

## **ANALYSIS OF THE FACTORS IN E-COMMERCE CUSTOMER SATISFACTION**

**Erni Halim<sup>1</sup>, Yudithia Dian Putra<sup>2</sup>**

INDONESIA

Email : <sup>1</sup>[erni@ibmt.ac.id](mailto:erni@ibmt.ac.id), <sup>2</sup>[yudith@ibmt.ac.id](mailto:yudith@ibmt.ac.id)

### **ABSTRACT**

*e-Commerce has the potential to improve efficiency and productivity in shopping and in business on both sides, the business owner and customers. It has received major attention in many developed countries, including Indonesia. Despite the limitation in terms of internet speed connectivity, e-commerce continues to grow. However, its growth is not quite as rapid as several other countries. There are still potential for many business to go on-line in Indonesia, and in Surabaya particularly. To address the shortage on its development, the study is aimed to indicate retailing business owners to succeed in creating, developing, and maintaining their e-commerce. The success lies on gaining and winning customer loyalty in which customers repeats their buying behavior and they benefit in e-commerce in the long run. It relies heavily on a number of variables that caused the loyalty itself. Satisfaction is acquired when it is influenced by e-service quality in which delivery of products and services are as agreed. On the other hand, website quality has indicated a non-significant influence in increasing e-customers' satisfaction. Loyalty is significantly affected and caused by customers when they are well-served. Price tolerance is yet to be the most influencing factor in customers' decision making when shopping on-line. Loyalty can be gained when customers perceived they obtain better price when compared to common shopping.*

*Focus should be well considered on keeping the customers' satisfied and it's expected that the growth of e-commerce can be increased to its potency in Indonesia along with the improvement in technology infrastructure to support the entire quality in websites, e-service, e-satisfaction and in the end e-loyalty.*

**Keywords** : e-commerce, website quality, e-service quality, efficiency, growth, e-satisfaction, e-loyalty, convenience, efficiency, and price tolerance

### **INTRODUCTION**

There are six reasons why internet technology is popular: internet has connectivity and wide coverage, internet can reduce transaction cost, internet can also reduce communication cost,

internet can reduce agency cost, internet can be interactive, and flexible; and internet has the ability to distribute knowledge rapidly (Laudon and Laudon, 2000).

Internet at the moment has become the important part of numerous people's lives with different usage. It is not only for social networking, business, knowledge, branding, buying and purchase transaction, but also for many other functions and usage. Indonesia at the moment has reached the fifth country with the growth in the amount of the most internet users in the world. Based on the Boston Consulting Group data, in 2015 it is predicted that the internet users in Indonesia will reach the number of 94 million people. The conditions can be used to trigger the growth of internet advertising in Indonesia. As more and more internet users grow, it is expected to influence the people's behavior in buying goods and services, which changes from conventional buying behavior to e-commerce. As the result of Liao and Cheung (2001) findings, the users of internet in Singapore are increasing and therefore, people like to shop and purchase through e-shop. This tendency is expected to become an attraction from the business owners especially in Indonesia too to have started innovation their business through e-commerce.

The development exists in service field as well. Services can also be marketed easily through internet. One of them is marketing service in Indonesia.

At the moment the number of website selling service and products in Indonesia has reached the number of more than a hundred websites. The number excludes other websites which do not particularly advertise service but they also advertise various kinds of products among others electronics, fashion, books, software and many others. People who use the service of website generally are quite busy. The existence of website for many things is indeed very important for sellers and buyers where website is used to become the promotional site in their attempt to sell or often to buy foods or services which are being marketed. Many kinds of brand are offered as well in many web stores.

In line with the need to purchase goods and service, the need to make website selling goods and service is also increasing. There are many examples of the website to sell goods and services in Indonesia. The website is focusing on promoting advertisement for goods and services. The website provides mostly electronics and gadgets, but they also advertised other goods. There are many other web stores selling numerous goods and services.

When looking at the tight competition from several websites and webstores in Indonesia and when looking at the importance of customer loyalty on certain website, the writer is interested in conducting research about e-shopping or particularly on how far buyers' perspectives rely on web stores, when they concern on satisfaction and loyalty.

Internet users in Indonesia grows fast. It is because of technology more educated people and the infrastructure which is getting better and better each year. According to Consumer Media data collection done in 2010 to 2011, the internet users in Indonesia has increased by 5% from 19 million to 24 million users. And 70% of Indonesian online users intend to make an online purchase. Competitions are tight with many e-Commerce Website which were narrowed into few major players such as Bhineka.com, Multiply.com, DedKeren, and rakuten.co.id. (Alexa's data).

Based on the above reason, the research will be done to analyse factors which dominantly influence e-commerce satisfaction. It is done in answering the questions whether

Website quality comprising of usefulness, ease of use, entertainment and complimentary relationship influences e-satisfaction.

E-service quality comprising of efficiency, system availability, fulfillment, privacy, responsiveness, compensation and contact influences e-satisfaction. e-Satisfaction comprising factors in information reliability, convenience, entertainment, assurance, site design and verbal environment influences e-loyalty. e-Loyalty comprising of preference loyalty, price tolerance, and unfavorable response influence customers' decision in e-commerce.

