The Effect Of Customer Experience On Lazada's Customer Loyalty Through Trust As Intervening Variable

Razes Kadarisman[1], Syahputra[2]

[1] Business Administration, School of Communications and Business, Telkom University, Indonesia, razeskadarisman@student.telkomuniversity.ac.id

[2] Business Administration, School of Communications and Business, Telkom University, Indonesia, syahputra@telkomuniversity.ac.id

Abstract

Lazada is one of the international e-commerce companies that provides a convenient shopping experience. The purpose of this study is to analyze the effect of customer experience on the loyalty of Lazada users in Indonesia, with trust as the mediator. This study uses quantitative descriptive methods and path analysis, with a focus on the relationship between customer experience and trust among Lazada users. A sample of 200 respondents was included in the study, and the sample method was purposive nonprobability. The significance value of the customer experience on trust was $0.000 < 0.05$. Therefore, the significance value of the influence on loyalty was $0.001 = 0.05$. The sig value of the relation between customer experience and loyalty was 0.000, thus the conclusion of the study is positive and significant. Lazada customer trust is an indirect influence on the loyalty of customers. Therefore, trust is an intervening variable that influences the relationship between experience and loyalty.

Keywords-customer experience,trust,customer loyalty

I. INTRODUCTION

The rapid growth of digital technology and the Internet has opened up new avenues for businesses, particularly in the realm of e-commerce. Online shopping has become a prevailing trend for purchasing goods and services, reshaping the dynamics of the market. In this modern era, e-commerce enterprises face the challenge of re-evaluating their vision, business mission, and marketing strategies to stand out from competitors and captivate consumers' interest in online transactions. As described by Goyal, Sergi, and Esposito (2019), e-commerce encompasses a collective of electronic platforms used for receiving customer orders, processing payments, providing customer service, gathering market information, and conducting marketing and promotional activities. Consequently, e-commerce has spurred the growth of online businesses, which are diversified into various aspects, such as online marketing, advertising, sales, product delivery, service provisions, billing, and payment systems. Lazada Group is an international e-commerce company and one of the largest e-commerce operators in Southeast Asia offers a shopping experience that is safe, seamless and enjoyable. On the digital landscape, Lazada's application garners a rating of around 4.6 on the Google PlayStore, a number that holds significant weight in shaping the perception of the company. In contrast, Lazada's standing in the App Store paints a rosier picture with an impressive rating of approximately 4.8. The potential repercussions of subpar ratings on the company's overall value underscore the critical importance of delivering exceptional experiences to their clientele. Customer experience, a multifaceted construct encompassing both cognitive and emotional facets, plays a pivotal role here. Positive performance in this arena ripples forward, casting a favourable influence on forthcoming customer interactions (Godovykh and Tasci, 2020). In the realm of customer experience evaluation, Keiningham et al. (2020) have outlined a range of dimensions, encompassing cognitive, physical, sensory, emotional, and social elements.

II. LITERATURE REVIEW

A. Marketing Management

As defined by the American Marketing Association (AMA), "Marketing involves activities, institutions, and processes that aim to create, communicate, deliver, and exchange offerings of value to customers, clients, partners, and society at large" (Kotler and Keller, 2016:27). According to Kotler and Armstrong (2016:29), marketing management encompasses the analysis, planning, execution, and supervision of all activities and programs to attain buyer-friendly exchange rates in pursuit of organizational objectives. Similarly, as stated by Kotler and Keller (2017:27), marketing management is the strategic practice of selecting, attracting, retaining, and nurturing target markets through the creation, transfer, and delivery of significant customer value.

B. Customer Experience

As noted by Godovykh and Tasci (2020), customer experience emerges from a fusion of cognitive and emotional elements. It stands as a constructive embodiment with the potential to shape forthcoming interactions

positively. In a parallel vein, McLean & Wilson (2016) emphasize that customer experience encapsulates the amalgamation of every interaction and touchpoint a customer encounters with a company. According to Keiningham et al., (2020), There are 5 dimensions used to measure customer experience includes, cognitive, physical, sensory, emotional, and social.

