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# THE ONLINE SHOPPING HABITS AND E-LOYALTY OF GEN Z AS NATIVES IN THE DIGITAL ERA

#### Risca Fitri Avuni\*

\*Department of Management, Faculty of Economics and Business, Universitas Brawijaya, Malang, 65145, Indonesia

## ABSTRACT

**Introduction:** Generation Z (Gen Z) refers to the most application-friendly and website-savvy generation engaging with the Internet for most of its daily activities. The number of Gen Z members has been growing and is projected to become the largest market segment by 2020. In the future, Gen Z will affect business strategies; compounded by the presence of a fourth industrial revolution (Industry 4.0), which will encourage companies to change their business models. One of the changes is a new paradigm shift by companies from the traditional business model to an internet-based business model (e-business model/e-commerce), such as online shops. Online shops have escalated at a rapid pace and have changed people's buying habits, especially for Gen Z. Gen Z seems to be shopping online more than ever. Targeting them is the best strategy to enhance their lifetime loyalty. **Background Problem:** This study aims to examine the relationship of e-service quality, online customer value, e-satisfaction and e-loyalty. Research Method: Two hundred and forty-one Gen Z respondents were involved in this study. PLS 3, Sobel and SPSS 23 were employed to analyze the data. Five hypotheses were proposed.

**Findings:** The findings indicated that e-service quality became the expected predictor of online customer value and satisfaction. In addition, the results confirm the mediating role of online customer value between e-service quality and e-satisfaction, as well as clarifying the relationship of online customer value and e-satisfaction. Finally, the effect of e-satisfaction on e-loyalty has been proven in this study. **Conclusion:** Upon figuring out the relevant issue, online shops are able to re-consider their business models to adopt the Industry 4.0 revolution, to strengthen their capacity in tight competition. In order to target Gen Z, who mostly do their purchasing via the Internet, online shops must provide high quality websites and create values which convey economic, social and functional values. These two key factors play significant roles in attaining Gen Z's e-satisfaction, thus securing Gen Z's e-loyalty

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E-mail address: risca.fa@ub.ac.id (author)

<sup>\*</sup> Corresponding Author at Department of Management, Faculty of Economics and Business, Universitas Brawijaya, Malang, 65145, Indonesia.

#### 1. INTRODUCTION

The Internet has definitely revolutionized several aspects of human life. Innovations, particularly in information and technology are the most important factors for creating better economic and social conditions. A digital presence not only offers new ways to run a business, but also provides new challenges for businesses to attain customer satisfaction and loyalty by adopting the new technology. Several studies have demonstrated that satisfaction becomes a pivotal key to greatly improving loyalty (Hao-Erl *et al., 2010*; Althonayan *et al., 2015*; Fornell, 1992; Kim & Moon, 2009)

Industry 4.0 (the fourth industrial revolution) refers to automation and data exchange, and involves engaging with a set of technologies to generate competitive benefits in the current global market. According to Giffi et al (2018), the new concept of industry has demonstrated effects on economies, jobs and societies due to their rapid involvement with new devices to communicate, analyze, and utilize data; driving these smart industries to affect various other sectors. Nitschke et al., (2016) postulate that Industry 4.0 provides both opportunities and challenges for consumer products and retail companies. In fact, companies must consider a combination of an online and offline outlet by mastering the latest technology able to support real time information and inventories, as well as being able to create interface features. If companies fail to adapt to the new challenges of Industry 4.0, they will miss the opportunity to enter the market. Dozens of stores have closed in malls, blaming online shopping for the collapse of traditional stores (Isidore, 2017, Kestenbaum, 2017).

Among the most favorite websites clicked on by Indonesia's internet users, online shopping websites dominate (ASEANUP, 2019, Fierdha, 2017). Currently, Indonesia has two online shopping website unicorns (a startup with a valuation over \$ 1 billion), which are Tokopedia and Bukalapak (Harsono, 2019). Online shopping websites are a popular business trend that creates extreme levels of competition in the market.