The research is done as to analyse factors which significantly influence e-commerce satisfaction from the areas of website quality and e-service quality. Simultaneously factors in e-satisfaction is analysed toward e-loyalty. The objectives is to find out the influencing factors in e-loyalty comprising of preference loyalty, price tolerance and unfavorable response among which of which is the most dominant factor.

This research can be used as input and can be used as additional information for website companies about sellers and buyers' perspectives and image towards e-service quality, website quality, and towards e-loyalty through e-satisfaction. On the other hand, the research will contribute to the companies which have already advertised and opened online industries in Indonesia. On line business is expected to be developed and enhanced among business owners. On-line business can be encouraged as it would contribute to increasing income, personal abilities, and capability because it can be done as part time activities and people can make use of the technology and their gadgets too.

## **LITERATURE REVIEW**

### **Website quality:**

Website quality is used as a scale which is produced by the users' perception toward the website design when they interact with the website. For that purpose, website quality is more directed toward the interface design more than to the measurement of service quality. Measurement of the website quality can be done by measuring using indicators as under:

**X1 : Usefulness**

usefulness which means that the level of satisfaction in system and technology of a website can assist to increase the performance of the company of organization (Davies et al, 1989). Usefulness can be described as sub-indicators as follows:

Information fit-to-task (information that is relevant) which covers information on the website that is suitable and matched to the information that are required by the customers. Website provides information that are needed and information that the users find it easy to get.

Interactivity which means that the website provide some ease for its customers to interact or communicate. The website has interesting and attractive features and website that give information in accordance with the specific needs.

Trust which shows that users or shoppers feel safe when doing the transactions. Customers or users believe that personal data can be kept securely and the web-company or web-site will not spread any personal data.

Response time which is the time when the action or realization of the users get from the website, the speed the website operates and information response that is fast.

**X2 : Ease of Use**

ease of use which means that the customers can easily operate or use the website. There are some sub indicators to easily explain the use of the sub indicators:

Ease of understanding towards the view or surface of the website page and size of the text or fonts that are easy to see and read, and there are photos or pictures on the website which make understanding and searching of the information easier.

Intuitive operations which means that it is easy for on-line shoppers or users to operate and use the website and internet, that it is easy to become experts in doing the on-line shopping. The website itself should be easy to find or to browsed

**X3 : Entertainment**

entertainment which means that how pleasant it is for a customer feels when operating an on-line shopping or how fun it is to be able to operate a website and do shopping. The sub indicators are among others:

Visual appeal of a website. It looks interesting and attractive. Those have been designed to catch the eyes or visual of the customers.

Innovativeness which means that the website is up-to-date and always do its best to design something different.

Flow-emotional appeal which means that the website users feel happy, content , and fashionable because of the fast internet.

- X4 : Complimentary Relationship  
complimentary relationship (a relation that complement each other) consists of sub indicators as under:
- a. Consistent image which can include whatever available in the website, consistency of the company image, website that has similarity and the whole view of the company and in accordance with the one in the company.
  - b. On-line completeness which is website that can accept and is possible for online transaction plus can provide other business prospects. All is available as in the website.
  - c. Other channels, website can offer other usages that can be easily accessed for example, communicating with the customer service and sales using the website for telephoning, emailing, and sending fax.

### **e-Service Quality**

The writer defines e-service quality as multiple scale item that can be used to measure the expectancy of customers and their perceptions towards service which they receive when they shop on-line. E-service quality score can be compared to the score of the competitors which are shown to know the service quality from an organization when compared to other organization. E-service quality can be considered as a tool that is suitable for measurement parameter from service quality and can be applied to some domain including e-service area. The objective of measuring e-service quality of a website (i.e. internet shops website) itself is one of the whole process from e-service which is also called as e-service quality.

Measurement of e-service quality can be found out using indicators as follows:

- X5 : Efficiency  
efficiency which means that it is easy for the customers to search for information that is needed because the information is well organized and well set and the website give ease to the users to browse the entire pages.
- X6 : System Availability  
system availability which means that all the technical functions can run as they should run. Customers can easily access the on-line service at anytime to the service provided by the `customers cannot access the website when they need on-line service, they will move to other on-line company (Zeithaml, 2005).
- X7 : Fulfillment  
fulfillment :which means that the precisions and exact fulfillment to what have been promised. Availability of the product sufficiently, on-time delivery time as what have been promised (Zeithaml, 2005).
- X8 : Privacy  
privacy which means that there is a guarantee that the data of the shoppers or customers that is very confidential and important such as credit card number will be kept securely and the on-line service will not pass on the information to other people wherever they are (Zeithaml, 2005).
- X9 : Responsivene  
responsiveness which means that the capability of a company to provide information

that is accurate to the customers when problems arise. The company has the mechanism to handle the return of the products, and can give on-line guarantee.