C. Trust

The concept of trust is dynamic and has been approached from various angles (Lu et al., 2016), contributing to extensive deliberation regarding its dimensions, underlying factors, and ensuing outcomes within business relationships (Toufaily and Pons, 2017). A perspective often taken is that of customer confidence in specific brands that fulfill their desires (Rachbini, 2018). It has been affirmed that trust operates as a foundational factor that paves the way for loyalty (Kohlmeyer, 2016), cementing its role as a precursor in the progression of customer relationships. According to Tiago Oliveira et al., (2017) there are three dimensions to measure trust in this study includes, competence, integrity, and benevolence.

D. Customer Loyalty

According to Chiguvi and Ndoma (2018), customer loyalty can be understood as an unwavering commitment to consistently choosing a particular product or service, regardless of circumstances. Dharmesta (2017: 103) provides another perspective, defining customer loyalty as a reflection of the relationship between a person's deeply ingrained positive attitude towards a brand and their repeated patronage, showcasing a consistent loyalty-oriented behavior. Additionally, Kotler et al. (2017) shed light on the historical context, where loyalty was predominantly equated with retention and repurchase in the era before widespread connectivity. In this study, customer loyalty can be measured by five dimensions according to Hegner et al., (2018) includes, customer profitability, action loyalty, conative loyalty, affective loyalty, and cognitive loyalty.
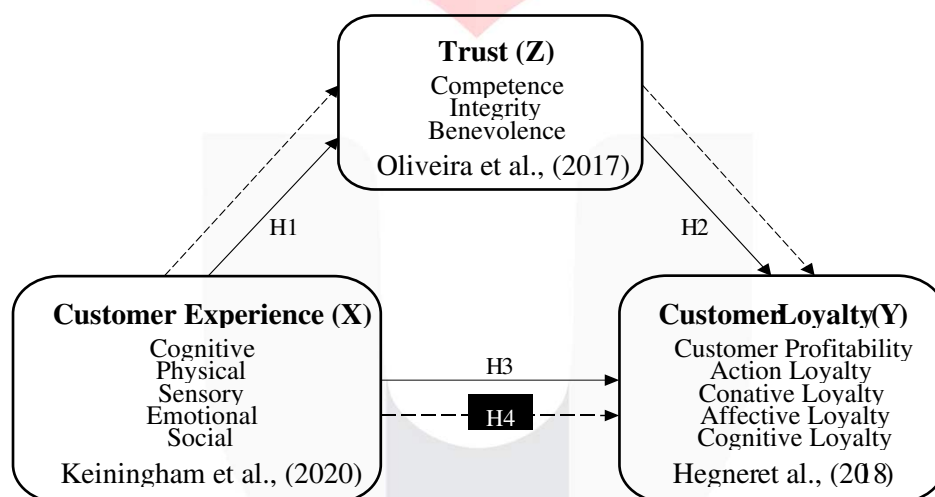

Figure 2. 1 Conceptual Framework
Source: Data Processed by Author, 2021

Based on the Figure 2.1 the hypothesis can be formulated in this study which is "The Effect of Customer Experience (X) as independent variable on Customer Loyalty (Y) as dependent variable through Trust (Z) as intervening variable of Lazada Application. Meanwhile, the hypothesis to be tested one by one are as follows

1. Customer experience has a significant effect on customers' trust of Lazada application.
2. Customer experience has a significant effect on customer loyalty of Lazada application.
3. Customers' trust has a significant effect on customer loyalty of Lazada application.
4. Customer experience has a significant effect on customer loyalty through trust of Lazada application.

III. RESEARCH METHODS

The research methodology employed in this study utilizes a quantitative descriptive approach, and the sampling technique adopted is non-probability purposive sampling, involving a total of 200 respondents. To derive the outcomes of this research, the author adheres to various prerequisites associated with this quantitative approach, which encompass the following steps:

A. Distributes the questionnaire through Google Form.
B. Carrying out tests for both validity and reliability.
C. Transforming ordinal scale data into interval data prior to regression analysis using the Method of Successive Interval.

D. Performing descriptive analysis for each variable.
E. Conducting tests for the classic assumptions using SPSS 26.
F. Finally, executing hypothesis testing to draw conclusive results.

IV. RESEARCH RESULTS & ANALYSIS
Prior to delving into the analysis of this study's findings, it holds significance to gain an understanding of the demographic profile of the respondents involved. The distributed questionnaire has provided insights into the respondent composition, revealing that a predominant portion of the participants are male (53%) in terms of gender. Furthermore, the age distribution indicates that a significant share falls within the range of 22 to 26 years (44%), and in terms of occupation, private employee constitute the largest portion (21%). Meanwhile, the majority of respondents based on domicile are in Java Island (61%).

