

The Influence Of E-Customer Trust Antecedents On E-Customer Loyalty In Indonesia

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ABSTRACT

E-commerce is a promising industry in Indonesia. One of the important key factors for this industry is customer loyalty, followed by trust, as customers view making purchases online to be riskier than through traditional stores, hence making it the key factors. The main purpose of this paper is to investigate the relationship between e-customer trust and e-customer loyalty among Indonesia e-customers. This study takes perceived security risk and service quality as antecedents toward e-customer trust. This study used quantitative method using questionnaires to collect data. Data were collected from a total of 223 respondents from generation X and generation Y. The data were then analysed using SmartPLS. Findings revealed that e-customer trust has a positive significant effect on e-customer loyalty. Although service quality has significant effect toward e-customer trust, perceived security risk does not have any impact on e-customer trust. Nonetheless, one of the implications from this study is that e-commerce has to focus on their service quality to build customers trust, and customers' loyalty.

Keywords

marketplace, customer, trust, loyalty, service, security

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Introduction

E-commerce is a promising industry in Indonesia. E-commerce transaction has grown tremendously in these past few years. E-commerce has grown about 60% to 70% since 2014 (Austrade, 2018). However, Indonesia's e-commerce market is still relatively small (US\$ 8 billion) compared to that of China (US\$692 billion). The number suggests that there is still room for growth for Indonesia e-commerce market. The position of customers is crucial in the e-commerce in Indonesia as they are quite a large number of Internet user reaching 132 million in 2017, and as of 2015 there were 18 million online shoppers (Wearesocial, 2018). This number is expected to grow to 119 million by 2025 (Austrade, 2018), and there have been profound changes in consumers' lifestyle and buying behaviour (Kandampully, Zhang, & Bilgihan, 2015). In fact, e-commerce in Indonesia must focus on customers' roles in order to succeed, especially the Generations X and Y. This is because Generations X and Y, who were born between 1964 and 2000, have the most purchasing power in e-commerce.

Therefore, creating and maintaining customers' loyalty will help e-commerce companies to develop long-term, beneficial relationship with customers (Kandampully et al., 2015). Hence, this study focuses on e-commerce customers' loyalty as the main problem. Techrepublic in the article Online shoppers (April 2017) revealed that 49% of the respondents stated they were increasingly concerned about their privacy online, and that the lack of trust in e-commerce and trust could keep the digital economy from growing. In term of marketing, customers' trust is one of the key buildings in customers' loyalty (Hong & Cho, 2011). This study takes e-customer trust as antecedents of e-customer loyalty. Forbes, in their article, revealed that crimes on the internet and e-commerce had raised concerns among customers about their personal data and 22% of the internet users had never shopped online (Forbes, 2017). Consumers' perceived risk is an important barrier for online those who

are considering whether to make online purchases in e-commerce (Kim, Ferrin, & Rao, 2008). Hence, this study takes perceived risk as one of the antecedents towards e-commerce trust. Nowadays, ecommerce businesses are beginning to realise that the key determinants of success are not just the low prices, website presence, but also electronic service quality (Lee & Lin, 2005). Thus, this study takes service quality as one of the antecedents towards e-commerce trust.

The objectives of this study are: first, to explore the role of e-commerce trust toward e-customers loyalty, and second, to explore the role of service quality and perceived risk in e-commerce trust.

Literature Review

Generations X and Y

E-commerce must focus on customers' roles in order to succeed, especially Generations X and Y. Generations X and Y, who were born between 1964 and 2000 have the most purchasing power in e-commerce, which becomes the focus of this research. A study by Lissitsa (2016) involving these generations in online commerce revealed that Generation X has more spending power than any other generation, although Generation Y is also one of the top targets for marketers to generate sales. For Generation Y, shopping is not regarded as a simple act of purchasing but a new form of entertainment and/or experiential dimension, in which brands have become part of their lives, giving added value to their lives and experiences. In their purchase decision making, Generation Y puts greater emphasis on socialisation agents, through the social media sites (SMS), which are largely populated by this generation (Mangold & Smith, 2012). Generation Y is technology savvy and more immersed in online purchase behaviour (Lester, Forman & Loyd, 2006). In fact, Generation Y spend 15% of their time on internet on average (Sullivan & Heitmeyer, 2008).

