ELECTRONIC BUSINESS FACTORS IN BUILDING ONLINE CONSUMER LOYALTY ON E-COMMERCE PLATFORMS

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Abstract

In the thriving Indonesian retail market, companies are leveraging digital marketing to broaden their market presence, giving rise to various online shopping websites. This strategic shift aims to offer unique differentiators and create distinct value propositions. Central to this digital marketing approach is the goal of cultivating customer loyalty, which is crucial for increasing purchase intention and stimulating word-of-mouth referrals. This research focuses on the Indonesian retail sector's integration of e-commerce services, specifically investigating the effects of eight e-business factors on the development of e-commerce customer loyalty (e-loyalty). The study's findings emphasize the importance of customization, contact interactivity and convenience, which are key dimensions of e-business factors, in positively influencing e-loyalty. This research underscores the evolving dynamics of digital marketing in retail and the critical role of specific e-business elements in building a loyal customer base in the competitive online marketplace.

Keywords: *E-commerce, E-loyalty, E-business*

INTRODUCTION

The rapid advancement of technology and the digitalization of commerce have significantly transformed the landscape of the retail sector, particularly through the emergence of e-commerce platforms. In this modern era, where digital transactions are becoming increasingly commonplace, understanding the factors that cultivate and sustain online consumer loyalty is paramount for e-commerce success. This article aims to dissect and analyze the various electronic business (e-business) factors that contribute to building and maintaining consumer loyalty in the online shopping realm. With the e-commerce industry witnessing exponential growth and facing fierce competition, companies are required to innovate and adapt strategies that not only attract but also retain customers. Factors such as customization, contact interactivity, cultivation, care, community, choice, convenience and character are crucial in shaping consumer perceptions and attitudes towards an e-commerce brand.

The study delves into the dynamics of e-loyalty, a concept that extends beyond traditional customer loyalty, incorporating the unique characteristics and interactions of digital platforms. By understanding these dynamics, e-commerce businesses can develop targeted strategies to enhance customer satisfaction, encourage repeat purchases, and foster positive word-of-mouth. This exploration is particularly relevant in the context of the Indonesian market, which has seen a significant rise in e-commerce activities, making the findings applicable and valuable for both local and global e-commerce strategies.

Through this article, we aim to contribute to the academic and practical understanding of e-business factors affecting consumer loyalty, offering insights and recommendations for e-commerce businesses seeking to thrive in a highly digitized marketplace.

Research Questions

In today's digital age, online shopping is rapidly gaining momentum, leading to a proliferation of diverse e-commerce websites. With the escalation of competition in the digital marketplace, it becomes imperative for companies to establish unique value propositions that not only differentiate them but also serve as defining icons of their websites. In alignment with the objectives of conventional marketing within the digital marketing sphere, the primary aim is to foster customer loyalty, which is instrumental in developing purchase intentions and enhancing word-of-mouth advocacy. Against this backdrop, this study posits this research question: Does the e-business factor directly influence customer loyalty within the e-commerce context?

LITERATURE REVIEW

According to Srinivasan, et al. (2002), eight key e-business factors are crucial in building e-loyalty in the digital marketplace. These factors are customization, contact interactivity, cultivation, care, community, choice, convenience and character.

Based on the insights gathered from various studies, it becomes evident that customization plays a pivotal role in the e-commerce experience and significantly impacts customer loyalty. Rodrigues & Ferreira (2016) highlight that customization fulfills customer needs and expectations, aiding in the retention of loyal customers. Pappas et al. (2017) suggest that customization in online shopping can be an effective strategy to persuade customers in their product or service selection, thereby facilitating purchases. Wetzlinger et al. (2017) further emphasize that customization contributes to a unique and memorable brand experience. Moreover, Kaminskas et al. (2017) acknowledges that while customization is prevalent in e-commerce, it not only helps maintain loyal customers but also has a proven track record of increasing customer loyalty. This increase in loyalty is attributed to the ability of customization to meet customer preferences, leading to satisfaction and subsequent repurchases, as noted by Srinivasan et al. (2002). Given these findings, the proposed research hypothesis is:

H1: Customization in e-commerce significantly influences customer e-loyalty.

Contact interactivity, as operationally defined, refers to the availability and effectiveness of support features on an e-commerce website, and the extent to which two-way communication between customers and e-retailers can be facilitated. This aspect of e-commerce is crucial in influencing e-loyalty, as it enhances the overall customer experience through effective and responsive interactions. The importance of contact interactivity in building e-loyalty is

underscored in the research conducted by Srinivasan et al. (2002). Building on this understanding, the hypothesis formulated for further investigation is as follows:

H2: Contact interactivity in e-commerce significantly influences customer e-loyalty.