A. Descriptive Analysis
The utilization of descriptive analysis aims to elucidate the portrayal of respondents' viewpoints concerning the research variables, specifically focused on customer experience, trust, and loyalty. This process of descriptive analysis involves the evaluation of 37 distinct statement items, encompassing the input of 200 respondents.

Table 4.1 Descriptive Analysis

Variables	Score	%
Customer Experience	14089	82.8%
Customer Trust	7926	79%
Customer Loyalty	7605	76%

Source: Data Proceed by the Author, 2023

B. Partial Least Square
1. Outer Model
The measurement model establishes a connection between latent and manifest variables. In this research, four latent variables are gauged using a set of 37 indicators. Employing the Partial Least Squares estimation technique, the resultant path diagram for the complete model is depicted in the figure below:
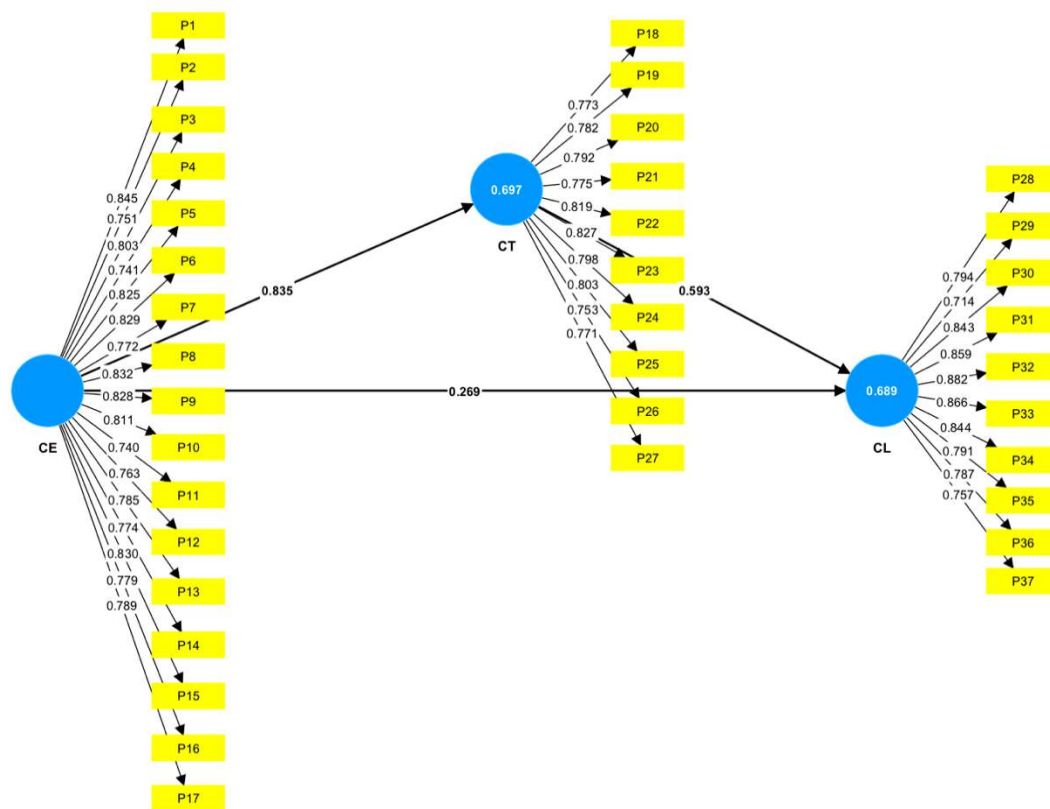

Figure 4. 1 Outer Model
Source: Data Proceed by the Author, 2023

Derived from Figure 4.22 presented earlier, the Outer Model for this study is established using SmartPLS. This representation illustrates indicators through yellow boxes and latent variables (indirect) as blue circles. Accompanying each arrow is a numerical value signifying the indicator's validity assessment, along with examinations of reliability and construct validity for the variables under scrutiny. An indicator is deemed valid when it surpasses the threshold of 0.5. The subsequent section outlines the measurement model implemented in this research.