E-customer Loyalty

Retaining existing customers or customers' loyalty is a critical competitiveness for online businesses. E-customers' loyalty, according to Chiu, Lin, Sun, and Hsu (2009) offers the dependence and identification of the products or services of a website. An increasing number of consumers shift their buying activities from physical stores to retail websites. This is due to the low prices, convenience, time-saving, wider selection, fast response, choices of payment, and flexible delivery time. Meanwhile, flexible service, payment security, and low prices have become choices for the customers' loyalty to a particular online store. The theory of e-customer loyalty is based on many theories, one of them is marketing theory which is considered as one of the value propositions to get potential customers. The other theory is from the justice theory, as in the study by Wetsch (2005) which used a research model that evolved from the customer relationship management, loyalty, and literature related to justice theory. Customers will have a positive perception of the distributive justice if they receive an increase in subjective value.

E-customer Trust

E-customer Trust (Sharma & Lijuan, 2015) makes consumers comfortable with sharing personal information, making purchases, and loyalty. All interactions are done through e-commerce websites or online applications allow buyers and seller meet in the virtual world, that are supported by the infrastructure, web security, database security, sellers' integrity and reputation, words of mouth, and users' comments. Trust has been generally accepted as a critical element in a positive relationship (Moorman, Deshpande, & Zaltman, 1993). One of the outcomes of developing trust is increasing customers' loyalty (Garbarino & Johnson, 1999).

The study by Chen (2015) revealed that trust can motivate customers to keep a relationship, and it has been identified as an indicator of a growing relationship. Chen verifies the predictive roles of customers' experiences of trust in developing their loyalty. This is in line with the finding of a study by Kandampully et al. (2015) which found that trust has a strong relationship with customers' loyalty. Results of the study clearly showed that customers experienced trust with frontline employee can lead to their greater loyalty to the firm. The study by Ball (Ball, Simões Coelho, & Machás, 2004) explained the relationship between trust and loyalty, where trust is an additional variable to enrich e-customers' loyalty, although trust does not have a significant relationship with e-customers' loyalty. Another study (Kandampully, Zhang, & Bilgihan, 2015) on the performance or credibility trust implies assurance or confidence in their capabilities to provide good quality services, so it has a strong positive impact on loyalty.

This paper applies trust to e-commerce users and its environment. Thus, this study proposed the following hypothesis:

H₁: E-customers' trust significantly influences e-customers' loyalty in E-Commerce Marketplace

Service Quality

Service Quality (Sharma & Lijuan, 2015) refers to how good the service is supplied by the organisation. In terms of e-commerce, the organisation is a seller or marketplace. The service is included in the website, completeness information, web or application usability, and features of the web or application.

Traditionally, service quality was defined by customers' expectation of the service to be received, and perceptions of the actual service received (Parasuraman, Zeithaml, & Berry, 1988). They conceptualised service quality based on five dimensions (reliability, responsiveness, assurance, empathy, and tangibles) and the service quality scale was built to measure the service quality in face-to-face service encounters. The previous study by Kundu and Datta (2015) found that service quality has a major influence on trust. Service providers should take extra care of their customers' privacy of personal and transactional information. This paper takes into account the link between service quality and trust in the e-commerce marketplace environment, which allows the correlation between e-commerce system partnership service excellence and the trust. The following theory was then suggested as follows.

H₂: Perceived Service Quality significantly influence e-customers' trust

Perceived Security Risk

Perceived Security Risk (Salisbury, Pearson, Pearson, & Miller, 2001) is the perception of e-commerce users about any risk in web shopping. Web-based shopping may involve a trade-off between perceptions about its utility and security. Security risk in e-commerce is very crucial because users put all information related to their personality and payment into e-commerce website. Nowadays, there are many web security providers to prevent internet crimes. Another study (Thaw, Mahmood, & Dominic, 2009) on perceived security risks found that despite the fact that all Web vendors today employ web security to keep information using secured technology, their consumers still do not understand how e-commerce sellers keep and secure their personal data and cards. This possesses a challenge on how e-commerce sellers ensure their customers' private information in increasing their perceived security risk.