Cultivation in the context of e-retailing refers to the extent to which an online retailer provides useful information and incentives to customers in order to enhance and deepen their purchasing activities over time. Research conducted by Mehta (2005) indicates that cultivation has a positive impact on e-loyalty. The study suggests that better cultivation practices towards customers lead to higher levels of e-loyalty. Conversely, if the cultivation efforts towards customers are poor, it results in lower e-loyalty. This relationship highlights the importance of engaging and rewarding customer interactions in the digital marketplace, emphasizing the need for e-retailers to strategically manage customer relationships to foster loyalty. Thus:

H3: Cultivation in e-commerce significantly influences customer e-loyalty.

Community, in the context of online retail, is defined as an online social body consisting of potential customers, organized and managed by e-retailers to facilitate the exchange of opinions and information regarding products or services offered. Research conducted by Mehta (2005) found that such communities have a positive impact on e-loyalty. The study indicates that the better and more engaging the community is, the higher the level of e-loyalty. Conversely, if the quality of the community deteriorates or fails to meet customer expectations, e-loyalty will similarly decrease. This relationship underscores the importance of fostering strong, interactive online communities to build and maintain customer loyalty in the digital retail space.

H4: Community in e-commerce significantly influences customer e-loyalty.

The concept of 'Care' in the e-commerce industry, as highlighted in various studies, is pivotal in shaping customer perception and behavior. According to Hänninen (2019), care is demonstrated by a company's ongoing engagement with customers, such as regular updates on order status, information about upcoming products, and more. This consistent communication fosters a sense that the company values its relationship with its customers. Moreover, Lai et al. (2018) reinforces this viewpoint by asserting that care has direct positive effects on customer loyalty, which is often manifested through repeat purchases. This idea aligns with the findings of Srinivasan et al. (2002), who demonstrated that care significantly affects e-loyalty in e-commerce settings.

H5: Care in e-commerce significantly influences customer e-loyalty.

Choice in the context of e-commerce refers to an e-retailer's ability to offer a wider variety of products across numerous categories. This concept is crucial as it forms the basis for intentional purchasing decisions, as noted by Kotler et al. (2019). The breadth of choice is a fundamental aspect because it directly influences the customer's ability to find exactly what they are looking for, thereby enhancing their shopping experience. Further, Mehta (2005) articulates that there

is a positive relationship between the range of customer choices offered through a website and e-loyalty. The implication is that the more options customers have, the higher their e-loyalty tends to be. Conversely, if the choices available to customers are limited, their e-loyalty is likely to diminish. This finding underscores the importance of offering a wide array of products and choices in an e-commerce setting to foster customer loyalty and satisfaction.

H6: Choice in e-commerce significantly influences customer e-loyalty.

Convenience in the realm of e-commerce is a measure of how easy and accessible customers find a website. It encompasses the simplicity of navigation, the logical layout of the site, and the overall ease of use. A website that is intuitively designed and comfortable to use minimizes the likelihood of customer errors and enhances the shopping experience, potentially leading to greater customer satisfaction and, consequently, increased loyalty. Research conducted by Mehta (2005) indicates that there is a positive relationship between convenience and e-loyalty. This suggests that the greater the level of convenience perceived by customers, the higher their e-loyalty tends to be. Conversely, if customers perceive the convenience of a website as poor, their e-loyalty is likely to decrease. This relationship underlines the importance of a user-friendly website in maintaining and boosting customer loyalty in the digital marketplace. Further supporting this notion, Kumar et al. (2020) found that convenience has a positive correlation with repurchase behaviour and impacts loyalty. Similarly, research by Pasumarthy et al. (2016) has shown that convenience significantly affects e-loyalty in e-commerce settings. These findings collectively highlight that in the competitive landscape of online retail, ensuring convenience for customers is not just a value-added feature but a crucial factor that can significantly influence their loyalty and propensity to repurchase.

H7: Convenience in e-commerce significantly influences customer e-loyalty.