- X10 : Compensation  
compensation which means that matters related to the reimbursement, replacement of delivery fee, and goods handling which are sent or prolonged the contract. (Zeithaml, 2005).
- X11 : Contact  
contact which means that the needs of the customers to directly communicate or contact the on-line company (Zeithaml, 2005).

### **E-Satisfaction**

E-Satisfaction is the satisfaction that the consumers get because the product they get are in accordance with their expectation, wants, and needs. Referring to the Bansal's definition (2005) and Barnet (2007), in operation and reality, satisfaction in this research can be meant as that product consumption can meet their need, goal, want but at the same time, they also care about environment or green needs and this fulfillment renders pleasure for the consumers. Measurement of e-satisfaction is conducted by using indicator as follows:

- X12 : Information Reliability  
Information reliability can be measured using the indicators: a) When comparing products on-line with products on real shops, what the quality will be. b) Promises by the webstores about products' specification match with the promise that are advertised on-line.
- X13 Convenience  
Shopping on-line provide convenience in terms of time saving in dressing up, paying attention towards the outlook when going shopping, Parking and finding the parking lots on certain peak days and hours can be inconvenience and not to mention that queueing is one of the inconvenience factors in old ways of shopping, too. Paying can require lots of time as well, when cashiers counters opened are not sufficiently provided.
- X14 Entertainment  
When shopping on-line, shoppers can still discuss and chat with other users or friends find out information or talk about other matters. While shopping, shoppers can still listen to music, eat snack, or drink and thus feel relax. Shoppers can decide the length of time for browsing, comparing products and model, and finally decide to really purchase.
- X15 Assurance  
Customers are mostly uncertain when they come to paying process. They assume that the amount of payment can be different when payment is charged through credit card payment, because there is a waiting time and usually the on-line transactions are paid ahead of getting the products. The amount charged might be overcharged or charged wrongly. When purchasing products using different currency other than Rupiah or local currency, the conversion rate are not exactly known.
- X16 Site Design  
The language used on on-line website are simple yet interesting and that would trigger shoppers to browse, search, and at the end decide to finalize the transactions. Products virtual display and arrangement are planned and put in orderly manner so that shoppers find them attractive.
- X17 Virtual Environment  
Certain situation and conditions in non-on-line shops such as contacts with sales

assistants or shops attendants are intentionally avoided, thus virtual environment prevent shoppers from dealing with sales experts' persuasive ways of selling or pressurized ways of selling that force shoppers to buy despite the unplanned buying decision.

Crowds and noise can be avoided in the virtual environment when shoppers buy on-line. Useless expense tend to be avoided when shopping on-line, such as distraction in eating out or spending on trivials.

### **E-Loyalty**

In the research, the writer view e-loyalty from the point of view that is related to the service loyalty which is a multi-dimensional concept consisting of favorable and unfavorable factors in loyalty. Favorable loyalty is perceived as the desire to repurchase, the desire and willingness to recommend the website to others, however, it is not similar to the other type of loyalty which is the willingness to pay more and complaining behavior. Therefore, in this research, several types of loyalties can be used by Zeithaml et al (1996) and Ruyter et al (1999) which are:

X18 : Preference Loyalty

Preference loyalty means that customers tell positive things to other people, then they price tolerance which means that customers are willing to pay more for similar or equal services, but still continue the transactions although the fees might increase or the e-shops charge extra fees than other similar web storals.

X19 Unfavorable Responses

Unfavorable responses which means that supposedly the customers experience some problems with the web stores, thus they express their complaints directly and then tell to other users, or to mass media and bigger society.

### **RESEARCH METHODS**

The research uses a quantitative method. "A quantitative method is the way of research that quantifies data and analyzes the data and report its results in the statistical form". (Malhotra, 2004;137). Questionnaires are distributed and the results are analyzed based on the respondents' answers. The research is done by distributing questionnaires to 150 respondents through two ways which are by manual distribution and by on-line questionnaire. Criteria of the respondents have been chosen by the writer based on the preliminary screening to find e-shoppers or people who have ever done e-shopping. 120 questionnaires are returned and analyzed. The research is also included in causal type of research as it is done to determine whether website quality influences e-satisfaction, whether e-service quality influence e-satisfaction. At the later process, the research is to confirm which variables in e-satisfaction determine e-loyalty significantly or in other words the determinant factors causing e-loyalty are measured by e-satisfaction through website quality and e-service quality.

After all questionnaires have been collected in approximately 2 (two) months, the results have been calculated using SPSS release 15.0 and analyzed by using SEM (Structural Equation Modeling tool, software Amos 18.0. This is based on the consideration that SEM has the capability to show causal among variables. Prior to doing SEM analyses, the writer has done a reliability and validity tests using SPPS, as well as descriptive analyses (mean, standard deviation, top two boxes). SEM is appropriate to introduce model specification and assessment of model fit.

