perceived price fairness on customer satisfaction. If the product is offered at a reasonable price, compared to other sellers, the customers will be satisfied. Determining the right price is important in order to create customer satisfaction in transactions. Product quality does not affect customer satisfaction. It can be concluded that customers consider good product quality as a natural thing.

Service quality has an effect on customer satisfaction. Seeing the results of this study, companies need to improve service quality so that customers feel satisfied. Conversely, if service quality is low, then the customers will feel dissatisfied. Customer satisfaction has an effect on customer loyalty. Satisfied customers tend to make repeat purchases and recommend them to other coworkers.

In theory, this research is able to explain the theory related to research on the influence of perceived price fairness, product quality, and service quality and their relationship in creating customer satisfaction and loyalty.

Determining the right price affects customer satisfaction and loyalty. In addition to prices perceived as reasonable by customers, good service quality creates customer satisfaction. This needs special attention to create a satisfying transaction experience and the company's efforts to retain customers (customer retention).

This research produces findings that can provide information to the government in making regulations related to product quality standardization to create healthy business competition in marketplaces based on e-commerce business applications.

Suggestion of the research are Shopee can focus sales on products that are purchased by customers a lot. This product focus is carried out by purchasing 1–2 brands in large quantities to reduce the cost of goods sold. The selected brand can be in the form of 1 brand for high-end products and 1 brand with a low price. Shopee can collaborate with large distributors outside Java to reduce shipping costs and delivery times between islands if customers are working on projects outside Java. Shopee employees can build

strong relationships with customers where that person has the authority to make purchase decisions. Relationship building can be done by understanding customer needs personally, swiftly solving problems customers face related to Shopee products, and increasing the number of visits.

Research limitations are This research was conducted in the business-to-consumer (B2C) marketplace industry, where Shopee products are commodity products. Research may give different results if carried out in other industries. This research was conducted on Shopee customers; the sample used was only 41 respondents. Research may give different results if the research is conducted in another company with a larger sample and a more varied type of customer business. This study only discussed the effect of customer satisfaction as a mediating variable. However, this study did not examine the relationship between customer loyalty and trust, where trust has an important value in the B2B market.

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