a. Convergent Validity

Assessment of convergent validity involves analyzing the loading factor, which indicates the correlation between item scores or component scores and the construct being measured. For indicators assessing the construct, a value exceeding 0.5 is regarded as significant. Additionally, the Average Variance Extracted (AVE) value must exceed 0.5. Presented below are the outcomes of the tests conducted using the SmartPLS Software:

Table 4. 2 Convergent Validity

Variable	AVE	Critical Value	Model Evaluation
Customer Experiene	0.632		
Trust	0.665	>0.5	Valid
Customer Loyalty	0.624		

Source: Data Proceed by the Author, 2023

According to the information in table 4.2, it becomes evident that all four variables possess an AVE value surpassing the critical threshold of 0.5. As a result, it can be inferred that all variables fulfil the criteria for Convergent Validity.

b. Discriminant Validity

The method to assess discriminant validity involves examining the cross-loading values for each variable, where a value exceeding 0.7 is required for reflective indicators. Discriminant validity adheres to the principle that distinct constructs should not exhibit significant correlations. Presented below are the outcomes of the cross-loading factor analysis conducted using SmartPLS:

Table 4. 3 Discriminant Validity (Cross Loading Factor)

	Cust Experience	Trust	Cust Loyalty
CE1	0.845	0.628	0.690
CE2	0.751	0.555	0.579
CE3	0.803	0.574	0.627
CE4	0.741	0.598	0.662
CE5	0.825	0.586	0.671
CE6	0.829	0.649	0.684
CE7	0.772	0.594	0.632
CE8	0.832	0.600	0.668
CE9	0.828	0.631	0.675
CE10	0.811	0.630	0.702
CE11	0.740	0.555	0.608
CE12	0.763	0.586	0.620
CE13	0.785	0.633	0.705
CE14	0.774	0.578	0.642
CE15	0.830	0.651	0.722
CE16	0.779	0.620	0.688
CE17	0.789	0.624	0.678
CT1	0.663	0.611	0.773
CT2	0.688	0.640	0.782
CT3	0.662	0.645	0.792
CT4	0.659	0.598	0.775
CT5	0.637	0.660	0.819
CT6	0.675	0.645	0.827
CT7	0.668	0.616	0.798
CT8	0.639	0.685	0.803
CT9	0.628	0.654	0.753
CT10	0.670	0.688	0.771

CL1	0.619	0.794	0.668
CL2	0.632	0.714	0.687
CL3	0.607	0.843	0.687
CL4	0.663	0.859	0.721
CL5	0.659	0.882	0.696
CL6	0.620	0.844	0.644
CL7	0.643	0.791	0.648
CL8	0.520	0.787	0.582
CL9	0.587	0.757	0.599

Source: Data Proceed by the Author, 2023

As indicated in the table above (table 4.18), it is evident that every indicator within the research variable displays the highest cross-loading value on the respective variables it represents, when compared to the cross-loading value on other variables. From these findings, it can be concluded that the indicators utilized in this study exhibit favourable discriminant validity.

c. Reliability Test

The reliability test was executed concurrently for all statements. In the context of Partial Least Squares (PLS), two methods can be employed for reliability assessment: Composite Reliability and Cronbach's Alpha. The subsequent section presents the outcomes of the reliability tests conducted utilizing the SmartPLS software.

Table 4. 4 Reliability Test Result

Variable	Composite Reliability	Critical Value	Cronbach Alpha	Critical Value	Model Evaluation
Customer Experience	0.964		0.963		Valid
Trust	0.945	>0.7	0.943	>0.6	Valid
Customer Loyalty	0.933		0.933		Valid

Source: Data Proceed by the Author, 2023

From the findings in the aforementioned table (table 4.19), it becomes apparent that both the Composite Reliability and Cronbach's Alpha values for each research variable exceed the thresholds of > 0.7 and > 0.6, respectively. Consequently, these outcomes strongly suggest that all research variables satisfy the criteria set by the Composite Reliability and Cronbach's Alpha values.

