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Price and e-service quality effects on Gen Z customer loyalty: The mediating role of customer satisfaction in Smartfren internet service provider

Kartika Amalia Putri[1*], Ilham Thaib[1]

[1]Departement of Management Faculty of Economic and Business, Universitas Negeri Padang, Padang, Indonesia

ARTICLE INFO	ABSTRACT
	Indonesian Internet Service Providers like Smartfren offer diverse internet package options, addressing the changing lifestyles and consumer preferences of Gen Z in the digital era. The research investigates the impact of price and e-service quality on customer loyalty among Gen Z in Padang City, with customer satisfaction as a mediator. This type of research is descriptive with quantitative methods and the sampling method uses nonprobability sampling type purposive sampling. This descriptive, quantitative research used 155 respondents, collected via Google Form, and processed using Partial Least Squared-Structural Equation Modeling (PLS-SEM) with SmartPLS software. The study reveals that 1) Price and E-Service Quality have a positive but not significant effect on Customer Loyalty 2) Price and E-Service Quality have a positive and significant effect on Customer Satisfaction 3) Customer Satisfaction has a positive and significant effect on Customer Loyalty 4) Price and E-Service Quality have a positive and significant effect on Customer Loyalty through Customer Satisfaction

* *Corresponding author: e-mail: amalia.elma2107@gmail.com*

INTRODUCTION

Internet plays an important role in the current digital transformation because it accelerates connectivity and provides quick and easy access to information. With the various facilities that the internet possesses, it can now be categorized as one of the communication media. According to databoks.katadata.co.id, Indonesia's internet usage is on the rise, with 213 million people accessing it as of January 2023, accounting for 77% of the population, with Gen Z accounting for 27.94%.

With the increasing role of Gen Z in technology consumption, several companies have emerged in the telecommunications sector, particularly mobile operators. (Yulianto, et al., 2020). In Indonesia, there are several types of cellular operators, including XL, Tri, Telkomsel, and Smartfren, with Smartfren being the cellular operator with the fewest users in Indonesia (databoks.kata.co.id, 2023). One of them is Smartfren, which was founded in 2002 under the name PT Mobile-8 Telecom Tbk and has since provided various telecommunications services, including voice calls, SMS, and high-speed internet access through 4G LTE and 4G LTE Advanced technology. Besides several awards held

by Smartfren, the prices of this provider are known to be the cheapest compared to other providers. (Priyatna et al., 2023). In addition to being affordable, Smartfren also has the widest network availability among providers. As a result of data from OpenSignal research (2022), Smartfren's 4G connectivity coverage is the largest in Indonesia with a percentage of 98.5%.

Some complaints from Smartfren users are related to issues that disrupt comfort, such as the inability to access the internet, network problems, the network not functioning when users are in remote areas, and issues with the Smartfren website being slow to respond to complaints. (Wulandari, 2019). However, in some areas, only Smartfren's internet network can be used. service quality is the first aspect that determines customer satisfaction and loyalty (Akmal et al., 2023). This condition directly impacts the level of satisfaction of Smartfren customers. Customers may become dissatisfied with the service they receive.

Poor pricing and network quality can reduce customer satisfaction with Smartfren's services, potentially affecting customer loyalty. Customer satisfaction can act as a mediator between price, quality, and customer loyalty. By ensuring customer satisfaction, Smartfren can strengthen customer loyalty and maintain its market share among Gen Z in Padang City.

LITERATURE REVIEW

Price
Price are value or nominal quantity of a commodity or service the seller determines in order to benefit from its sale (Nida et al., 2023). Consumers frequently use price as a determining factor when evaluating the link between the advantages supplied by a product or service. When the price does not correspond to the benefits gained, consumer satisfaction can suffer. Consumers are more satisfied when they perceive a higher degree of value. (Gofur, A.2019). Kotler and Armstrong (2016) identified three price indicators: affordability, product quality, and benefits.

E-Service Quality
E-Service Quality relates to the market or internet's efficiency, effectiveness, and convenience in providing services or transactions, resulting in increased consumer satisfaction. (Beriana et al., 2020). Meanwhile, Parasuraman et al. (2005) in Rakasiwie et al. (2021) define "E-Servqual" as the overall customer experience when interacting with a website, or the extent to which the website successfully and efficiently assists users in shopping, making purchases, and selling goods and services. Susriyanti et al. (2023), identified four indices of e-service quality: efficiency, responsiveness, fulfillment, and system availability.