Developments in people's shopping habits are due to the increasing number of internet and smartphone users. Kemp (2019) points out that the number of internet users rose by 366 million (9%) in 2018 and the number of smartphone users reached 100 million (2%) in 2018. Generation Z (Gen Z) is popularly defined as a digital native, highly influenced by online interaction and internet connectivity at an early age. The number of Gen Z in Southeast Asia grows from year to year (Digital News Asia, 2017). In Indonesia's context, the number of Gen Z is about 45 million people (19.32% of the total population) (Purwandi, 2016). Hence, it is very profitable to target Gen Z and meet their needs. In addition, Gen Z significantly influence family and household consumption decisions (Wegert, 2016). This generation also dominates internet and smartphone usage worldwide. In Indonesia, the majority of internet users are aged 15-19 (The Jakarta Post, 2018).

As one of the generation with the best education, Gen Z is well aware of the price of any product they will buy. Compared to previous generations, Gen Z will be the greatest challenge for companies, as they want to make sure they choose the finest products at the lowest possible cost, and never try to expand their search to unknown brands (Priporas, Stylos, & Fotiadis, 2017). By winning Gen Z as their potential customers, companies are able to solve and to prevent problems (efficiency, fierce competition, globalization, and digitation), even though they have less loyalty to the brand.

Nowadays, customers assess holistic services, including the product, its website, and the whole business process conducted by a company to create value for its customers (Keeney, 1999). In e-commerce's context, Cristobal, Flavián, & Guinalíu (2007), Rolland & Freeman (2010), Ladhari (2010), Bressolles et al., (2015) conducted research by utilizing specific dimensions of e-service's quality (information, aesthetics, ease of use, security/ privacy, and reliability) rather than by the traditional service qualities, contrastingly proposed by Parasuraman, Zeithaml & Berry (1988). Related to Gen Z, Schlossberg (2016)

found that Gen Z have greater expectations and are concerned with the experience in buying product. By maintaining a good e-service quality, Gen Z will feel they receive benefits and a great experience, and companies will be able to satisfy Gen Z and create customer value for them (Baue et al., 2006; Chang et al., 2009; Parasuraman et al., 2005; Agarwal & Teas, 2002)

Online customer value is a crucial factor for determining economic, social, and functional impacts by building good relationships between customers and providers (Bressolles et al., 2015). These impacts include the value that is expected by customers after all the effort they spend to get the product. The greater the number of customers who get value from a product is, the greater the number of customers there will be who are satisfied (Kesari & Atulkar, 2016; Vijay et al., 2019). Furthermore, both e-service quality and online customer value become two key successes, not only for creating customer satisfaction but also for building customer loyalty (Bressolles et al., 2015; Deng et al., 2010; Dennis, 2009; Roy Dholakia & Zhao, 2010).

Previous studies related to e-service quality and online customer value are unfortunately less abundant, particularly focusing on Gen Z as digital natives. Thus, this study is intended to gain an understanding of Gen Z's e-satisfaction and e-loyalty, as potential customers in the digitalization era. In addition, this study includes e-service quality and online customer value to capture the factors affecting e-satisfaction and e-loyalty, as most previous studies have neglected online customer value as a determining factor of e-satisfaction and e-loyalty (Bressolles et al., 2015). The author believes that the presence of Gen Z during the fourth industrial revolution will determine companies' success, due to their numbers in 2020 (predicted to reach 2.6 billion) (Thau, 2017). Finally, this study assesses the relationship between e-service quality and online customer value, e-satisfaction and e-loyalty of Gen Z.

#### 2. LITERATURE REVIEW

This study investigates the relationship among e-service quality, online customer value, e-satisfaction, and e-loyalty.

# **E-Service Quality**

Over the past few decades, several researchers have conducted studies into service quality, which consists of the five basic dimensions proposed by Parasuraman et al.,(1985). They have suggested that those dimensions are contextual and not universally applicable (Prentice, Wang, & Loureiro, 2019; Theodosiou et al., 2019; Lee et al., 2016; Martin-Domingo et al., 2019; Roy, S., & Bhatia, 2019). The dimensions of service quality should reflect a specific service, for example in hotels, education, banks, and hospitals (Rose et al., 2012; Ramsaran-Fowdar, 2007; Choudhury, 2014; Ravichandran et al., 2010)

In the online context, the significant role of service quality (e-service quality) has been researched. E-service quality is defined as the consumers' overall perception and/or evaluation of their experiences in the e-marketplace (Santos, 2003). Delivering high quality is considered to be a tool to attain satisfaction and customers' perceived value (Bauer et al., 2006; Chang et al., 2009; Parasuraman et al., 2005; Agarwal & Teas, 2002)

Several researchers have modified the five basic dimensions of service quality by Parasuraman *et al* (1985), by developing specific dimensions for service quality in an online context (Loiacono et al., 2007; Yoo & Donthu, 2001; Wolfinbarger & Gilly, 2003; Parasuraman *et al.*, 2005). In this study, e-service quality is assessed by following the five dimensions from Ladhari (2010), which are information, aesthetics, ease of use, security/privacy, and reliability.