A study by Yang, Pang, Liu, Yen, and Michael Tarn (2015) found that at the early stage of online payments, the customer may not trust the new way of payment without the protection of regulations and modern technology such as identification and public key encryption. This study showed that the development of online payment, as a new way of payment method, has been accepted and adopted by numerous customers, indicating their trust in online payment. Practitioners believe that trust is critical for e-commerce and to retain customers' loyalty. Hence, the hypothesis is as follows:

H₃: Perceived security risk significantly influences e-customers' trust

Based on the related literature and hypothesis, the following model was developed:

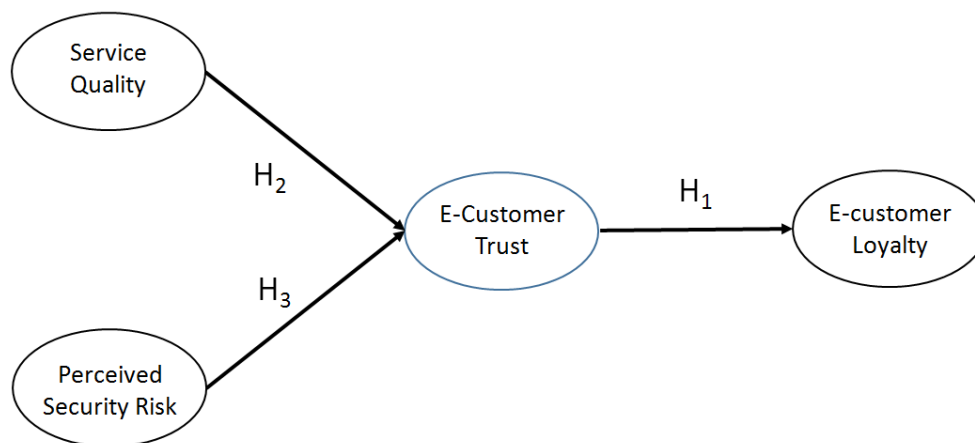


Figure 1: Research Model

Measures Development

All the measurements or indicators in this study were adapted from past study. Based on the literature review, the authors collected and translated them into Indonesian language. Initially, there were 12 (twelve) indicators, as follows:

Table 1. Factor Loading

Variables – Indicators		Loading Factor	Ref.
Service Quality			
SQ1	Ease-of-use is a salient component of E-commerce Service Quality	0,900	Sun, 2015
SQ2	Usefulness is a salient component of E-commerce Service Quality	0,876	
SQ3	Customer Service Quality is a salient component of E-commerce Service Quality	0,727	
Perceived Security Risks			
SR1	It is likely that shopping on this website will cause me to lose control over the privacy of my personal and payment information.	0,813	Chiu, 2012
SR2	It is likely that shopping on this website will cause me to suffer a financial loss due to the hidden costs, maintenance costs, or lack of warranty in case of faults.	0,704	
SR3	It is likely that the online seller may fail to deliver the product or make a late delivery.	0,873	
Customers' Trust			
CT1	It is safe to pay money and perform a financial transaction on this catalogue retailer's website	0,847	Al Debei, 2015
CT2	The online retailer's website is secured given that it uses digital certificates	0,854	
CT3	The online retailer will not sell my personal information (email address, phone number, names...) to others for commercial use	0,530	
Customers' Loyalty			
CL1	I plan to continue using this website to purchase products.	0,869	Chiu, 2014

CL2	I consider this website to be my first choice for transactions in the future.	0,902	
CL3	I believe that this is my favourite retail website, among others	0,837	Lee, 2012

reliability, internal consistency, and discriminant validity were then checked (Hair, 2015).

Research Methodology

A pilot analysis was performed to test how valid and reliable the questionnaire is (Sekaran & Bougie, 2016). Meanwhile, to capture the data, we used a self-select web-based questionnaire using Google Form. The notification spread throughWhatsapps group and chained messages. In the introduction page, the authors did not notify the respondents about the limitation that the survey was intended only for millennials who already have experiences with shopping online for personal purposes.