Customer Satisfaction
Satisfaction by customer is a significant measure of product or service success because it is based on consumer evaluations and feedback. Unsatisfied customers may migrate to other organizations, causing problems; nevertheless, satisfied customers generate positive word-of-mouth, which acts as advertising and lowers the cost of obtaining new customers. (Wulandari 2022). Tjiptono (2009) and Indrasari (2019) identify three markers of customer satisfaction: expectation alignment, interest in revisiting, and willingness to suggest.

Customer Loyalty
According to Darmawan (2019), types of loyalty differ among consumers; some only wish to buy one brand, whereas others prefer one brand but occasionally buy another, demonstrating lack of commitment. The market can be split based on consumer loyalty, enabling tailored product offerings. Customer loyalty is defined as preferring and supporting one brand or company over another (Bai et al., 2020). According to Lee et al. (2011) in Sulistyo (2020), Customer Loyalty is measured using four elements: willingness to repurchase, willingness to recommend, price tolerance, and buy frequency.

Conceptual framework and hypothesis

Hypothesis of this research show that: (1) Customer loyalty isn't significantly impacted by price. (2) Customer loyalty isn't significantly impacted by the quality of e-services. (3) Customer satisfaction is significantly impacted by price. (4) Customer satisfaction is significantly impacted by e-service quality. (5) Customer loyalty is significantly impacted by customer satisfaction. (6) Through customer satisfaction, price has a big impact on customer loyalty. (7) Through customer satisfaction, e-service quality significantly influences customer loyalty.
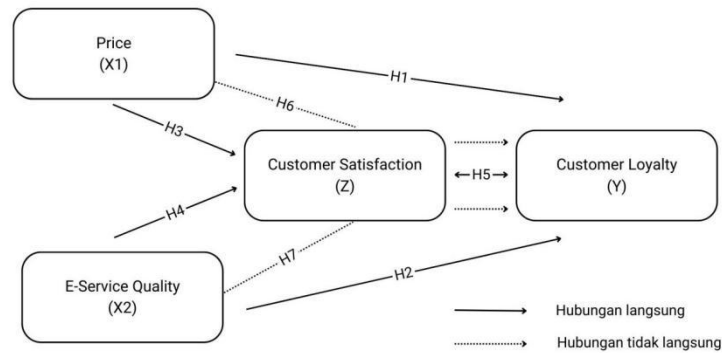

Figure 1. Conceptual framework

METHOD

This study blends descriptive research with quantitative methods. The data collection approach in this study was to distribute instruments in the form of questionnaires delivered online via Google Form. This study used nonprobability purposive sampling and The Hair et al. (2018) formula to determine the sample size. This sampling technique is calculated by multiplying the full set of variables by 5-10, with a 10:1 ratio indicating that the number of indicators and sample size are adequate. Thus, if there are 14 observed variables, the minimum sample size is 14 x 10 = 140 respondents. The criteria used in sampling in this study include:

1) Domiciled in Padang City.
2) Aged 18-27 years
3) Have used Smartfren services in the past year.

The question items used in this study come from price variables, e-service quality, customer satisfaction, and customer loyalty. The question items in the study were measured using a Likert scale from 1-5 points, where point 1 indicates strongly disagree to point 5 indicates strongly agree.

Table 1. Operational Defintion

Variabel	Defintion	Indicator
Price (X1)	A nominal amount is exchanged to indicate the value of Smartfren's services in exchange for client advantages.	1) Affordability 2) Price alignment with product quality 3) Price alignment with benefits
E-Service Quality (X2)	Theory created to measure the quality of service given by Smartfren over the internet.	1) Efficiency 2) Responsiveness 3) Fulfillment 4) System Availability

Customer Satisfaction (Z)	How pleased are Gen Z clients with Smartfren's services for meeting their wants, desires, and expectations?	1) Suitability of Expectations 2) Interest in returning 3) Willingness to recommend
Customer Loyalty (Y)	Customer commitment to Smartfren, as evidenced by persistent use despite numerous other product options.	1) Availability to Repurchase 2) Availability to Recommend 3) Price Tolerance 4) Purchase Frequency

RESULT AND DISCUSSION

Convergent Validity

According to Hair & Sarstedt (2019), the requirements for convergent validity are the [outer loading > 0.7] value and the [Average Variance Extracted (AVE) > 0.5] value. The outer loading and Average Variance Extracted (AVE) values in this study are shown in the following table.