As a native of the digital era, Gen Z is very close to technology. They tend to crave comfort when connecting with technology and the Internet. By providing high quality websites that have attractive designs and layouts, detailed information and a reachable/easy way to navigate or to search for information and products in the websites, a satisfactory online shopping experience can be achieved (Akinci et al., 2010; Kim & Stoel, 2004).

Meanwhile, as a key point, improving the quality is not only effective for gaining greater profits and satisfaction (Zehir & Narcıkara,

2016), but it also creates value for the customers (Woo, 2019,; Prebensen & Xie, 2017). When customers evaluate all the services offered by online shopping, there is a strong link to various types of benefits, such as economic, social, and functional (Parasuraman, Zeithaml, & Malhotra, 2005; Zehir & Narcıkara, 2016). These benefits are defined as online customer value (Sheth et al., 1991 and Sweeney & Soutar, 2001). Regarding the prior studies and currently available literature, this study develops the following hypotheses:

H1: E-service quality significantly influences e-satisfaction

H2: E-service quality significantly influences online customer value.

#### **Online Customer Value**

According to Keeney (1999), customer perceive value is a trade-off between the perceived quality and benefits from a provider compared to the sacrifice to obtain their product. Perceived benefits in an online environment include the easiness of accessing detailed information about the product being offered. Meanwhile, the buyer's effort includes time, effort, and money (Kim & Stoel, 2004). Unfortunately, only a few studies have discussed online customer value (Bressolles *et al.*, 2015).

Sheth et al., (1991) and Sweeney & Soutar (2001) proposed the four dimensions of online customer value: social value (the ability to enhance the social self concept), economic value (value-based pricing or cost), functional value (perceived quality and expected performance of the product) and emotional value (feelings that occur from consuming the product). The last two dimensions (functional and emotional) were found to have a positive link (Sweeney & Soutar, 2001, Bressolles et al., 2015). Well constructed customer values engage the emotional values from the model. In this study, the focus lies on the effect of online customer value on satisfaction and the mediator between e-service quality and satisfaction. Some researchers found that e-service quality has an effect on satisfaction (Zehir & Narcıkara, 2016) and value for customers (Woo, 2019,; Prebensen & Xie, 2017).

Gen Z always expects to get great value from a product and is more concerned with the experience (Schlossberg, 2016). Without doubt, online customer value is one of the most importance factors that companies should take into consideration, as customers expect to receive benefits (values) from their transactions. Once the customers get more value, they will feel satisfied (Kesari & Atulkar, 2016, Vijay, Prashar & Sahay, 2019). According to the previous studies, this study proposes the following hypotheses:

H3 : Online customer value significantly influences e-satisfaction.

H4 : Online customer value significantly mediates e-service quality and e-satisfaction.

#### E-satisfaction

Satisfaction has been the focus of numerous studies to determine post purchase behavior such as: the repurchase intention, word of mouth, recommendation to others (Loudon et al., 1993; Oh, 2000; Bolton & Drew, 1991), profits (Aydin et al., 2005), customer retention and loyalty (Althonayan *et al.*, 2015). It is proven that greater satisfaction will create higher levels of loyalty (Oliver, 1997; Toufaily et al., 2013).

As a fundamental determinant in maintaining long-term customer relationship behavior, customer satisfaction must be the first priority (Oliver, 1980; Zeithaml et al., 1996). In e-commerce, e-satisfaction refers to the customers' evaluation of their experiences while engaged in online and offline transactions (Anderson & Srinivasan, 2003). Even though Gen Z members show low scores for loyalty, winning their hearts and minds will be hugely beneficial to a company. Finally, this study proposes the following hypothesis:

H5. There is a positive relationship between e-satisfaction and e-loyalty.

# E-loyalty

Loyalty can be defined as a willingness to repurchase products in the future, despite situational influences and the marketing efforts of competitors (Anderson & Srinivasan, 2003). This commitment includes the organization's attempt to maintain a long-term and stable

relationship between the customer and the organization (Anderson & Srinivasan, 2003). Hence, loyalty can be considered as an effort to engage with customers.