2. Inner Model

Assessment of convergent validity involves analysing the loading factor, which indicates the correlation between item scores or component scores and the construct being measured. For indicators assessing the construct, a value exceeding 0.5 is regarded as significant, as outlined by Hair et al. (2006), cited in Ghozali and Latan (2015). Additionally, the Average Variance Extracted (AVE) value must exceed 0.5. Presented below are the outcomes of the tests conducted conducted using the SmartPLS Software:
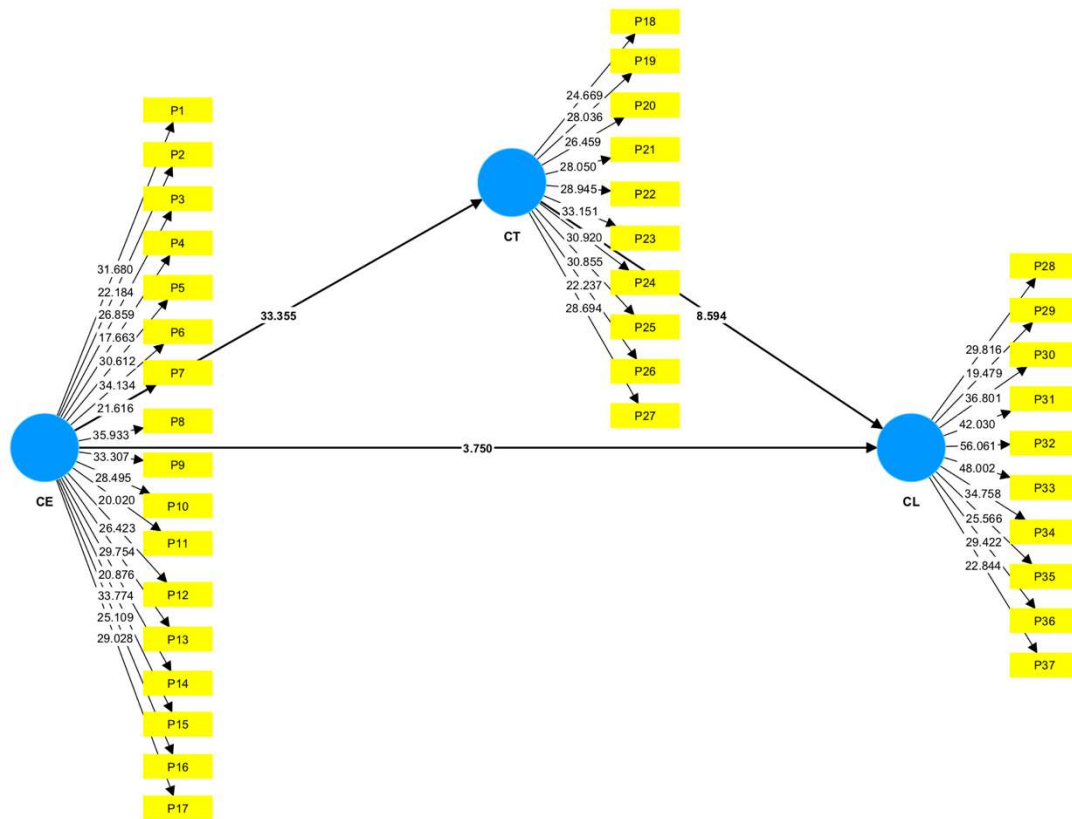
Figure 4. 2 Inner Model
Source: Data Proceed by the Author, 2023

Derived from the diagram shown in Figure 4.23 above, the Inner Model for this study is constructed using the SmartPLS software. Subsequently, this inner model will be employed to assess variables such as r-square, predictive significance, and validate research hypotheses.

a. Examining the inner model illustration presented in Figure 4.6 above, it becomes evident that the most substantial path coefficient value pertains to the impact of the customer experience on customer trust, with a value of 33.355. Following closely, the second most pronounced influence is attributed to the connection between customer trust and the customer loyalty, with a coefficient of 8.594. Meanwhile, the smallest effect is customer experience on customer loyalty at 3.750. From these findings, it is apparent that all variables within the inner model exhibit path coefficients that are positive in nature. A larger path coefficient value between an independent variable and its dependent counterpart signifies a stronger influence between these variables.

b. The R-Square value stands as the coefficient of determination attributed to the endogenous construct. A higher R-Square value implies an improved predictive capacity within the proposed research model. In the structural model, an R-square value of 0.67 or greater for endogenous latent variables signifies a robust inclusion of the effect from exogenous variables (which act as influencers) onto endogenous variables (which are influenced).