Table 2. Outer Loading

Indikator	CL	CS	ESQ	P
CL 1	0,898			
CL 2	0,900			
CL 3	0,822			
CL 4	0,831			
CS 1		0,915		
CS 2		0,891		
CS 3		0,946		
ESQ 1			0,760	
ESQ 2			0,780	
ESQ 3			0,826	
ESQ 4			0,880	
P2				0,834
P3				0,887
P1				0,718

Source: Result of data processing (2024)

In this study, there are 14 indicators used to measure the 4 variables tested. Based on the results of data processing shown in the table above, it can be seen that all variable indicators have an outer loading value> 0.7. This shows that the convergent validity is valid.

Table 3. Average Variance Exctracted (AVE)

Indikator	Average Variance Extracted (AVE)
CL	0,746
CS	0,842
ESQ	0,660
P	0,666

Source: Result of data processing (2024)

The study reveals that customer loyalty, customer satisfaction, e-service quality, and pricing have AVE values of 0.746, 0.842, 0.660, and 0.66 respectively, indicating varying levels of satisfaction and satisfaction. The results show that all variables in this study had an AVE value greater than 0.5. This indicates that the convergent value is valid.

Discriminant Validity

Discriminant validity relates to the principle that there is no need for a high correlation between different construct measures. The indicator cross loading values for each variable are shown in the following table to show discriminant validity.

Table 4. Cross Loading Value

Indikator	CL	CS	ESQ	P
CL 1	**0,898**	0,808	0,620	0,565
CL 2	**0,900**	0,804	0,610	0,566
CL 3	**0,822**	0,649	0,597	0,556
CL 4	**0,831**	0,787	0,664	0,663
CS 1	0,825	**0,915**	0,751	0,705
CS 2	0,790	**0,891**	0,759	0,686
CS 3	0,827	**0,946**	0,768	0,694
ESQ 1	0,527	0,632	**0,760**	0,537
ESQ 2	0,580	0,707	**0,780**	0,650
ESQ 3	0,587	0,651	**0,826**	0,499
ESQ 4	0,642	0,696	**0,880**	0,595
P2	0,548	0,640	0,590	**0,834**
P3	0,605	0,663	0,698	**0,887**
P1	0,507	0,545	0,411	**0,718**

Source: Result of data processing (2024)

The table demonstrates discriminant validity, indicating all indicators tested in this paper has a higher variable score than other indicators, confirming their validity. The discriminant validity test's validity can be improved by employing the Average Variance Extract (AVE) root test results to validate the cross loading value on latent variable correlation.

Table 5. AVE Root Testing Output on Latent Variable Correlations

Indikator	CL	CS	ESQ	P
CL	0,864			
CS	0,887	0,918		
ESQ	0,721	0,827	0,813	
P	0,680	0,757	0,703	0,816

Source: Result of data processing (2024)

The discriminant validity test is valid because the latent construct predicts superior indicators for its block. All indicators are considered valid based on outer loading, Average Variance Extract (AVE), cross loading, and the root of AVE on latent variable correlation.

Cronbach's Alpha dan Composite Reliability

Table 6. Cronbach's Alpha and Composite Reliability

Indikator	Cronbach's alpha	Composite reliability
CL	0,886	0,893
CS	0,906	0,907
ESQ	0,827	0,831
P	0,745	0,758

Source: Result of data processing (2024)

The table indicates good reliability of the variables, as evidenced by Cronbach's alpha value > 0.6 and composite reliability > 0.7, demonstrating that they can measure their constructs (Ghozali, 2018).

R Squared

Table 7. R Squared

Indikator	R-square	R-square adjusted
CL	0,788	0,784
CS	0,746	0,742

Source: Result of data processing (2024)

According to the study, price, e-service quality, and customer happiness all have a considerable influence on customer loyalty and satisfaction (78% and 74%, respectively), with the remaining 22% influenced by variables not described in the study.