E-loyalty not only focuses on price but also on the repetitive behavior of visits and/ or the purchase of online products/services, by accessing a company's website as the first choice among other alternatives, supported by favorable beliefs and positive emotions toward the online company, despite situational influences and marketing efforts that lead to transfer behavior (Cronin et al., 2000). There are two types of loyalty: attitudinal and behavioral (Cronin et al., 2000; Toufaily et al., 2013). This study adapted scales that reflect the customers' attitudinal loyalty (repurchase intention, word of mouth, and recommendation to others (Cronin et al., 2000). In order to investigate the relationship among e-service quality, online customer value, e-satisfaction and e-loyalty, this study formulates the hypotheses as shown in Figure 1 below.

Figure 1. Research Model



## 3. METHOD, DATA AND ANALYSIS

#### 3.1 Research Data

To evaluate the relationship among e-service quality, online customer value, e-satisfaction and e-loyalty of Gen Z, multi-item questionnaires were developed for this study. The instrument in this study was adopted from the established scales of prior studies. A survey questionnaire was employed to collect data from the respondents. The questionnaire was posted to middle and high school students' and college students' forums and social media. Some respondents were asked to participate in the online survey. The aims of this approach are inclusion and convenience as most students are busy and it is impossible to ask

them to attend in person. With an online survey it is also possible to reach the required sample size, while also being cheap, simple and fast. All the participants complete their questionnaires in two months.

The population of this study included Indonesian members of Gen Z, or those who were born between 1998 and 2010, and had online shopping experiences using e-commerce websites, and the website-based apps and mobile-based apps from Indonesia's two online shopping unicorns, Bukalapak and Tokopedia. A purposive sampling technique was selected to recruit the respondents with the following criteria:

- 1. Having buying experience (not selling experience) using e-commerce websites, website-based apps and mobile-based apps from Indonesia's online shopping unicorns, Bukalapak and Tokopedia, for their personal consumption. This criterion relates to the aim of this study, to examine Gen Z's experiences as a buyer from Indonesia's online shopping unicorns. The buying experience for personal consumption refers to the entire process when the buyers really engage in all the processes as they have personal motives to buy something.
- 2. Shopping online at least two times in the last three months. This criterion relates to the aim of this study, to examine e-loyalty as repeat purchasing usually reflects the customers' loyalty.

Three hundred survey questionnaires were distributed, but only 241 valid questionnaires were returned, which met the minimum sample size, calculated by multiplying the largest number of items by ten (e-service quality had the largest number of items, with 13). Thus, for this study, the minimum sample will be: 13 items x 10 = 130 respondents (Chin & Newsted, 1999). The profile of the respondents is presented in Table 1.

#### 3.2 Data Collection

Primary data were collected from members of Gen Z who use the Bukalapak and Tokopedia websites for their online shopping, or website-based apps and mobile-based apps. A self-administered questionnaire was prepared to collect quantitative data from the Gen Z members. The survey questionnaire was divided into two sections, which are, (1) to collect information in order to figure out the profiles of respondents, which consists of three questions: gender, monthly shopping expenses, and monthly shopping frequency; and (2) to measure all the constructs of this study. All the items used in this study can be found in Table 3.

The a five-dimensional of e-service quality was used to measure e-service quality, which was adopted from (Cronin et al., 2000) and Bressolles *et al.*, (2015). Online customer value was measured using a three-dimensional scale, adapted from Bressolles *et al.*, (2015), Sheth *et al.*, (1991), and Sweeney & Soutar (2001). The scale used to measure e-satisfaction was adopted from Loudon & Della Bitta (1993); Oh (2000); Ravichandran *et al* (2010); Bolton & Drew, (1991) and consists of three items. Three items for measuring e-loyalty were taken from (Cronin *et al.*, 2000).

Measurements of all the items were achieved by using a 5-point Likert scale ranging from 1 = "strongly disagree" to 5 = "strongly agree". The items employed to conduct the investigation are described in Table 3.