### **Variables identification**

Variables that have been used in this research have been mentioned and identified on the background study of chapter I and have been described on the conceptual theory. Conceptual framework in this research consists of 2 (two) kinds of research variables or construct variables as followings:

Website quality as exogenous variable or independent variable

E-Service quality as exogenous variable or independent variable

E-satisfaction as endogenous variable or dependent or latent variable

E-loyalty as endogenous variable, a factor in a causal model when there is a correlation between the variable and the error term

Variables that are stated in this research can be classified into 2 groups:

1) Latent Variable or construct variable is also said to be latent variable or unobserved variable which is variable that is formed through indicators which are observed empirically. Therefore, construct variable is not measured directly but through several observed dimensions. Construct variable in the research are: Website Quality, E-Service Quality, E-Satisfaction and E-Loyalty

### **Observed Variable**

The variable is often said to be the observed variable, indicator variable, or manifest variable. Data in the observed variable has to be found out through research, for example through questionnaire as their instruments.

**Table 1. List of variable**

Construct Variable	Observed Variable
1. Website Quality	1.1. Usefulness (X1) 1.2. Ease of Use (X2) 1.3. Entertainment (X3) 1.4. Complimentary Relationship (X4)
2. E-Service Quality	2.1. Efficiency (x5) 2.2. System Availability (x6) 2.3. Fulfillment (x7) 2.4. Privacy (x8) 2.5. Responsiveness (x9) 2.6. Compensation (x10) 2.7. Contact (x11)
3. E-Satisfaction	3.1. Information Reliability (x12) 3.2. Convenience (x13) 3.3. Entertainment (x14) 3.4. Assurance (x15) 3.5. Site Design (x16) 3.6. Virtual Environment (x17)
4. E-Loyalty	4.1. Preference Loyalty (x18) 4.2. Price Tolerance (x19) 4.3. Unfavorable Responses (x20.)

### **Types of Data and Source.**

There are two types of data according to Malhotra (2006, 137). They are collected as Qualitative data or data in the form of words, phrases, sentences, and pictures.

Information and opinion from articles on newspaper, magazines, and internet about e-commerce, on-line shoppers, community for internet shopper have been read and gathered.

Malhotra (2006,42) said that source of data in a research can be categorized into 2 kinds which are: First is the primary data that is obtained by the writer specifically for finding facts related to answering the problems that is aimed for the research. Then, secondary data that is collected by the other writer or researcher and is not targeted to the research that is on going.

Premier data had been obtained by spreading questionnaire to the respondents. Questionnaire is distributed in 2 ways, which are using manual and on-line techniques:

Printed questionnaire which are distributed to the selective respondent and are completed and returned manually as well.

On-line questionnaire ([www.ernihalim.co.nu](http://www.ernihalim.co.nu) or [www.formdesk.com/halim1/form1](http://www.formdesk.com/halim1/form1) which are distributed through internet using communication devices, and social media websites, among others, by Blackberry messenger, Yahoo messenger, and Facebook,

Prior to finalizing questions for the questionnaire, opinions about website quality and e-service quality from people who like to shop on-line are gained, evaluated and reviewed. Secondary data is acquired through information from other parts such as literature, journal, and articles which are related and can contribute to the research.

**Validity and Reliability Test**

Cronbach’s alpha is valid and reliable as the result of Cronbach Alpha is 0.7 or it is smaller than Cronbach’s alpha in total. Table 4.3. shows validity and reliability in variables.

**Item-Total Statistics**

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
x1	70,1419	122,018	,688	,937
x2	69,8981	120,783	,751	,936
x3	70,2700	124,372	,590	,939
x4	69,9353	123,119	,675	,937
x5	69,5303	120,246	,758	,936
x6	70,3030	124,506	,642	,938
x7	70,2700	124,922	,659	,937
x8	70,2328	124,470	,713	,937
x9	70,8113	128,719	,389	,942
x10	70,7782	127,589	,398	,942
x11	70,1873	124,890	,630	,938
x12	70,4683	126,690	,517	,940
x13	69,5262	122,167	,683	,937
x14	69,6956	122,493	,737	,936
x15	70,3815	128,012	,591	,939
x16	70,1832	123,740	,705	,937
x17	70,0234	123,783	,728	,936
x18	70,2576	122,369	,741	,936
x19	70,2796	124,018	,742	,936
x20	69,8691	124,008	,634	,938

Since the Cronbach alpha values for the constructs in Website Quality Variables namely x1 = usefulness is 0.97; x2 = ease of use = 0.936; x3 = 0.936 and x4 = 0.937 which is each of the figures are above 0.70 , the constructs are deemed to exhibit adequate reliability.

In e-Service Quality, cronbach alpha for each variable which are x5 = efficiency = 0.937; x6 = system availability = 0.938 ; x7 = fulfillment = 0.937 ; x8 = privacy = 0.937 ; x9 = responsiveness = 0.942 ; x10 = compensation = 0.942 ; x11 = compensation = 0.938. The figures are > 0.7 which can be said that e-service quality construct is reliable.

In e-Satisfaction variable, x12 which represents information reliability has the cronbach alpha 0.940; x13 which represents convenience = 0.937; x14 represents entertainment = 0.936 and x15 = assurance = 0.939 ; x16 = site design = 0.937 ; x17 = 0.936 represents virtual environment; results in reliability test show above 0.7 which can be said the construct in e-Service quality to be reliable.