Good of Fitness

Table 8. Good of Fitness

Indikator	Saturated model	Estimated model
SRMR	0,073	0,073
d_ULS	0,566	0,566
d_G	0,434	0,434
Chi-square	379,992	379,992
NFI	0,790	0,790

Source: Result of data processing (2024)

The given table shows that the Standardized Mean Square Residual (RSMR) is within (0.6 < RSMR < 0.8), which is 0.073. This score indicates that the model fits the correlations well. With an amount around 1 in the table, the Normed Fit Index (NFI) value, typically often ranges from 0 to 1, represents the quality of a model.

Table 19. Hypothesis Direct and Indirect Effect

Path	Original sample (O)	T statistics (|O/STDEV|)	P values	Information
P -> CL	0.028	0.413	0.680	Rejected
ESQ -> CL	-0.049	0.619	0.537	Rejected
P -> CS	0.347	7.298	0.000	Accepted
ESQ -> CS	0.583	11.452	0.000	Accepted
CS -> CL	0.907	16.164	0.000	Accepted
P -> CS -> CL	0.315	6.292	0.000	Accepted
ESQ -> CS -> CL	0.529	10.214	0.000	Accepted

Source: Result of data processing (2024)

CONCLUSSION

The Effect of Price on Customer Loyalty

Price has a positive but not statistically significant effect on customer loyalty, according to the results of the hypothesis test. Where Price obtained a significance value or P Value of 0.680 (0.680 > 0.05), T Value of 0.413 (0.413 < 1.96). The study supports Jaya et al. (2020) findings, which show that organizations should be selective in setting prices to increase consumer loyalty. However, the analysis demonstrates that price has a positive but non-significant effect on customer loyalty, indicating that it falls short of the acceptable level of significance.

The Effect of E-Service Quality on Customer Loyalty

Where E-Service Quality obtained a significance value or P Value of 0.537 (0.537 > 0.05), T Value of 0.619 (0.619 < 1.96). Means that E-Service Quality has a favorable impact on customer loyalty, although not considerably. The study supports Juwaini et al. (2022) research, which suggest that organizations should emphasize service delivery, particularly in assuring product alignment with consumer expectations.

The Effect of Price on Customer Satisfaction

According to the hypothesis testing results, price has a positive and significant impact on customer satisfaction. Where Price obtained a significance value or P Value of 0.000 (0.000 < 0.05), T Value of 7.298 (7.298 > 1.96). According to Susilawati et al.'s (2024) research, product users are satisfied with the pricing strategy used when acquiring the product. Consumers understand product prices well and rely on references rather than actual prices. Companies must ensure that their price is appropriate in order to properly market their products or services (Subaesni et al. 2019).

The Effect of E-Service Quality on Customer Satisfaction

The study discovered that E-Service Quality has a significant impact on customer satisfaction, with a P Value of 0.000 and a T Value of 11.452, supporting previous research by Wirapraja et al. (2021) and Muharam et al. (2021), which found that improving service quality positively impacts customer satisfaction, indicating a positive overall experience with a service.

The Effect of Customer Satisfaction on Customer Loyalty

In accordance with the hypothesis testing results, Customer Satisfaction has a positive and significant impact on Customer Loyalty. Where Customer Satisfaction obtained a significance value or P Value of

0.000 (0.000 < 0.05), and a T Value of 16.164 (16.164 > 1.96). Customer satisfaction has a considerable impact on loyalty, according to previous studies by Purwianti et al. (2023) and Sani et al. (2024). This satisfaction increases client faith in the company's products, encouraging repeat purchases and improving product quality.

The Effect of Price on Customer Loyalty Through Customer Satisfaction

The findings of the hypothesis test show that price has a big impact on client loyalty and satisfaction. Price obtained a significance value or P Value of 0.000 (0.000 < 0.05), T Value of 6.292 (6.292 > 1.96). This indicates that the first hypothesis—that price significantly influences customer satisfaction and, consequently, customer loyalty—is accepted. This result is consistent with the findings of Laserto et al. (2023) and Nasib et al. (2021).

The Effect of E-Service Quality on Customer Loyalty Through Customer Satisfaction

Where E-Service Quality obtained a significance value or P Value of 0.000 (0.000 < 0.05), T Value of 10.214 (10.214 > 1.96). Which mean, E-Service Quality has a considerable impact on customer happiness and loyalty. The study supports Kaya et al.'s (2019) findings, which show that E-Service Quality improves repurchase behavior, hence increasing customer loyalty.

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