Character, in the context of e-commerce, refers to the personality that an e-retailer projects to consumers through various elements such as text, graphics, style, logos, colours, slogans, and themes on their website. The creative design of a website plays a pivotal role in helping an e-retailer establish a positive reputation and a distinct characterization in the minds of consumers. It's about creating a unique identity that resonates with customers and differentiates the retailer from competitors. According to Mehta (2005), there is a positive relationship between the character of a website and e-loyalty. This suggests that the better the character or personality projected by a website, the higher the e-loyalty is likely to be. Conversely, if the character of a website is perceived as poor or unappealing, it can lead to lower e-loyalty. The character of a website encompasses more than just its visual appeal; it includes the overall user experience, the tone of the content, and how effectively it communicates the brand's values and ethos. Hendrian (2012) also found that character can significantly affect e-loyalty in e-commerce. This underscores the importance of investing in a website's design and content to craft a compelling online presence. It's not just about aesthetics; it's about creating a cohesive and engaging

experience that aligns with the brand's identity and appeals to the target audience.

H8: Character in e-commerce significantly influences customer e-loyalty.

METHOD

This research is a descriptive study designed to assess the impact of various independent variables — customization, contact interactivity, cultivation, care, community, choice, convenience, and character — on the dependent variable, e-loyalty. The subjects of the research are individuals belonging to the millennial generation, defined as those born between 1977 and 2000 according to Kotler and Armstrong (2014). In 2023, this demographic includes individuals aged between 23 and 46 years. These participants are required to have made at least one purchase in the last month on a customer-to-customer (C2C) e-commerce platform in Indonesia.

The population for this study consists of users of e-commerce websites, while the sampling method is Non-probability Sampling with a judgemental sample for respondent selection. The minimum sample size determination is based on the guidelines by Hair et al. (1995), which recommend a range from 'n x 5' to 'n x 10' observed variables (indicators) for the number of question indicators used. For this research, to evaluate nine variables with 47 statement items, a minimum of 235 respondents is required.

A pre-test involving 30 respondents who have recently shopped on a C2C e-commerce platform was conducted using a Google Form questionnaire. The reliability of the questionnaire items was affirmed by the results of reliability tests, where all items were deemed reliable with a Cronbach alpha value above 0.6. Validity tests revealed that 46 out of 47 questionnaire items were valid with factor loadings greater than 0.7. These included 5 items each for customization, contact interactivity, cultivation, care, community, convenience, character, and 7 for e-loyalty, while 4 items were valid for choice. The CHOI5 item was found invalid due to a factor loading value lower than 0.7 and was therefore discarded from the questionnaire.

The analytical methods employed are regression using SPSS software. These methods are used to examine the extent of the influence between the variables under study. Simple linear regression is applied to understand the relationship between one independent variable and the dependent variable, while multiple regression is used when there are multiple independent variables influencing a single dependent variable. This approach allows for a comprehensive analysis of how each independent variable (such as customization, contact interactivity, cultivation, etc.) individually and collectively impacts the dependent variable, e-loyalty.

The research adheres to a significance level of 95%, with a margin of error of 5%. This means that for the findings to be considered statistically significant, the p-value (significance value) obtained from the regression analysis must not exceed 0.05. A p-value lower than 0.05 indicates that there is less than a 5% probability that the observed results occurred by chance, thus supporting the validity of the hypothesis.

Additionally, the t-value obtained from the analysis needs to be greater than 1.96 for the hypothesis to be deemed as having a significant effect. The t-value represents the number of standard deviations the coefficient is away from zero. A t-value greater than 1.96 (in absolute terms) at a 95% confidence level suggests that there is a statistically significant relationship between the independent and dependent variables.

DISCUSSION RESULT
Respondent Profile

In the study, the questionnaire distributed online via Google Forms was completed by 350 respondents, but only 250 matched the target criteria for the research. These respondents predominantly consisted of women, accounting for 75%, and were primarily in the age range of 25 to 28 years, living in city centre of Makassar. A notable portion, 40%, worked as private employees, with their average monthly income falling between IDR 2,500,000 to IDR 5,000,000. Their expenditure on transactions on C2C e-commerce platforms typically ranged from IDR 250,000 to IDR 500,000 per month. When it came to the frequency of using these platforms, 69% of the respondents indicated that they made purchases one to three times in the past month. Of particular interest was the preference for Shopee, with 71% favouring it over other C2C e-commerce platforms. This demographic profile of the respondents provides valuable insights into the user behaviour, preferences, and economic background within the Indonesian C2C e-commerce market.