In e-Loyalty reliable test, the figures result in x18 which represents preference loyalty = 0.939 ; x19 which is price tolerance = 0.936 and x20 which is variable in unfavorable response = 0.939. Figures show above 0.7 which can be said that the construct is adequately reliable.

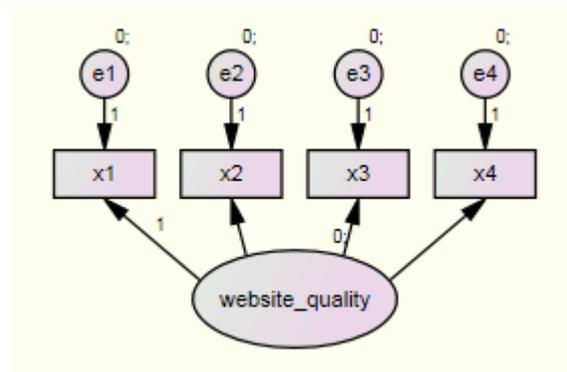
### **Confirmatory Factor Analysis**

Uni dimentional Analysis , Website Quality (QW).

P-value of variables in Website Quality is marked by \* where coeficient regressions or P-value indicate  $\leq 0.05$  means that variables X1, X2, X3, and X4 significantly influence website quality. Data analysis is shown in diagram and tables 4.3.1. Website Quality, Variable X1 = Usefulness, X2 = Ease of Use, X3 = Entertainment , and X4 = Complimentary Relationship. Figure 1. indicates P-value.

In testing the hypothesis, it is indicated that variables in website quality indicate an adequate model fit.

- H1 : Usefulness and information accuracy and effort and technology competency influences people positively when shopping by internet. The information is the most current or the most updated information when shopping through internet
- H2 : Ease in operating internet for shopping as website quality is made to be user friendly can influence positively when people shop on-line.  
People find it easy as the steps in searching until purchasing items trough internets are clearly presented.
- H3 : Attractive, creative and colorful design of website is believed to be positively affect people to browse and search the website in their effort to shop on-line .  
People find it entertaining when shopping through internet as they may find moving or animated photos and pictures or interactive stores.
- H4 : Different retail shops and channels positively influence people to do on-line shopping.  
Shopping on-line provide people with completeness and variety of the on-line stores and therefore also provide better distribution channels.



**Figure1. Website Quality**

**Regression Weights: (Group number 1 - Default model)**

	Estimate	S.E.	C.R.	P	Label
x1 <--- <u>website_quality</u>	1,000				
x2 <--- <u>website_quality</u>	1,004	,106	9,509	***	
x3 <--- <u>website_quality</u>	,724	,104	6,986	***	
x4 <--- <u>website_quality</u>	,787	,099	7,977	***	

**Standardized Regression Weights  
(Group number 1 - Default model)**

	Estimate
x1 <--- <u>website_quality</u>	,840
x2 <--- <u>website_quality</u>	,844
x3 <--- <u>website_quality</u>	,628
x4 <--- <u>website_quality</u>	,702

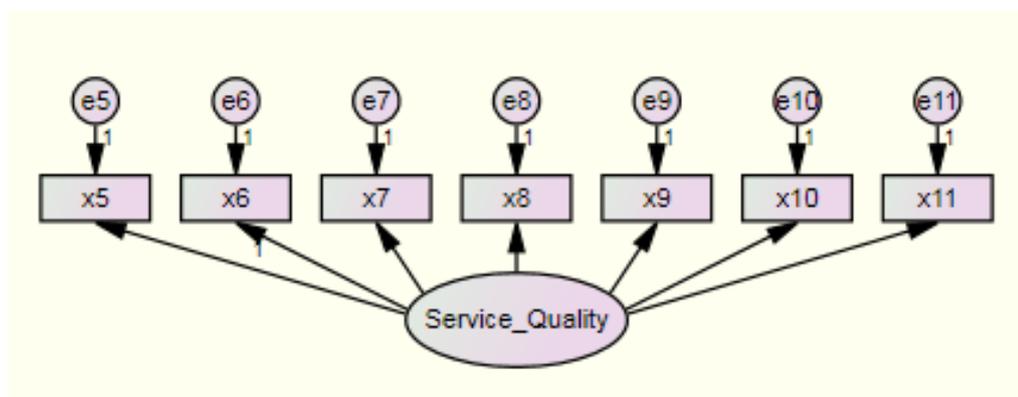
Uni-dimentional analysis , e-Service Quality.

- H4 : Different retail shops and channels positively influence people to do on-line shopping. Shopping on-line provide people with completeness and variety of the on-line stores and therefore also provide better distribution channels.
- H5 : Conveniences in shopping at odd hours and in saving time influences people decision to do shopping by internet. It saves more time when compared to going to the locations of the stores
- H6 : The well-run system when people can browse and purchase via internet without getting annoyed can positively influence people to shop on-line. The system is also updated and maintained therefore the quality is good and well maintained.
- H7 : Better and wider choices of products and services without geographically limited when shopping on-line are considered positively affect people to choose on-line shopping. Products and services are delivered as promised to the buyers.
- H8 : People’s privacy on their personal data if they are well acquired and well kept in shopping discreet things through on-line can positively influence people’s decision to shop on-line.

