

The Impact of Brand Image towards Customer Loyalty with Customer Satisfaction as a Mediator in Beauty E-Commerce XYZ

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Abstract: E-commerce is the process of distributing, buying, selling and marketing products and services through the Internet and other online services. Many new e-commerce sites have appeared, bringing in very tight competition between e-commerce companies. One of them is XYZ as beauty e-commerce. Since its launch in 2015, XYZ has been able to attract the attention of Indonesian people, especially those interested in beauty products and the beauty industry. This study aims to determine the effect of brand image on customer loyalty in beauty e-commerce XYZ. Data collection was processed using a questionnaire technique that was distributed to all users of XYZ residing in Indonesia. The population of the study was XYZ customers in Indonesia. 433 XYZ consumers were sampled for this study. Data analysis will use SmartPLS 3.2.8, which results in outer model testing and inner model testing. Descriptive analysis in this study is required to better understand the characteristics of the respondents and their evaluation of XYZ e-commerce beauty. The results show that Brand Image influences consumer Loyalty at XYZ as calculated by the brand image dimension, brand association. Customer satisfaction has also become a factor in customers becoming loyal to XYZ's beauty e-commerce business.

Keywords: Brand Association, Brand Image, Customer Satisfaction, Customer Loyalty, E-Commerce.

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I. Introduction

The development of the internet continues to evolve and make business activities more effective, to be able to penetrate geographical and time limits to reach customers without the need for face-to-face activities. This development is supported by the emergence of online business channels, namely the development of e-commerce and online shopping for business opportunities. By utilizing technology from Industry 4.0, product purchasing needs can be done using an internet network that can be accessed through applications on the user's smartphone. This technology allows users to access online stores or e-commerce websites wherever and whenever and to facilitate user transactions.

In 2017, the global market for cosmetic products was estimated at USD 532.43 billion and expected to reach a market value of USD 805.61 billion by 2023, representing a CAGR (Compound Annual Growth Rate) of 7.14% in 2018-2023 [1]. Meanwhile in Indonesia, the national cosmetic industry had an increase of up to 20%. In 2019 cosmetics sales in Indonesia reached an estimated 1.557 Million USD and in 2020 estimated cosmetics sales in Indonesia reached 1.660 Million USD [2].

The increase of internet users in Indonesia has had an impact on the development of e-commerce in Indonesia, especially as a platform for purchasing and selling. Indonesia's internet economy in Southeast Asia is becoming the region's largest and fastest growing market, hitting US\$ 27 billion in 2018 and is set to grow to US\$ 100 billion by 2025. Indonesia is a market with a remarkable year-on-year growth in e-commerce [3].

As an e-commerce platform that focuses on selling beauty products, the number of visitors in XYZ website has significantly increased. In Q3 2019, XYZ was ranked 8th as the most visited website in Indonesia, competing with other e-commerce sites such as Tokopedia, Shopee, and Lazada and ranked 1st as the most visited website in beauty and fashion sector.

It shows that e-commerce XYZ as a specific beauty e-commerce that sells only beauty products, can compete with other e-commerce that has a high variety of products.

XYZ is constantly trying to offer high-quality products to persuade customers to purchase from XYZ's website. XYZ collaborates with various local and imported brands to create partnerships in the form of exclusive product launches and sales. XYZ built their brand image by always trying to be the most complete beauty e-commerce in Indonesia that is suitable for various groups. Brand image is the foundation for expanding market share and establishing market positions. The stronger the brand image in a customer's mind, the stronger the customer perception of being loyal to the brand so that the business will profit from time to time.

Based on the phenomena before, this research is intended to analyze brand image of XYZ have an

impact to customer loyalty of their customer.

II. Literature Review And Development Of hypotheses

2.1 Brand Image

A brand's image is the brand's perception of its customers. It is an aggregate of the brand's beliefs, ideas, and impressions held by customers. Brand image plays an important role in the development of a brand because the brand image represents the brand's reputation and credibility, and it also becomes the customer audience's "guidelines" for trying or using a product or service[4].

Brand image is the perception of the consumer of a brand as represented in the memory of the brand association[5]. In other words, brand associations are information that are linked to the memory of the brand and contain the brand's meaning to consumers. Associations come in all forms and may reflect product or product-independent characteristics or aspects. There are three dimensions of brand associations that include Favourability of Brand Associations, Strength of Brand Associations, and Uniqueness of Brand Associations[6].

2.2 Customer Satisfaction

In a business environment, companies must improve performance to meet the needs and desires of customers who will be oriented towards customer satisfaction so that companies can maintain and improve their business in the future. Customer satisfaction has become one of the most important goals that any company seeking long-term customer relationships considers to be the top priority[7].

In an effort to meet customer satisfaction, companies must be observant in understanding the needs and desires of consumers who are changing at any given time. If the company can produce products or services according to what consumers want and need, consumers will feel satisfied. In addition, customer satisfaction is the feeling of happiness or disappointment for someone that arises because it compares perceived performance to customer expectations of the product[5].

