Strategies to Increase Marketplace Customer Loyalty

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ABSTRACT

In recent years, the marketplace has become a favorite as a trusted distribution channel to get sales profits and loyal customers, especially during the COVID-19 pandemic in Indonesia in March 2020, where people prefer to make purchases online. Everyone needs both primary needs and secondary needs. The study was conducted using quantitative methods with multiple linear regression, F test, coefficient determination, normality test, heteroskedasticity test, and multicollinearity test. The tests were based on questionnaires distributed using Google forms to 168 respondents consisting of 72 percent of women and 28 percent of men, to see how much influence the combination of predictive variables used had on increasing customer loyalty. Customer loyalty to the marketplace depends not only on the services provided by the marketplace provider but also on the product or service provider. The combination of predictive variables from marketplace providers and product or service providers in the form of prices, shipping costs, logistics, and payment systems in this study significantly influenced customer loyalty output variables. A determination coefficient of 51.62 percent also provides evidence that the predictive variables used in this study effectively increase customer loyalty variables.

Keywords: price, shipping costs, logistics, payment system, customer loyalty

1. INTRODUCTION

According to data published by (Kemp, 2022), in January 2022, there were 204.7 million people in Indonesia who used the internet, with a penetration rate of 73.7 percent of the population. This data is, of course, a breath of fresh air for business actors and Marketplaces that make sales via the internet. Changes in consumption patterns are intrinsically related to the rapid development of information technology and the internet (Yan et al., 2012). These changes show that the opportunities for buying transactions via the internet are increasing, and the opportunities to get customers through the internet media are getting higher. Comprehensive open options must accompany by the ability to serve consumers, so that repeat purchases are possible. Consumers' continuous purchases are the dream and desire of every business actor but cannot achieve quickly. It requires many processes that business actors must pass. Among the procedures that must give and faced by business, actors are to provide a service that makes consumers feel happy, comfortable, and satisfied. Customer loyalty will form, where consumers will find it difficult to switch to other products or services unless in a state of emergency.

Business actors, especially MSMEs (Micro, Small, and Medium Enterprises), often ignore the formation of customer loyalty. Being survive in business and form and increase loyalty, it is necessary to have a satisfactory product or service. A match between the price paid and the quality provided and services gives the seller a good and deep impression. The impact of
a good product and satisfactory service is the formation of loyalty from consumers; not only that, but consumers will also be happy to provide recommendations to people they know for the products and services they have used.

In direct transactions at outlets and shops, buyers will directly meet and face to face with the seller; the friendliness of the seller, both through facial expressions and speech of the seller, is one of the determinants of satisfactory service from the store. Unlike the case with purchases made online, both through the seller's official store website and the marketplace, which is a place where the buyer can choose thousands of stores to buy one product at a price that is stated on the storefront without having to move from where he made the purchase. Product search or leave the house. Marketplaces, which are currently the favorite for business actors, especially MSMEs and online buyers, must provide the best service by competing to give so many conveniences in making transactions, quality products, and features created as efficiently as possible get used by users. The high expectation of service in the marketplace is much higher when compared to the need for assistance in sales, where buyers directly deal with buyers. This high expectation service is because the buyer does not instantly see the product he will buy, only by imagining the product by looking at the photos and videos available in the marketplace storefront. Marketplace providers create breakthroughs to attract buyers by offering discounts, free shipping, COD (Cash on Delivery) systems, after-sales services, and other services. Thus, this study was conducted to see how predictive variables (price, shipping costs, logistics, and payment system) affected the customer loyalty output variable and how much these predictive variables affected the output variable.

Previous research conducted by (Saraswati & Indriani, 2021) examined customer satisfaction in the Lazada Marketplace. The study was conducted to see how all variables, such as usage, website design, responsiveness, personalization/customization, and assurance, affected the total service quality and customer satisfaction, leading to repurchase. The study also to see how much these variables affected output variables. It stated that the electronic service quality variables such as usage, website design, responsiveness, personalization/customization, and assurance significantly relate to total service quality and customer satisfaction, leading to repurchases on the Lazada Marketplace. The research results found that the quality of use and guarantee variables do not affect repurchase. In contrast, the variables of website design quality, responsiveness, and personalization/customization affect repurchasing on the Lazada Marketplace.