Table 4. 5 R-Square Value

Variable	R-Square
Customer Trust	0.697
Customer Loyalty	0.689

Source: Data Proceed by the Author, 2023

From the data provided in table 4.20 above, it can be elucidated that the R-Square value for the customer trust variable stands at 0.697, equivalent to 69.7%. This implies that customer trust can be explained by customer experience, leaving 30.3% influenced by other unexamined factors. Then, the R-Square value of 0.689, or equivalent to 68.9% for the customer loyalty variable signifies its explanation by the customer experience variable, with 31.1% being attributable to other variables not explored in this study.

c. Predictive Relevance (Q-Square)

Q Square is utilized to gauge the degree of alignment between the observed values generated by the model and the parameter estimates. A Q Square value below 0 (zero) indicates a deficiency in predictive relevance within the model. Conversely, a Q Square value exceeding 0 (zero) signifies that the model possesses predictive relevance. Presented below is the computation of the inner model test incorporating the concept of predictive relevance, employing the formula:

$$Q^2 = 1 - (1 - R^2)(1 - R^2) .... (1 - R^2)$$
$$Q^2 = 1 - (1 - 0.697^2)(1 - 0.689^2)$$
$$Q^2 = 0.729$$

Predictive relevance of 0.729 means that it is greater than 0 (zero) explaining that the model has a relevant predictive value.

C. Hypothesis Testing

Testing the hypothesis involves a comparison between the t-statistic value (to) and the t-table value (t1), where the specific t-table value employed here is 1.96. The acceptance criteria for the hypothesis are as follows:
1. If the value to > (t1), then H0 is rejected and H1 is accepted
2. If the value to < (t1), then H0 is accepted and H1 is rejected

To determine the validity of a hypothesis, one assesses various factors including the significance value between constructs, T-Statistics, and P-Values. These values are derived from bootstrapping results, and the examination of hypotheses in this study was facilitated using the SmartPLS software. Provided below is a table depicting the outcomes of the research hypothesis testing:

Table 4. 6 Hypothesis Testing Result

Variable	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values	Description
CE -> CL	0.269	0.269	0.072	3.750	0.000	H_1 Accepted
CE -> CT	0.835	0.835	0.025	33.355	0.000	H_2 Accepted
CT -> CL	0.593	0.592	0.069	8.594	0.000	H_3 Accepted

Source: Data Proceed by the Author, 2023

1. In the table displayed above (table 4.21), the research's significance value is evident with a t-count of 3.750 or > 1.96. Additionally, the significance level is noted as 0.000, which is less than 0.05. Moreover, the path coefficient holds a positive value of 0.269, indicating a positive and statistically significant relationship between customer experience and customer loyalty. Therefore, this study asserts that customer experience exerts an influence on customer loyalty, and the positive correlation implies that enhanced customer experience leads to increased customer loyalty.
2. In the table displayed above (table 4.21), the research's significance value is evident with a t-count of 33.355 or > 1.96. Additionally, the significance level is noted as 0.000, which is less than 0.05. Moreover, the path coefficient holds a positive value of 0.835, indicating a positive and statistically significant relationship between customer experience and customer trust. Therefore, this study asserts that customer experience exerts an influence on customer trust, and the positive correlation implies that enhanced customer experience leads to increased customer trust.
3. In the table displayed above (table 4.21), the research's significance value is evident with a t-count of 8.594 or > 1.96. Additionally, the significance level is noted as 0.000, which is less than 0.05. Moreover, the path coefficient holds a positive value of 0.835, indicating a positive and statistically significant relationship between customer trust and customer loyalty. Therefore, this study asserts that customer trust exerts an influence on customer loyalty, and the positive correlation implies that enhanced customer trust leads to increased customer loyalty.

D. Structural Equation Model (SEM)

Table 4. 7 Sem Analysis And Mediation Effect Result

Variable	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values	Description
CE->CT->CL	0.495	0.494	0.061	8.154	0.000	

Source: Data Proceed by the Author, 2023

As displayed in Table 4.22 above, it becomes evident that there exists a mediating influence in the connection between customer experience and customer loyalty. The research's significance value is notably indicated by a t-count of 4.371 > 1.96. Moreover, the significance level is 0.000, which is smaller than the alpha of 0.05. The path coefficient, registering as a positive 0.274, signifies the direction of the relationship between customer experience and customer loyalty, mediated through customer trust. Consequently, this study asserts that customer experience exerts an influence on customer loyalty by first affecting customer trust, and this relationship is both positive and statistically significant.