- H9 : Good response and good service and good handling procedures when on-line shoppers have problems are variables that influence people to do on-line shopping.
- H10 ; Promotional benefits, free delivery fee, or other compensation are positively influence people to shop on-line when the variables are provided.
- H11 : Promotional benefits, free delivery fee, or other compensation are positively influence people to shop on-line when the variables are provided.

The model is found to have adequate model fit. Factors loadings for e-Service quality items are significant at  $p < 0.001$ .

Variables x5 = Usefulness, x6 = Ease of Use, x7 = Entertainment, x8 = Complimentary Relationship indicates significant influence towards e-Service quality by P-value  $\leq 0.05$  shown in \* (asterik) from Figure 2



**Figure2. Service Quality**

**Regression Weights: (Group number 1 - Default model)**

	Estimate	S.E.	C.R.	P	Label
x5 <--- <u>e_SQ</u>	1,000				
x6 <--- <u>e_SQ</u>	,896	,134	6,681	***	
x7 <--- <u>e_SQ</u>	,910	,129	7,077	***	
x8 <--- <u>e_SQ</u>	,767	,121	6,334	***	
x9 <--- <u>e_SQ</u>	,658	,135	4,882	***	
x10 <--- <u>e_SQ</u>	,724	,149	4,860	***	
x11 <--- <u>e_SQ</u>	,816	,131	6,247	***	

**Standardized Regression Weights:  
(Group number 1 - Default model)**

	Estimate
x5 <--- e SQ	,687
x6 <--- e SQ	,709
x7 <--- e SQ	,763
x8 <--- e SQ	,666
x9 <--- e SQ	,500
x10 <--- e SQ	,498
x11 <--- e SQ	,656

Uni-dimentional analysis , e-Satisfaction.

- H12 : Quality of products, services, specifications, when all are compared between products or service sold on-line versus products bought directly through ordinary buying or shopping ways can influence people’s satisfaction positively.
- H13 : Personal conveniences as people can do shopping on-line without having to dress up, walking or driving to find parking lot to the stores, queueing for assistance from the shop attendants or queueing for paying at the cashier are variables that influence positively shoppers satisfaction when they shop via internet.
- H15 : Possibility to do other activities such as communicating with other people, listening to music or snacking and ability to have more freedom to control the amount of time spent in shopping on-line are factors that influence and increase on-line shoppers’ satisfaction. Trust and safety in billing and payment system when shopping on-line are factors that influence positively towards on-line shoppers’ satisfaction
- H16 : Understanding and the use of the simple and interesting language of website design in its organisation and arrangements of items are variables that affect on-line shoppers’ satisfaction positively.
- H17 : Minimization in inconveniences related to noise, crowds, annoying or unfreindly shop assistants, and minimization in compulsive buying behavior when shopping on-line are factors that can affect people’s decision positively when they do on-line shopping

P-value is shown in \*(asterik) indicating that variables from x12 until x17 which are x12 = information reliability, x13 = convenience, x14 = Entertainment , x15 = Assurance , x16 = Site Design , and x17 = Virtual Environment influence significantly towards e-Satisfaction. The model is said to be fit.

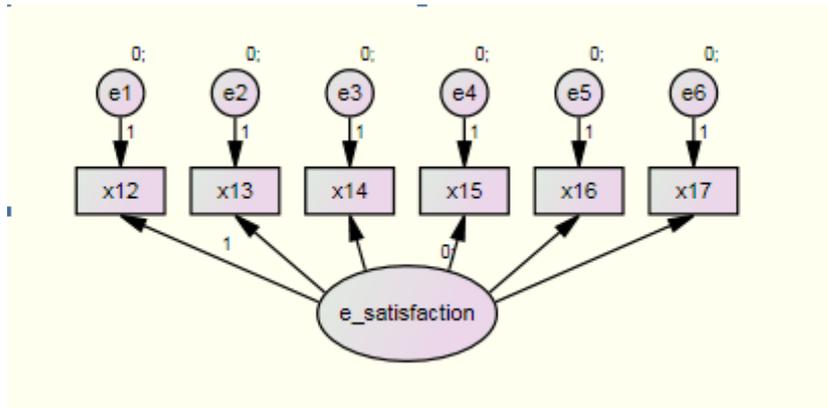


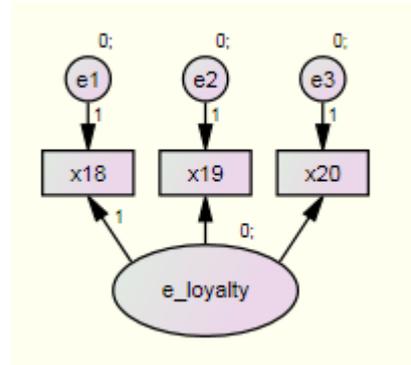
Figure 3. e. Satisfaction

**Regression Weights: (Group number 1 - Default model)**

	Estimate	S.E.	C.R.	P	Label
x12 <--- <u>e_satisfaction</u>	1,000				
x13 <--- <u>e_satisfaction</u>	1,971	,395	4,989	***	
x14 <--- <u>e_satisfaction</u>	1,798	,361	4,986	***	
x15 <--- <u>e_satisfaction</u>	1,017	,231	4,403	***	
x16 <--- <u>e_satisfaction</u>	1,492	,315	4,739	***	
x17 <--- <u>e_satisfaction</u>	1,622	,328	4,953	***	