2. LITERATURE REVIEW

There are several differences in the services provided on the marketplace, which is a type of service in online sales compared to the kind of service in the field of offline sales. The following are some of the services that describe services provided offline and services provided online:

<table>
<thead>
<tr>
<th>Types of service</th>
<th>Offline Service</th>
<th>Online Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>Although not always, product prices are higher than online products at the same store. Buyers can make price comparisons by moving from one store to another, so it sometimes wastes time to compare prices.</td>
<td>Lower than the price of offline products in the same store, although not always It's effortless to compare stores or marketplaces without moving places.</td>
</tr>
<tr>
<td>Shipping Costs</td>
<td>Shipping costs do not subsidize standard offline purchases because the purchased products will be immediately brought home, except for special requests from the buyer where the buyer bears shipping costs.</td>
<td>Many alternatives that buyer can choose: • Free shipping with or without a minimum purchase. • Subsidy on shipping costs with or without a minimum purchase. • The are no free and subsidized shipping costs.</td>
</tr>
<tr>
<td>Logistics/Delivery Service</td>
<td>No delivery service is required because the purchased product can be used or brought by the buyer immediately.</td>
<td>It requires a safe and fast delivery service to the destination.</td>
</tr>
</tbody>
</table>
The buyer will bear the shipping costs if they want the seller to deliver the products using logistics.

<table>
<thead>
<tr>
<th>Payment system</th>
<th>The buyer can choose delivery services following those provided by each seller. Shipping costs will charge to the buyer or seller according to an agreement before the transaction.</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Cash</td>
<td>Bank Transfer • Using Credit Card or Debit Card • Using e-Wallet</td>
</tr>
<tr>
<td>• Using Credit Card or Debit Card</td>
<td>• Using e-Wallet</td>
</tr>
</tbody>
</table>

Source: (Lestari, 2022)

Based on the difference in service between offline and online transactions, it is interesting to explore the service desired by buyers who prefer online transactions. The researcher conducted surveys of buyers who made online purchases on marketplaces in Indonesia such as Tokopedia, Bukalapak, Shopee, Lazada, Blibli, and others.

The organization will always strive to provide excellence in service to win customers' hearts and remain competitive in the market. An effective sales strategy will always coexist with satisfactory service provided to buyers. The sales strategy will not increase without good service, especially as entrepreneurs or business actors expect.

**Price**

Price is a vital tool and is a factor influencing purchases (Pratiwi et al., 2021). The price difference becomes very sensitive to sales made online because the prices listed on the product window can be seen clearly without potential buyers asking the seller first. Prospective buyers can quickly obtain the price by sliding and touching electronic media to access the internet, whether mobile phones, laptops, P.C.s, or other media. Thus, the price is essential in increasing customer loyalty (Tobing et al., 2021). The exciting thing found in sales through the marketplace is that the prices given by sellers in the market are lower when compared to prices at offline stores by the same seller and store, although this is not always the case.

Research conducted by (Aryatingrum & Insyirah, 2020) shows a positive influence of price discounts on customer loyalty to psychology students at the State University of Surabaya. They have made online transactions on the marketplace as a tool for shopping.

**Shipping costs**

The sender or consignee of goods pays shipping costs instead of package delivery services provided by the shipping/logistics service company. Shipping costs are also known as postage or abbreviated as postage.

Shipping costs are additional costs that the buyer must pay if the buyer makes an online transaction. The seller can eliminate shipping costs by including the buyer's price. Incorporating the shipping cost element in the product price is usually done in the context of promotions carried out by the seller.

The shipping cost also applies to marketplaces that do a lot of strategies for providing free shipping or subsidizing shipping costs or often referred to as free shipping (free shipping), as a tool to attract buyers. Buyers tend not to purchase if they feel the additional cost burden makes the product's price more expensive.

Research conducted by (Istiqomah & Marlena 2020) showed a positive influence on purchasing decisions. If consumers get more free shipping promotions, then consumers will have a stronger urge to buy.