Sampling Methods

Through the online survey, 233 data were collected; however, there were 5 respondents who are neither in Generation X or Generation Y, while 5 data that were incomplete, so data of the 10 respondents were discarded. As a result, a total of 223 valid data, comprising 37% of the respondents of Generation X and 63% of the respondents of Generation Y. The data were processed using variance based SEM (SmartPLS). After the data had been checked and passed the missing data and outlier, the individual items'

Results And Discussion

Measurement model

All indicators in all the variables of this study have loading value > 0.70, except for indicator CT3, which has 0.530, which was then deleted. To determine the value of the validity model, Average Variance Extracted (AVE) was applied, whereby the amount should be higher than 0.50. Those factors suggesting valid for measuring their construct.

$$AVE = \frac{(\sum \lambda_i^2) var F}{(\sum \lambda_i^2) var F + \sum \Theta_{ii}}$$

Where, λ_i = factor loading
 F = factor variance
 Θ_{ii} = error variance

The value being higher than 0.70 determined the reliability aspect through the use of Cronbach's Alpha and Composite Reliability (CR).

Table 2: Validity and reliability results

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted
Customer Loyalty	0,839	0,851	0,903	0,756
Customer Trust	0,620	0,691	0,796	0,575
Perceived Security Risk	0,739	0,801	0,841	0,640
Service Quality	0,793	0,853	0,875	0,702

Based on the aforementioned results, all values received from the Cronbach alpha, Rho_A, and Composite Reliability (CR) are above 0.700, and higher than 0.5 for average variance extracted (AVE), show the factors to be valid and can be relied on.

Structural Model

The model was executed using bootstrapping until the estimation model reached the minimum criterion of validity and reliability. Figure 2 displays the findings.

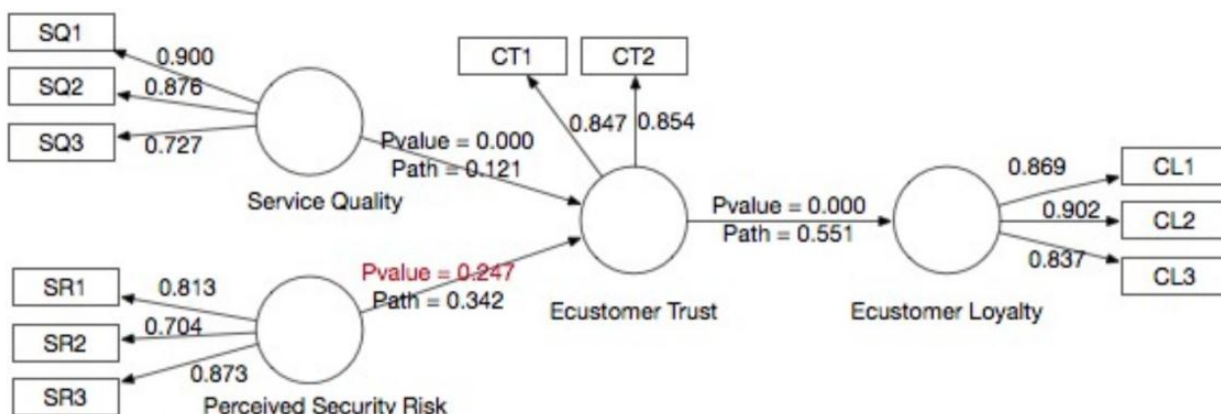


Figure 2: Results

P value was associated with the path coefficient to show how the corresponding hypothesis is assumed to be supported. The P value below 0.05 shows that the corresponding hypothesis is supported.

The T-Statistic value was used to examine the relationship between the variables. If T-Statistics from the variable relationship is lower than 1.956, the relationship is therefore not significant, and the hypothesis is rejected.