#### 3.2 Research Method

Explanatory research was employed to attain the aim of this study, which is to evaluate the relationship among e-service quality, online customer value, e-satisfaction and e-loyalty of the people who form Gen Z. SPSS 23 is used to conduct the descriptive tests of the profiles of the respondents, while PLS 3 has been used to test the validity and reliability of each instrument, and to test the hypotheses of this study. The first criterion to be evaluated is the internal consistency's reliability using Cronbach's alpha and composite reliability. The second criterion is the convergent validity, found by evaluating the outer loadings of each indicator and the Average Variance Extracted (AVE). The third is the discriminant validity using two approaches (cross loading and the Fornell & Larcker criterion). After testing for reliability and validity, the next procedure is the testing of the hypotheses (Chin & Newsted, 1999).

The analysis follows three steps, which are, (1) to describe the demographic profile of the respondents by gender, monthly online shopping frequency, and monthly online shopping expenses; (2) to test convergent validity, discriminant validity and reliability (inner and outer model); and (3) to assess the impact of e-service quality, and online customer value on Gen Z's e-satisfaction and e-loyalty.

## 3.3 Research Analysis

**Respondents' characteristics.** Based on their frequency distribution and percentage, the demographic information includes the following characteristics of the respondents: gender, monthly online shopping frequency, and monthly online shopping expenses.

**Table 1.** Profile of Respondents

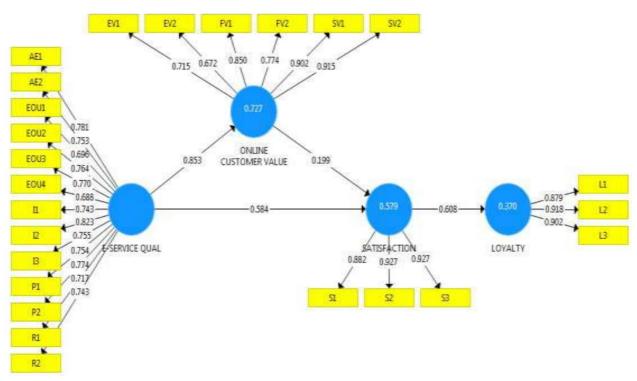
Profile	Description	Percentage	Frequency
Gender	Female	66%	159
	Male	34%	82
Monthly online shopping frequency	< 1	10%	24
	1-4	73%	174
	> 4	18%	43
Monthly online shopping expenses	< 500,000	46%	111
	500,001 - 1,000,000	30%	72
	1,000,001 - 1,500,000	19%	46
	> 1,500,000	5%	12

Source: Data Analysis Using PLS 23, 2018

According to Table 1 (Profile of Respondents), the author of this study concluded that the majority of the respondents were female (159). The frequency of Gen Z's monthly online shopping was 1-4 times a month. Table 1 also demonstrates the frequency of the respondents online shopping. The demographics of the respondents also demonstrates that their monthly online shopping expenses range from < Rp500,000, Rp500,001 – 1,000,000, Rp1,000,001 – 1,500,000 and > Rp1,500,000 for 111, 72, 46 and 12 people respectively.

Convergent validity, discriminant validity and reliability tests were conducted to measure

the model (both the inner and outer models). Figure 1 and Table 3 demonstrate that the convergent validity of the constructs was supported for all the constructs' indicators through: factor loadings > 0.6 ((W. Chin & R. Newsted, 1999), Average Variance Extracted/AVE > 0.5 (Hair et al., 2010) and Composite Reliability/CR >0.7 (Hair, Ringle & Sarstedt, 2011), which all depict good discriminant validity. Furthermore, the Cronbach's alphas for all the variables were higher than 0.7 (Sekaran & Bougie, 2009), indicating that all the variables had good reliability, and marking the fittest item for each variable.



Source: Data Analysis using PLS 23, 2018

Figure 1. Loading Scores

Table 2. Discriminant Validity

	ESQ	E-loyalty	ocv	E-satisfaction
ESQ	0.752			
E-loyalty	0.769	0.900		
OCV	0.853	0.767	0.810	
E-satisfaction	0.753	0.608	0.697	0.912

Abbreviation: ESQ (Electronic Service Quality), OCV (Online Customer Value), E-satisfaction (Electronic satisfaction), E-loyalty (Electronic loyalty)