**Logistics**

The quality of logistics services is a critical success factor and differentiation tool that affects the satisfaction and retention of e-commerce customers. As a new distribution channel, E-commerce creates opportunities that revolutionize logistics processes (Zurek, 2014). Consequently, logistics services have become the backbone of competitive advantage in e-commerce and require continuous improvement (Ocicka & Raźniewska, 2016). Research conducted by (Ayu Wardhani et al., 2020) proves a significant negative relationship between the quality of logistics services and customer loyalty.

The seller's experience in providing delivery services for consumers is based on the seller's experience in getting good service from logistics companies. The seller carries out the selection of this delivery service to provide better service to consumers. So that sellers who have been selling online for a long time will know about logistics services that can provide good service to customers.

**Payment System**

The Payment system is a system that includes a set of provisions, institutions, and mechanisms used to be able to transfer funds to fulfill an obligation that arises from economic activity. The Payment System coincides with the concept of money as a medium of
exchange (medium of change) and an intermediary in goods, services, and financial transactions (Bank Indonesia, 2019). Buyers may select payment systems in transactions provided by the marketplace such as COD (Cash on Delivery), payments by bank transfer, and payments using e-wallets such as ShopeePay, GoPay, and Dana as payments made through minimarkets such as Indomaret and Alfa group. A digital wallet, also known as an e-wallet, refers to an electronic service that stores data on payment instruments, including card-based payment instruments and electronic money, which can store funds for making payments (Bank Indonesia-Bank Sentral Republik Indonesia, n.d.).

The payment system that is very easy to use and has a higher level of security for consumers is the COD payment system. The COD payment system is a payment system where the buyer may pay the transaction amount when the product ordered arrives. The COD payment value includes the product price and shipping costs, and other fees that may be charged to the buyer when making a transaction. This COD payment system is very popular with those who do not have a bank account or credit card and those who cannot leave their home or do routine work to transfer payments.

Customer Loyalty

Loyal customers are the most valuable asset for the company in increasing the company's profitability. In obtaining loyal customers, companies need to emphasize the importance of capturing new customers and retaining customers; a high commitment is required in terms of funds and human resources, so product quality is truly under customer desires (Budianto, 2019). Loyalty becomes very dynamic, requiring a process of stages resulting from attitudes that lead to the quality of the performance of valuable goods or services; ease of obtaining; limited options for goods/services; the process of mentality in a generation; building commitment.

Good service quality convinces customers to repeat their service requests. This service request shows the behavior of customers towards service providers. Service quality that meets customer expectations leads to customer loyalty. This intention makes customers prefer services to other companies that offer the same service (Kaura et al., 2015). As described above, a research model was developed, as shown in Figure 1.

![Figure 1. Research Model](image)

Hence, the hypotheses proposed are:

H0: the predictive variables do not significantly affect the customer loyalty output variable.

H1: the predictive price variable affects the customer loyalty output variable independently.

H2: the predictive shipping costs variable independently affects the customer loyalty output variable.

H3: the predictive logistics variable affects the customer loyalty output variable independently.

H4: the predictive payment systems variable independently significantly affects the customer loyalty output variable.

Based on the research model in figure 1, the regression formula can be assumed in the form:

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \alpha \]

\[ Y = \text{Customer Loyalty} \]

\[ X_1 = \text{Price} \]

\[ X_2 = \text{Shipping Costs} \]

\[ X_3 = \text{Logistics} \]

\[ X_4 = \text{Payment System} \]

3. RESEARCH METHODOLOGY

The sample used in this study amounted to 168 respondents, consisting of 121 women and 47 men. The age range respondents identified ever made transactions on the marketplace is dominated by the age between 21-30 years as much as 65. percent, and followed by respondents aged between less than 20 years as much as 25 percent, while the rest are the aged more than 31 years. The tests were based on questionnaires distributed using Google forms from March 1, 2022, to March 31, 2022. The research
variables consist of customer loyalty variables which are output variables, while the predictive variables consist of price variables, shipping costs, logistics, and payment systems. A classical assumption test conducted the multiple linear regression method to assess the feasibility of using the data and the e-views application as a data processing tool.

4. RESULT AND DISCUSSION

The researcher conducted classical assumption tests using the normality, heteroskedasticity, and multicollinearity tests to have feasibility data.