V. CONCLUSIONS & SUGGESTIONS

A. Conclusions

Based on the results of this study, the author has found the conclusions for this study.

Then, the conclusions will be formulated as follows:

1. Based on the hypothesis test result, the t-count obtained is greater than t-table. Therefore, it can be concluded that customer experience has a significant effect on customer trust of Lazada.
2. Based on the hypothesis test result, the t-count obtained is greater than t-table. Therefore, it can be concluded that customer experience has a significant effect on customer loyalty of Lazada.
3. Based on the hypothesis test result, the t-count obtained is greater than t-table. Therefore, it can be concluded that customer trust has a significant effect on customer loyalty of Lazada.
4. Based on the structural equation model, it found that the indirect value is positive and significant. Therefore, it can be concluded that customer experience has an indirect effect on customer loyalty through customer trust of Lazada. Thus, customer trust plays its role as intervening variable.

B. Suggestions

Based on the results and conclusions of this study, the author has found some applicable suggestions for Lazada. The suggestions will be described as follows:

1. Practical Suggestions

To improve the customer experience, Lazada could give the best impression for customers by providing shipping voucher and cash back. Meanwhile, to improve customer trust, Lazada admin could improve the way how the admin treats and assist customers in order to create great experience and trust. Moreover, Lazada could icrease the loyalty of customers by focusing on customers' rewards and loyalty points.

2. Theoretical Suggestions
   a. For those who will examine either the factors of customer loyalty or customer trust, can be done by adding other independent variables such as service quality, perceived value, and brand image.
   b. For the next author to use path analysis methods supported by the prerequisites of analysis and hypothesis testing to determine the effect of each variable.

REFERENCES

Chiguvi, D., & Ndoma, J. T. (2018). The Effects of Shortage of Accommodation on Students' Performance in Private Tertiary Institutions in Bot swana. *Journal of Economi cs and Sustainable Development, 9*(4), 97-104.

Godovykh, M., & Tasci, A. D. (2020). Customer experience in tourism: A review of definitions, components, and measurements. *Tourism Management Perspectives*.

Goyal, S., Sergi, B. S., & Esposito, M. (2019). Literature review of emerging trends and future directions of e-commerce in global business landscape. *World Review of Entrepreneurship, Management and Sustainable Development, 15*(1), 226-255.

Hegner-Kakar, A. K., Richter, N. F., & Ringle, C. M. (2018). The customer loyalty cascade and its impact on profitability in financial services. *The customer loyalty cascade and its impact on profitability in financial services*, 53-75.

Keiningham, T., Aksoy, L., Bruce, H. L., Cadet, F., Clennell, N., Hodgkinson, I. R., & Kearney, T. (2020). Customer experience driven business model innovation. *Journal of Business Research, 116*, 431-440.

Kotler, P., & Amstrong, G. (2016). *Fundamentals of Marketing.* Dialetyka.

Kotler, P., & Keller, K. (2017). *Marketing Management.* New York: Pearson.

Kotler. (2017). *Moving From Traditional to Digital.* John Wiley dan Sons, Inc.

Lu, B., Fan, W., & Zhou, M. (2016). Social presence, trust, and social commerce purchase intention: An empirical research. *Computers in Human Behavior, 56*, 225-237.

McLean, G., & Wilson, A. (2016). Evolving the online customer experience ... is there a role for online customer support? *Computers in Human Behavior*, 602- 610.

Rachbini, W., Hatta, I. H., & Evi, T. (2019). Determinants of trust and customer loyalty on c2c e-marketplace in Indonesia. *International Journal of Civil Engineering and Technology, 10*(3), 119-129.

Tiago, O., Alhinho, M., Rita, P., & Dhillon, G. (2017). Modelling and testing consumer trust dimensions in e-commerce. *Computers in Human Behavior, 71*, 153-164.

Toufaily, E., & Pons, F. (2017). Impact of customers' assessment of website attributes on e-relationship in the securities brokerage industry: A multichannel perspective. *Journal of Retailing and Consumer Services, 34*, 58-69.