The first research question aimed to determine the relationship between e-customers' trust to e-customers' loyalty. The measurement from the t-statistic value of the hypothesis is 7.651 and p-value = 0.000, this proves how the loyalty of e-customers is highly impacted by the established trust (supported H3). This means that e-commerce sellers can increase loyalty by optimising the indicator in e-commerce trust and e-customers' loyalty.

The second research question was aimed at evaluating the link between perceived security risk and the confidence. From t-statistic value of the hypothesis is 1.157 and p-value = 0.247, the perceived risk is impactful towards e-customer's trust (supported H2), showing the second hypothesis to be rejected. According to a study by IdeA (Indonesian E-Commerce Association, 2016), most buyers (36.7%) use automatic teller machine (ATM) to transfer their payment to seller. Moreover, 14.2% of the buyers use the COD system (cash on delivery), whereby they give money to the seller at their meeting point, while 7.5% using internet banking for purchasing goods from e-commerce websites. The rejection on this relationship reflects that the customers in Indonesia are ready for electronic payment, and that they already have trust in security of the websites.

The third research question aimed to determine the relationship between service quality and e-customer trust. The measurement from t-statistic value of the hypothesis is 5.741 and p-value 0.000, indicating that service quality has a significant effect on e-customers' trust (supported H1). Hence, based on this study, e-commerce sellers can increase the value of customers' trust by increasing their service quality indicator.

Our findings relating to customer loyalty are aligned with those of the previous study by Chiu et al. (2009) that customer trust has a significant effect on satisfaction, and customers' satisfaction has a significant effect on loyalty intention. Another study on customer loyalty (Stathopoulou & Balabanis, 2016) also found the strong relation between trust and loyalty. The result of that study indicated that trust is significantly influenced by customers' loyalty. As for Service Quality, the finding of this study is supported by the previous study of Kundu and Datta (2015), whereby the service should be accessible and operative and ultimately fulfil the customers' requirement. As a result, the effect of service quality on trust is high, and service quality also has an indirect impact on customers' loyalty. For the Perceived Security Risk Variable, the previous study (H & Y, 2016) emphasised on security and privacy because they are the crucial parts in the success of electronic commerce. The study shows perceived security is the strongest factor affecting trust, with a great focus on domain, reflecting our studies using security in system for system recording (such as personal data, transaction, and others). Nonetheless, it is crucial to note that the results of this study have a reverse finding for security risk.

Conclusion

Base on the results discussed earlier on, the following conclusion was drawn from this study:

E-customer trust has a positive significant effect on e-customer loyalty among e-commerce users in Indonesia. In this study, it means that when e-customer trust increases, the loyalty of e-customers will increase as well. It helps e-commerce sellers to focus on the indicators of e-customer trust and e-commerce loyalty in the effort to increase their e-customers' loyalty.

Perceived security quality does not have any positive significant effect on e-customer trust among e-commerce users in Indonesia. In this research, this variable has no significant relationship. Therefore, e-commerce sellers may ignore this relationship.

Service quality has a positive significant effect on e-customer trust among e-commerce users in Indonesia. It helps e-commerce sellers to focus on indicators in service quality and e-customer trust so as to increase their e-customer trust.

Future Research Limitation and Recommendation

Currently, this research has limitations in many ways. In the future, this study may provide a myriad of opportunities for advanced research. In particular, future studies on e-customer trust can be expanded to explore the benefits of customers' trust from other variables such as personality, or personal preference.

Managerial Implications:

The results of this research have relevant practical implications for marketing practitioners and managers who are responsible for e-commerce customer relationship management. On the one hand, the knowledge of trust is useful for brand managers to gain greater customer loyalty to the company. Trust is also useful for IT managers in building this trust based on technology. online because they distrust the applications or websites, managers must realise the importance of better security to improve the level of their trust. In e-commerce, website is the centre of operations. Therefore, the website should play a role as a centre of perceived security risk for e-customer (Ray, 2011). This means that the website should have proper security or technical standard so as to provide secure connection and secure private users' information in terms of acknowledgement, terms and condition using third party security services (e.g., virtual private network, and establish extranet system). The result of this study indicated that in order to improve the level of e-customer trust, managers should improve service quality.

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