4.1. Result

A. Normality Test

Figure 2. Normality Histogram

Source: Primary data processed, 2022

The researcher conducted a normality test to determine the feasibility of data on the population collected through surveys and whether the outcome of surveys has normality distributed data. The determination of normal distribution of the data can be determined by the values indicated in the figure 2 histogram.

The histogram contains a probability value of 0.729491. The probability value is greater than the value used, 5% (0.05). Likewise, the Jarque Bera value of 0.630815 is smaller than the Chi-Square value of 199.24418; thus, it can determine that the data that has been collected through surveys and used for this study is expected.

B. Heteroskedasticity Test

Table 2

Heteroskedasticity Test

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient Variance</th>
<th>Uncentered VIF</th>
<th>Centered VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>0.001379</td>
<td>0.000041</td>
<td>NA</td>
</tr>
<tr>
<td>D(Price)</td>
<td>0.004544</td>
<td>1.026522</td>
<td>1.026522</td>
</tr>
<tr>
<td>D(ShippingCosts)</td>
<td>0.004931</td>
<td>1.017421</td>
<td>1.017421</td>
</tr>
<tr>
<td>D(Logistics)</td>
<td>0.006303</td>
<td>1.019853</td>
<td>1.019812</td>
</tr>
<tr>
<td>D(PaymentSystem)</td>
<td>0.002847</td>
<td>1.014054</td>
<td>1.014054</td>
</tr>
</tbody>
</table>

Table 3

Multicollinearity Test

In the results of the heteroskedasticity in table 2, the Prob value is stated. Chi-Square in Obs*R-squared is 0.7824 greater than the α value of 0.05, indicating that the data used in this study does not indicate heteroskedasticity.

C. Multicollinearity Test

In a study that uses more than one predictive variable, a multicollinearity test is needed; A way to detect the presence of multicollinearity is to calculate the value of Variance Inflation Factors.

In the results of the Variance Influence Factors test in table 3, the centered VIF values for the predictive variables studied are listed, namely; the price variable with a value of 1.026522, the shipping cost variable with a value of 1.017421, the logistics variable with a value of 1.019812, and the payment system variable with a value of 1.014054. The value of centered VIF on the predictive variables above, below the number 10, indicates that the data used does not contain multicollinearity.
D. Multiple Linear Regression

Table 4: Multiple Linear Regression

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>-0.003054</td>
<td>0.037129</td>
<td>-0.082250</td>
<td>0.9345</td>
</tr>
<tr>
<td>D(Price)</td>
<td>-0.211296</td>
<td>0.067413</td>
<td>3.134369</td>
<td>0.0020</td>
</tr>
<tr>
<td>D(ShippingCosts)</td>
<td>0.201316</td>
<td>0.070220</td>
<td>2.866913</td>
<td>0.0047</td>
</tr>
<tr>
<td>D(Logistics)</td>
<td>0.980014</td>
<td>0.079390</td>
<td>12.34432</td>
<td>0.0000</td>
</tr>
<tr>
<td>D(PaymentSystem)</td>
<td>-0.054298</td>
<td>0.053356</td>
<td>1.017655</td>
<td>0.3104</td>
</tr>
</tbody>
</table>

R-squared: 0.527894
Adjusted R-squared: 0.516237
S. E. of regression: 0.479799
Sum squared resid: 37.29358
Log-likelihood: -111.7818
F-statistic: 45.28575
Prob(F-statistic): 0.000000

Source: processed primary data, 2022

Coefficient of determination (R)

Table 4 shows that the coefficient of determination (adjusted R-squared) is 0.516237. This value indicates that predictive variables can explain customer loyalty, prices, shipping costs, logistics, and payment systems are 51.62%. The remaining 48.38% is influenced by other variables not included in this research model.

F Test

The F test was conducted to see the effect of simultaneous predictive variables on the output variable. The Prob value (F-statistic) obtained in this study is 0.000000 < 0.05, so it can conclude that $H_0$ is rejected, which means that the predictive variables jointly have a significant effect on the output variable.

Hypothesis

The p-value of the price predictive variable is 0.0020 < 0.05, so it can conclude that $H_0$ is rejected and $H_1$ is accepted, which means that the predictive price variable independently has a significant and positive effect on the loyalty output variable.