2.3 Customer Loyalty

Customer loyalty is the strong commitment of customers to purchase the product/service despite the availability of alternatives in the market [8]. Consumer Loyalty is an action taken by consumers in buying goods or services that is carried out repeatedly and continuously, and is a form of purchase by consumers without intimidation and is done repeatedly and within a long period of time. Consumers then suggest to relatives and friends the products they use or commonly referred to as word of mouth (WOM) [9].

III. Research methodology

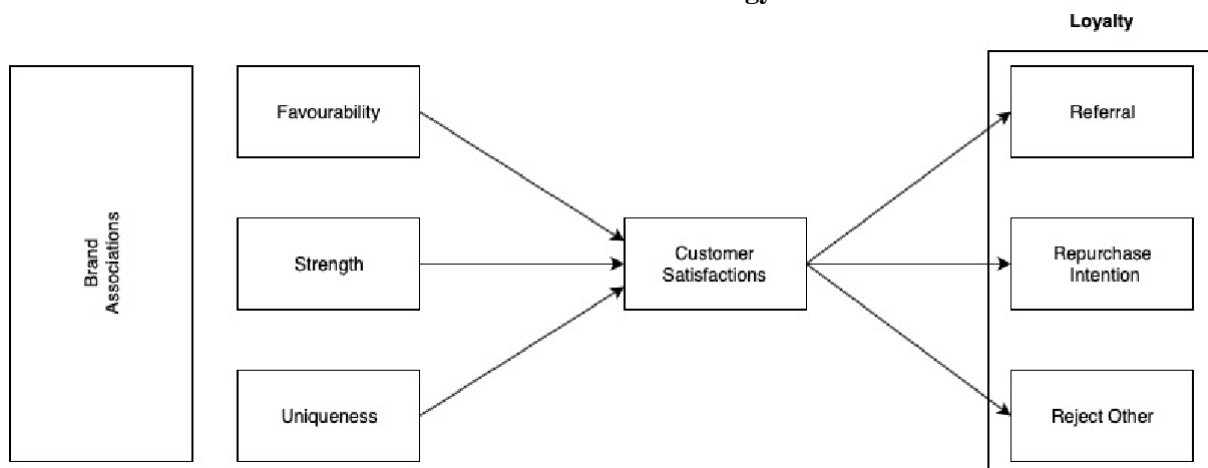


Figure 1. Keller (2013), Kotler and Keller (2006) compiled by Author

Table 1 Hypothesis of the Research

- H₁ Favorability of Brand Association has a positive and significant influence towards Customer Satisfaction.
- H₂ Strength of Brand Association has a positive and significant influence towards Customer Satisfaction.
- H₃ Uniqueness of Brand Association has a positive and significant influence towards Customer Satisfaction. H₄ Customer Satisfaction has a positive and significant influence towards Referral.
- H₅ Customer Satisfaction has a positive and significant influence towards Repurchase Intention. H₆ Customer Satisfaction has a positive and significant influence towards Reject Other.

3.1 Data Types and Sources

The research method used in this research is quantitative. Quantitative research is adopted as a research strategy for this dissertation. Quantitative research methods are applied to the collection of data that is structured and which could be represented numerically [10].

This study uses two data sources, called primary data and secondary data. Primary data refer to information obtained first-hand by the researcher on the variables of interest for the specific purpose of the study [11]. The primary data used in this study were online questionnaires using Google Forms distributed through social media and online communities. Secondary data refer to information gathered from sources that already exist. The secondary data gathered in this research are from books, journals, articles, the internet and additional media information relating to this research [10].

3.2 Sampling Method

The sampling method uses a non-probability technique. Non-probability sampling is a sampling technique that does not allow members of a population having equal opportunity to be selected as a sample or whether it is unknown whether they have the same opportunity or not [11]. Characteristics and criteria for the sample used in this research were customers who used beauty e-commerce XYZ at least three times. The authors created screening questions at the beginning of the questionnaire in order to filter out the respondents and make it easier to process data from this research.

IV. Results And Discussion

The author does the testing in Structural Equation Modeling by applying Smart PLS. Smart PLS has 2 structures, outer model and inner model. Outer model is a measurement of instruments quality and inner model in order to testing the relationship among variables.

Before collecting data from respondents, author do pilot test to see each variable indicators whether it is valid and reliable or not. Pilot test conducted by collecting data from 30 respondents. The minimum number of the coefficient correlations is 0.3 to fulfill the criteria of convergent validity. Then, the correlation coefficient is ≥ 0.3 is valid can be considered as valid.

From the data analysis conducted, all the indicators have value $> 0,3$ so it is concluded that all indicator items of the questionnaire are valid. To test the reliability of the items, the most widely used is the Cronbach-Alpha technique. If the coefficient of Cronbach-Alpha ≥ 0.70 is a reliable measure, the questionnaire provides reliable results.