**Standardized Regression Weights:  
(Group number 1 - Default model)**

	Estimate
x12 <--- <u>e_satisfaction</u>	,462
x13 <--- <u>e_satisfaction</u>	,818
x14 <--- <u>e_satisfaction</u>	,816
x15 <--- <u>e_satisfaction</u>	,605
x16 <--- <u>e_satisfaction</u>	,711
x17 <--- <u>e_satisfaction</u>	,800



**Figure 4. e. Loyalty**

Uni-dimensional analysis, e- Loyalty

- H18 : Benefits in shopping on-line are positively increase on-line shoppers’s loyalty that can result them in recommending it to other family members, friends, or other people to do shopping on-line .
- H19 The ability to compare and get attractive price offers by on-line stores can positively influence people’s loyalty to shop on-line. There are no food and beverage buying distractions when shopping on line as people do not see restaurants or cafes in a real sense.
- H20 Avoidance for certain factors that caused people to feel embarassed or ashamed when cancelling a purchase on shopping on-line are variables that can influence people’s satisfaction and loyalty towards on-line shopping when compared to traditional shopping

Variables X18, X19, and X20 which are preference loyalty, price tolerance and unfavorable response (complaining behavior) shows significant influence towards e-Loyalty. Diagram indicates P-value in asterik form means that factors loadings for loyalty items are significant at  $P < 0.001$ .

**Regression Weights: (Group number 1 - Default model)**

	Estimate	S.E.	C.R.	P	Label
x18 <--- e_loyalty	1,000				
x19 <--- e_loyalty	,900	,134	6,693	***	
x20 <--- e_loyalty	,938	,143	6,556	***	

**Standardized Regression Weights:  
(Group number 1 - Default model)**

	Estimate
x18 <--- e_loyalty	.769
x19 <--- e_loyalty	.780
x20 <--- e_loyalty	.706

**CONCLUSION AND RECOMMENDATION**

**Conclusion**

Several disadvantages of e-commerce

Although on-line shopping in Indonesia is relatively new, on-line shopping has become more and more common in Indonesia while in other countries, it has become common way of shopping.

Barriers that caused on-line shoppers to postpone purchasing through internet is caused by the disadvantages of not looking at the products in the real way, nor having the products right after paying. There is a waiting-time before they can use the products because of the delivery time. Another barrier is more on the mental barrier which is the fear to be cheated when they come to paying process by using credit card. Customers trust towards on-line stores which are still new comers are relatively hard to gain from people. On-line shoppers might have thought that after paying, the products are not received as the promise they get or there are unfavorable differences on the specification that they are promised when browsing. However, there are quite many advantages that customers can gain through e-commerce and shopping on-line in particular. Time limit, busy schedule, distance can be reduced or even overcome by on-line shopping. In addition to that, the internet users in Indonesia in year 2012 has reached 63 million people. The fact has opened vast possibility for business owners to provide and create their on-line services and stores in addition to the existing stores that are opened in malls and other places By creating assurance among e-shoppers, the two major barriers can be overcome. Results from the study of the thesis shows that Website Quality influences customers' satisfaction, and e-Service Quality influences even more strongly.

**Recommendation**

Result from analysing the most determinant factors in creating on-line customers' loyalty would be to create satisfaction as satisfaction affects loyalty significantly . When customers are satisfied, they will also be loyal. Satisfaction factors are caused by positive influences of both website quality as well as e-service quality. Business owner can adopt marketing strategy by increasing satisfaction or increasing loyalty, by targeting customers through different channel which is through on-line or internet stores. In addition to those factors, there is an increasing growth of more prosperous class, wealthier people in Indonesia thus computer, gadget's ownership also increases. Increase in number of computer users relates to the tendency to also use internet for shopping purpose. Aside from those factors, it is strongly appealed to business owners to provide on-line services because of a number of reasons:

- Firstly as a medium of buying, on-line shopping is popular among people who are occupied with various and hectic schedule. Students' schedule are loaded with school

activities and extra curricular activities. Men and women spend lots of time for working; therefore, do not have sufficient time to go through shopping activities which require them to dress-up, make-up and then arrange transportation, find parking lot before they finally arrive to the malls.