Validity and Reliability Test
Table 1. Validity and Reliability Result

Variables	Items	Cronbach Alpha	Decision	Factor Loading	KMO & Bartlett's Test	Decision
Customization	CUST1	0.644	Reliable	0.570	0.622 0.000	Valid
	CUST2			0.621		
	CUST3			0.609		
	CUST4			0.678		
	CUST5			0.701		

Contact Interactivity	CONT1	0.667	Reliable	0.709	0.718 0.000	Valid
	CONT2			0.736		
	CONT3			0.681		
	CONT4			0.554		
	CONT5			0.682		
Cultivation	CULT1	0.789	Reliable	0.712	0.619 0.000	Valid
	CULT2			0.689		
	CULT3			0.733		
	CULT4			0.701		
	CULT5			0.739		
Care	CARE1	0.701	Reliable	0.733	0.679 0.000	Valid
	CARE2			0.689		
	CARE3			0.765		
	CARE4			0.579		
	CARE5			0.732		
Community	COMM1	0.821	Reliable	0.879	0.686 0.000	Valid
	COMM2			0.701		
	COMM3			0.822		
	COMM4			0.843		
	COMM5			0.601		
Choice	CHOI1	0.913	Reliable	0.918	0.895 0.000	Valid
	CHOI2			0.951		
	CHOI3			0.978		
	CHOI4			0.879		
Convenience	CONV1	0.711	Reliable	0.701	0.600 0.000	Valid
	CONV2			0.619		
	CONV3			0.767		
	CONV4			0.682		
	CONV5			0.647		
Character	CHAR1	0.858	Reliable	0.819	0.790 0.000	Valid
	CHAR2			0.812		
	CHAR3			0.839		
	CHAR4			0.722		

	CHAR5			0.759		
E-Loyalty	ELOY1	0.871	Reliable	0.662	0.789	Valid
					0.000	
	ELOY2			0.701		
	ELOY3			0.713		
	ELOY4			0.678		
	ELOY5			0.649		
	ELOY6			0.759		
	ELOY7			0.672		

Hypotheses Result

In linear regression analysis, the t-test is applied to assess the significance and direction of influence between independent and dependent variables, using two primary measures. The T-value, with a critical threshold of 1.965 and a significance level below 0.05, determines the presence and direction of significant impacts. Concurrently, the Beta Value gauges the proportion to which independent variables elucidate the dependent variable, with a higher value indicating stronger explanatory capability.

Table 2. Partial Coefficient

Independent Variable	Dependent Variable	t	Beta	Sig.	Result
Customization	E-loyalty	6.199	.567	.000	H1 supported
Contact		5.019	.342	.000	H2 supported
Cultivation		1.789	.107	.059	H3 not supported
Community		1.737	.107	.077	H4 not supported
Care		1.618	.102	.101	H5 not supported
Choice		-1.789	.109	.091	H6 not supported
Convenience		4.289	.298	.000	H7 supported
Character		1.287	.099	.199	H8 not supported

Discussion

The research presented in Table 1 culminates in three hypotheses being accepted and five rejected. This aligns with the findings of Losaura (2022), who posits that customization, contact interactivity, and convenience significantly influence e-loyalty on e-commerce platforms. Hypothesis 1, asserting a positive effect of customization on e-loyalty, is substantiated by a t-value of 6.199, exceeding the critical value of 1.96, and a significance (sig.) level below 0.05. This correlates with the research by Sukmongkol et al. (2019) and Srinivasan (2002), all of whom highlight customization's positive impact on e-loyalty.

Hypothesis 2 posits a positive effect of contact interactivity on e-loyalty, validated by a t-value greater than 1.96 and a sig. level of 0.000. This is consistent with the findings of Jiang, Jun, and Yang (2015), and Srinivasan et al. (2002), who also observed a positive influence of contact interactivity on e-loyalty. Hypothesis 7, which claims a positive impact of convenience on e-loyalty, is supported by a t-value of 4.289 and a sig. level of 0.000. This echoes Srinivasan et al. (2002)'s view that a convenient e-commerce platform enhances customer satisfaction and, in turn, e-loyalty. The remaining hypotheses were not supported, as indicated by t-values falling below the threshold of 1.96 and significance levels exceeding 0.05.

CONCLUSION

The study reveals that the variables of customization, contact interactivity, and convenience each significantly influence e-loyalty on e-commerce platforms. Among these, customization emerges as the most influential factor on e-loyalty, surpassing contact interactivity, convenience and other variables within the 8C's framework. However, it's noteworthy that the variables of cultivation, community, care, choice, and character do not demonstrate a significant effect on e-loyalty within the same e-commerce context. This distinction highlights the unique impact of specific elements like customization and contact interactivity in fostering e-loyalty on such platforms.

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