Source: Data Analysis using PLS 23, 2018

Table 3. Convergent and Reliability

E-Service Quality		<ul> <li>The prices of products</li> </ul>	• 0.715
(CA: 0.936; AVE: 0.565; CR:		sold on this website are	
0.944)		competitive	
Ease of use		<ul> <li>The prices of products</li> </ul>	<ul><li>0.672</li></ul>
<ul> <li>It is easy to navigate</li> </ul>	• 0.696	proposed on this	
and to find what you		website are particularly	
are looking for on this		interesting	
site		Social value	
<ul> <li>The site is easy to use</li> </ul>	• 0.764	<ul> <li>Visiting this site gives</li> </ul>	• 0.902
<ul> <li>The organization and</li> </ul>	• 0.770	me something good to	
layout of this site makes		talk about with my	
it easier to search for		friends	
information		<ul> <li>My family and friends</li> </ul>	• 0.915
<ul> <li>It is easy to search for</li> </ul>	• 0.688	will definitely approve	
information on this site		of me visiting this site	
Information		Functional value	
<ul> <li>This site provides</li> </ul>	• 0.743	<ul> <li>I can easily compare</li> </ul>	• 0.850
detailed information		product prices on this	
about the product(s) or		website	
service(s) offered		I find that it is	• 0.774
The information on the	• 0.823	convenient to buy wine	
site is precise		on this website	
The information on the	• 0.755	E-Satisfaction	
site is relevant		(CA: 0.899; CR: 0.937; AVE:	
Security/privacy	0.754	0.832)	- 0.003
I trust this site not to	• 0.754	I am satisfied with my  decision to explore this	• 0.882
misuse my personal information		decision to explore this website	
I trust the overall	• 0.774		• 0.927
security of the site	• 0.774	<ul> <li>My choice to explore this website was a good</li> </ul>	0.927
Reliability		one	
This site gives	• 0.717	I am confident it was	• 0.927
indications of products'	0.717	the right thing to	0.527
availability		explore this website	
This site offers several	• 0.743	E-Loyalty	
means of delivery	0.743	(CA: 0.882; CR: 0.927; AVE:	
Aesthetic elements		0.809)	
The site is creative	• 0.781	I would buy from this	• 0.879
<ul> <li>This site is visually</li> </ul>	• 0.753	website again in the	0.075
attractive	0.755	future	
Online Customer Value		<ul> <li>I would recommend this</li> </ul>	• 0.918
(CA: 0.893; CR: 0.919; AVE:		website to a friend	
0.656)		<ul> <li>I would like to visit this</li> </ul>	• 0.902
Economic value		website again in the	
		future	
All 04.60   1   1   41   1			

Abbreviation: CA (Cronbach's Alpha), AVE (Average Variance Extracted), CR (Composite Reliability)

Source: Data Analysis Using PLS 23, 2018

Table 2 demonstrates that each indicator has a higher correlation with its latent variable than with the other latent variable (Hair et al., 2016) In addition, Table 2 indicates that the loading scores for each indicator are higher than for the entire cross loadings, compared to the other constructs (Hair et al., 2016). Based on these results, it can be concluded that the correlation between the indicator and the latent variable has good discriminant validity.

Table 4. R-square

	R-square
E-loyalty	0.370
Online Customer Value	0.727
E-satisfaction	0.579

Source: Data Analysis using PLS 23, 2018

$$\begin{array}{ll} Q^2 = 1 - ((1-R^2)(1-R^2)(1-R^2)(1-R^2) & Goodness \ of \ Fit \ (GoF): \\ Q^2 = 1 - (0,370)(0,727)(0,579) = & GoF = \sqrt{\overline{AVE} \ x \ \overline{R^2}} \\ 0.780017 & GoF = \sqrt{0.715} \ x \ 0.558 \end{array}$$

Table 4 presents substantial R2 endogenous latent variables with Q2, which have the value 0.780017. The Goodness of Fit (GoF) of the study

can be measured by the GoF index developed by Tenenhaus et al., (2005). The model in this study has a GoF value of 0.632, indicating that this study had a very good model. This finding refers to Hoffmann & Birnbrich's (2012) cut-off values for assessing the results of a GoF analysis, classified into three categories of: GoF = 0.1 (small); GoF = 0.25 (medium); and GoF = 0.36 (large). The inner model's analysis indicated a good model fit for this study, which can now continue to the next step, the testing of the hypotheses.