- Secondly, on-line shopping has benefits when compared to shopping in malls. People can shop from wherever they want to shop and at anytime they want to as well. Customers can save time while obtaining more selection dimension. Customers use the internet not only to buy the product on-line, but they also compare prices, product features and other facilities. The convenience suits the busy life-style of people nowadays.
- Thirdly and last, people decide to shop on-line for other expectations which are considered essential as well. On-line entertainment, visual aspects of entertainment, escape from routine and interaction dimensions create special value that people might search when shopping on-line.

Business owners or shop managers should emphasize web-design and advertisement aspects in their e-commerce strategies when creating on-line services. Results from the respondents of the research suggest on-line stores to have greater concern about fulfilling several factors which are:

- Ease of use in the website quality.  
E-shoppers from young age to adult and senior age level should be able to easily do all the shopping process on-line.
- Usefulness  
On-line shoppers should experience the usefulness from the beginning of the buying process when they start searching products or service, comparing prices until the decision to buy is made.
- Efficiency  
The advantage of on-line shopping lays in the efficiency and convenience of getting and buying the products. E-shoppers would buy on-line because what they want to buy are not available in stores or stores' location is not easy to reach from customers' premises.
- Privacy.  
Shoppers privacy have to be well protected. Personal data about e-customers are essential factor to be considered when setting web-stores.
- Assurance  
Shoppers should feel secure and gain trust when shopping on-line.

Other factors related to web-site quality and e-service quality are recommended to be fulfilled for business owner when creating on-line services.

Expectedly the research will encourage business owners, retail shops to broaden their marketing channel by providing on-line service so that shoppers from various location have more preferences and choices when they shop. Further researches on the topic can also be encouraged.

## **REFERENCES**

Anand, Akshay, (2007). "E-Satisfaction, a Comprehensive Framework." International Marketing Conference on Marketing & Society, 704-706.

Asosiasi Penyelenggara Jasa Internet, March 2012, Nov 2012.

Antarwiyati P., Nurhakim Agus Lukman, and Kusuma H. (2010) "Factor-factor yang mempengaruhi electronic loyalty pada website." JAAI vol 14: 43-45.

- Bansal Banet, (200 &). "Satisfaction on e-retailing." :64.
- Flavian, CM. Guinaliu, R.Gurrea, (2006). "The Role Played by Perceived Usability, satisfaction and consumer trust on website loyalty. "Information and Management", p1.14.
- "Factors Influencing on Customers' e-Satisfaction", Interdisciplinary Journal of Contemporary Research in Business, (2011): 1496.
- Ho, Sandra Rangai Balang, and Voon Boo., (2009). "Corporate Website Quality and Visitor Satisfaction". UiTM Sarawak,
- Ilsever, Joe. (2005). "Extending Models of Flow and e-Loyalty. "Forthcoming in Journal of Information Science and Technology3-6.
- Internet World Stats, (2011), Dec 2012
- Lim, Jeremy Ang. "Research Methods and SEM."( 2007) : 325-711.
- Lin and Luarn, (2003) "A Customer Loyalty Model for e-Service Context." Journal of Electronic Commerce Research 156.
- Lee et al., (2011)"Relationship Between Service Quality, Satisfaction, and Loyalty. "Journal of Information Management. 17-20.
- Ranaweera et al., (2009)."Conceptualisation and Operational Measurement of Price Fairness Perception." Asian Academy of Management Journal, 80.
- Sherah, Kurnia, (2011). "E-Commerce Adoption in Developing Countries: An Indonesian Study." 5.
- Scaupp, L. Christian, France Belanger." (2005) A Conjoint Analysis of on-line Consumer Satisfaction."Journal of Electronic Commerce Research 96-99.
- Santoso, Singgih. (2008)."Analisis SEM Menggunakan Amos," Jakarta: Kompas Gramedia, 2012. Schindler, Cooper & al. 289.
- Singgad, Narayan, Kumar, Sangwan. (2012)."Study of on-line Buying Behavior among Youth."
- Srinivasan. (2008) "Service Marketing: The Indian Context 2nd Ed. Srinivasan, Barnes & Noble, 259.
- Srinivasan, Rolph E. Anderson and Srin S. (2003). "E-Satisfaction and E-Loyalty: A Contingency Framework." February: 128.
- Torres Ana Isabel, Martins F. Vitorino. (2004) "An e-Satisfaction Model – application to Internet Information Search and Purchase." International Conference e-Commerce 2004., Porto, Portugal: IADIS, p313-314.
- Vidgen Richard, Avison D. , Wood Bob. "Developing Web Information Systems: from Strategy to Implementation." Harper Book., p.114

- Voon Boo Ho, Balang Rangai Sandra., (2010). "Corporate Website Quality and Visitor Satisfaction." Yang. "Assessing the Effects of e-Quality and e-Satisfaction on Website Loyalty.", *Journal of Management and Marketing*, (2007): p 67-70.
- Yang, Hao-erl. (2007). "Assessing the Effects of e-Quality and e-Satisfaction on Website Loyalty." *International Journal of Computers in Simulation*): p.288.
- Zarei, Shapoor, (2010). "Electronic Service Quality Evaluation Methods for on-Line Banking System." *UCST vol.1, issue 2, Dec 2010:p.8.*