Favourability of Brand Association has 0,826 Cronbach's alpha value, Strength of Brand Association has 0,748 Cronbach's alpha value, Uniqueness of Brand Association has 0,814 Cronbach's alpha value, Customer Satisfaction has 0,812 Cronbach's alpha value, Referral has 0,826 Cronbach's alpha value, Repurchase Intention has 0,845 Cronbach's alpha value, Reject Other has 0,902 Cronbach's alpha value. Based on the results, all variables have value that has more than 0,7 it means all variables are reliable.

Composite Reliability, is the measures of the internal consistency of indicators of a construct that indicates the degree to which each of these indicators indicate a construct or common latent factor. Reliability testing is done by looking at the value of composite reliability and Cronbach's Alpha. The results of composite reliability and Cronbach's Alpha will show a positive value if it has a value above or equal to 0.7.

The AVE value is used to measure the amount of variance that the construct is able to capture compared to the variance caused by a measurement error. It means that the variance between the values contained in each variable still measures the variable. The required value for AVE is > 0.5 . Here are the Composite Reliability, Cronbach's Alpha and Average Variance Extracted (AVE) values in the table below:

Table 3. CR, CA, AVE Test Result

Variable	Composite Reliability	Cronbach Alpha	AVE
Favourability of Brand Association	0,860	0,782	0,611
Strength of Brand Association	0,895	0,853	0,631
Uniqueness of Brand Association	0,876	0,811	0,638
Referral	0,902	0,865	0,650
Repurchase Intention	0,886	0,838	0,609
Reject Other	0,840	0,750	0,574
Customer Satisfaction	0,904	0,868	0,655

Source: Data Processed on Smart PLS (2020)

The estimated value for the path relations in the structural model must be significant. This significant value can be obtained by the bootstrapping procedure. In this research, the significance level that the author used is 5%. By using the significance level of 5%, if the t-value result is greater than 1.65 means that there is significant influence between the independent variable and dependent variable, then H1 is accepted.

Table 2. Hypotheses Testing Result

No	Path Diagram	Path Coefficient	t-Value	Conclusion
1	FBA -> CS	0.216	4.561	H ₁ Accepted
2	SBA -> CS	0.560	14.545	H ₁ Accepted
3	UBA -> CS	0.221	3.817	H ₁ Accepted
4	CS -> R	0.642	18.603	H ₁ Accepted
5	CS -> RI	0.868	64.461	H ₁ Accepted
6	CS -> RO	0.841	58.176	H ₁ Accepted

Source: Data Processed on Smart PLS (2020)

R Square value shows coefficient of determination or percentage of influence of one or several independent variables on one dependent variable. The higher the percentage indicates the stronger the effect, while the lower the percentage indicates the weaker the effect. The results of the coefficient of determination in this study are:

Table 4. R Square

Latent Variable	R ²
Customer Satisfaction	0.847
Referral	0.412
Repurchase Intention	0.753
Reject Other	0.707

Source: Data Processed on Smart PLS (2020)

V. Conclusion And Suggestion

The results of brand image towards customer loyalty in beauty e-commerce XYZ can be concluded as follows: (1) According to the results of descriptive analysis, all the variable can be categorized as high and very high category. Favourability of Brand Associations considerably influences Customer Satisfaction towards Referral, Repurchase Intention, and Reject Other with a score of 68.17%. Followed by Strength of Brand Association with a score of 91.02% and Uniqueness of Brand Association with a score of 68.39%. It concludes that consumers' assessment of loyalty on the dimensions of referral, repurchase intention, and reject others was categorized as highly influenced. The score of Customer Satisfaction on consumers towards beauty e-commerce XYZ is 84.7%, there is a high degree to lead the customers become loyal to XYZ; (2) All variables in this research have t-values above 1.65 that mean all of the indicators in this study had a significant positive impact on both indicators. It supports the proposed model that can be used to predict the loyalty of customers and possibly be used in future research.

The results of this study suggest that related aspects could be used for managerial implications. As a result, XYZ management will understand more about what customers' preferences are. The following are the suggestions for XYZ management: (1) XYZ providing different promotions every week, flash sale programs, discount coupon programs or cash back programs, bring other beauty brands and the minimum nominal spending to get free shipping can be reduced; (2) In the future, if XYZ wants to sell products outside of beauty products, it would be better to provide prior awareness or information through their website, their social media or via e-mail explaining why XYZ provides these products; (3) XYZ could create a new logo that is more attractive.

This suggestion is addressed to further research. The model conducted in this research can be used in other similar product or similar business fields. The results of this study are indicated as high in Customer Satisfaction as intervening variable with a score of 84.7% ≈ 85% and for other dependent variables which are Referral, Repurchase Intention, and Reject Other is indicated as moderate and high with a score of 41.2%, 75.3%, and 70.7%. The other unexplored factors might be used for the extensions of this research.

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