Hair et al., (2016) and Kock (2012), determined that if the P score is less than 0.05 (< 0.05) and the T statistic values are greater than 1.96 (>1.96), then the hypotheses will be accepted. The result of the hypotheses' testing is presented in Table 4. In general, the result depicts that four hypotheses proposed by this study are supported (H1, H2, H3, and H5 were accepted). This study accepted one hypothesis with a T statistic value of 1.941, which is close to 1.96.

The findings indicate that e-service quality has a significant effect on online customer value

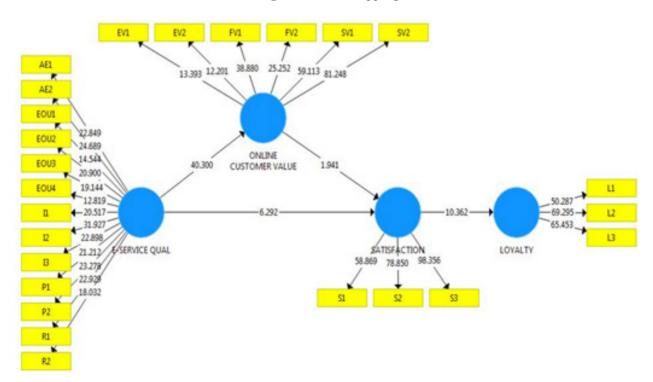


Figure 2. Bootstrapping

Source: Data Analysis using PLS 23, 2018

Table 5. Path Coefficient

	Original Sample	Sample Mean	Standard Deviation	T Statistics	D Volume
	(0)	(M)	(STDEV)	( O/STDEV )	P Values
ESQ> OCV	0.853	0.853	0.021	40.300	0.000
ESQ ->ESatis	0.584	0.591	0.093	6.292	0.000
OCV->ESatis	0.199	0.191	0.102	1.941	0.053
ESatis ->ELoyal	0.608	0.610	0.059	10.362	0.000

If P < 0.05 and T statistic >1.96, hypotheses were accepted

Source: Data Analysis using PLS 23, 2018

Table 6. Coefficient

	Coefficients <sup>a</sup>						
	Model -	Unstandardized Coefficients		Standardized Coefficients		Cir	
		В	Source: Data Analysis from SPSS 23, 2018	Beta	- t	Sig.	
	(Constant)	0.030	0.635		0.047	0.963	
1	ESQ	0.175	0.023	0.598	7.502	0.000	
	OCV	0.106	0.049	0.173	2.163	0.032	
a.	a. Dependent Variable: Satisfaction						

Source: Data Analysis from SPSS 23, 2018

and e-satisfaction, confirming that e-service quality is a good predictor of online customer value and e-satisfaction. This study also confirms the relationship between online customer value and e-satisfaction, as well as supports the effect of e-satisfaction on e-loyalty.

In addition, the findings also explain the mediating role of online customer value. This mediating effect of online customer value between e-service quality and e-satisfaction was assessed by using a Sobel test. According to Sobel (1982), If the z-score is greater than 1.96, it indicates that the mediating effect is significant (H4). The Sobel test signified that online customer value does mediate the relationship between e-service quality and e-satisfaction, shown by its value of 2.08079884 (> 1.96).

## 4. RESULT AND DISCUSSION

The hypotheses tests have proven that e-service quality and online customer value affects e-satisfaction and e-loyalty. The study's findings also confirmed that e-service quality had a significant effect on e-satisfaction, implying that if the companies can provide a better quality e-service on their websites, Gen Z will feel that they get more benefits (social, economic and functional) from those websites. This finding

is in line with Bauer *et al.* (2006), Chang *et al.* (2009), Parasuraman *et al.* (2005), Agarwal & Teas (2002), and Bressolles *et al.* (2015).

Gen Z is considered to be famous for their concerns about efficiency. The main reason Gen Z moved from traditional shopping to modern shopping (online shopping) is due to its efficiency (time and money). Information, aesthetics, ease of use, security/privacy, and reliability are the other main concerns for Gen Z members when using websites. Gen Z expects to access websites with facilities that make it easy for them to navigate, to search for products and information, to keep all their personal information in advance, to offer various type of delivery services, and also have good and attractive designs and layouts, which are significant for Gen Z to experience the values that lead to satisfaction