The p-value of the shipping cost predictive variable is 0.0047 < 0.05, so it can conclude that $H_0$ is rejected and $H_2$ is accepted, which means that the independent shipping cost predictive variable has a significant and positive effect on the loyalty output variable.

The p-value of the payment system predictive variable is 0.0020 < 0.05, so it can conclude that $H_0$ is rejected and $H_1$ is accepted, which means that the logistic predictive variable independently has a significant and positive effect on the loyalty output variable.

The p-value of the payment system predictive variable is 0.3104 > 0.05, so it can conclude that $H_0$ is accepted and $H_1$ is rejected, which means that the independent payment system predictive variable has no significant and positive effect on the loyalty output variable.

4.2. Discussion

A. Regression Model

The coefficient value listed in the output table 4, obtained a multiple linear regression equation as follows:

$$Y = -0.003054 + (-0.211296 \times X_1) + (0.201316 \times X_2) + (0.980014 \times X_3) + (-0.054298 \times X_4) + \alpha$$

Based on the multiple linear regression equation above, it concludes as follows:

There is a negative constant value of -0.003054, so it can state that the predictive variable value is considered stable, so the average customer loyalty decreases by 0.003054 percent.

B. The Effect of Price on Customer Loyalty

The outcome obtained the coefficient value of the price predictive variable -0.211296. A negative coefficient value and the assumption of ignoring other predictive variables indicate that the price predictive variable harms the output variable of customer loyalty. If the price increases by 1 percent, it will decrease customer loyalty by 0.211296 percent. This result shows that price competition is quite sensitive to customer loyalty, where buyers will move to the marketplace or other stores if there is a price difference with the same product due to the ease of comparing product prices in the storefronts of each store in the marketplace.

C. The Effect of Shipping Costs on Customer Loyalty

The coefficient value of the shipping cost predictive variable is 0.1316. Its positive value indicates that the shipping cost variable positively influences customer loyalty, so if there is an increase in the number of shipping cost subsidies provided by the marketplace to customers by 1%, it will increase customer loyalty by 0.1316 percent.
D. The Effect of Logistics on Customer Loyalty

The coefficient value of the logistics predictive variable is 0.980014. Its positive value indicates that the logistics variable positively influences customer loyalty, so if there is an increase in logistics variable services by 1%, it will increase customer loyalty by 0.980014 percent.

Improvement of logistics services customers expect in increasing loyalty as measured by fast, safe, and friendly courier delivery.

E. The Effect of Payment Systems on Customer Loyalty

The coefficient value of the payment systems predictive variable is -0.054298. Its negative value indicates that the payment systems variable negatively influences customer loyalty. If there is a decrease in the variant of payment systems by 1%, it will decrease customer loyalty by 0.054298 percent. In this case, the most widely used payment option is the COD system, with 55.95%, while the remaining 44.05% is a payment system made with a non-COD system such as bank transfers e-wallet through mini markets.

5. CONCLUSIONS AND SUGGESTIONS

This research produces several conclusions as follows:

1. There is a significant effect between the predictive variables of price, shipping costs, logistics, and payment systems on the output variable, namely customer loyalty. This considerable influence is due to the convenience, and the services provided by marketplace providers and sellers significantly affect customer loyalty.

2. While independently, the predictive variables of price, shipping costs, and logistics have a significant and positive effect on the output variable of customer loyalty. In contrast, the predictive variable of the payment system has no significant and positive impact on the output variable of customer loyalty.

3. This significant effect is because buyers are susceptible to the addition of the price they are expected to pay, the speed, and delivery security. It can say that the lowest price, free shipping, subsidized shipping costs, and expedition services affect customers’ loyalty. Meanwhile, the payment system does not significantly influence since almost every marketplace provides COD (cash on delivery) services. If a buyer makes a transaction and cannot make a payment through a bank transfer, the buyer can make payments using a COD system.

4. With a coefficient of determination of more than 50%, which is 51.62%, it can say that the marketplace strategy of providing competitive prices, free shipping, satisfactory logistics services, and various payment systems effectively increases customer loyalty.

There are still 43.38% that cannot be explained in this study in increasing customer loyalty to the marketplace. This study opens an opportunity to research other predictive variables that may increase customer loyalty.

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