Moreover, the findings also empirically demonstrate that online customer value is a mediator between e-service quality and e-satisfaction (Bressolles *et al.*, 2015). It means that Gen Z consider e-service quality to generate perceived values (Bauer *et al.*, 2006; Chang *et al.*, 2009; Parasuraman *et al.*, 2005; Agarwal & Teas, 2002) as well as e-satisfaction. Time, effort and money are part of the values that Gen Z seeks in websites. In other words, Gen Z is satisfied by evaluating those values (social, economic, and

functional) (Bressolles *et al.*, 2015; Caruana et al., 2000)

In addition, this study highlights that e-satisfaction is a key to e-loyalty (Loudon et al., 1993; Oh, 2000; Kumar et al., 2013; Bressolles et al., 2015; Bolton & Drew, 1991). Finally, if companies want to maintain a long term relationship with Gen Z members, they should provide satisfaction for them in their choices for using websites to generate and sustain the attitudinal loyalty of Gen Z.

#### 5. CONCLUSION

The major contribution of this study is intended to fill gaps in the prior studies by focusing on Gen Z as potential customers of companies, since their numbers are projected to reach 2.6 billion in 2020 (40% of all consumers), and their effect on family spending will increase from year to year. One of the drawbacks to Industry 4.0 is the closing of numerous traditional stores. Customers are moving from offline shopping to online shopping, which requires good services from providers to satisfy Gen Z, and loyalty in using any form media to shop, particularly through websites. The attributes of e-service quality include: ease of use, information, security/privacy, reliability and its aesthetics to determine the customers' perceived value (social, economic, and functional) and satisfaction.

Gen Z refers to a practical generation who prefer instant access to save their time and money. As digital natives, Gen Z prefers online shopping rather than offline shopping for efficiency purposes (Schlossberg, 2016). Companies thus need to improve the quality of their websites to better engage with Gen Z, for instance by building a website that is easy to navigate and use when they want to seek information, providing detailed information which is both relevant and precise, maintaining security and privacy that makes Gen Z feel comfortable and safe, offering more delivery preferences, and attracting website visitors with unique and creative designs. These tactics are proven to drive Gen Z's satisfaction in their post purchase behavior and online customer value.

Unfortunately, few studies have investigated customer values in online shops, though customer value in the online context is an antecedent of satisfaction and loyalty. Therefore, this study extended previous studies not only by analyzing those people born between 1998 and 2010 (Gen Z) as respondents, but also by involving online customer value. The findings provide empirical evidence that online customer value (economic, social, and functional) will lead to e-satisfaction and act as a mediator between e-service quality and e-satisfaction. In this case, companies need to compare their prices and products with other websites. Hence, the websites will provide a good choice for Gen Z to shop at.

Postpurchase evaluation is a big challenge for companies to determine the following behavior: repurchase behavior and recommendations to others. Creating satisfaction will assist companies to maintain long-term customer relationship behavior (Oliver, 1980; Zeithaml et al., 1996). By paying attention to e-service quality and online customer values, companies will lead Gen Z to have positive experiences, thus sustaining their e-loyalty. Finally, due to the increasingly competition in the Industry 4.0 era, maintaining e-service quality and online customer value is essential to enhance Gen Z's loyalty.

# IMPLICATION/LIMITATION AND SUGGESTIONS

Overall, this study invites companies to develop their understanding of Industry 4.0 and its effect on Gen Z's loyalty. Upon understanding the updated issues, companies are able to remodel their businesses to adapt to the fourth industrial revolution and to strengthen their capacity amid tight competition.

Upon completion of this study, both theoretical and practical contributions are provided. Theoretically, the main contribution of this research is it is the first study that investigates Gen Z's e-satisfaction and e-loyalty by assessing e-service quality and online customer value as predictors. The findings also criticized those of previous studies that separate online customer value from the determined

factors of e-satisfaction and e-loyalty, since this study has proven that online customer value plays a critical role in enhancing e-satisfaction and mediating the effect of e-service quality and e-satisfaction.

For a practical standpoint, this study also presents new recommendations and strategies for companies to create Gen Z e-satisfaction and e-loyalty, as the number of Gen Z is projected to reach 2.6 billion by 2020 (Thau, 2017). In addition, this study contributes new insights into e-satisfaction and e-loyalty for Gen Z, allowing managers to adjust their strategies to meet Gen Z's e-satisfaction and e-loyalty. Actual attempt to attract Gen Z can be achieved by marketing activities and developing better websites or other media to promote products.

Although this study enriches our knowledge relating to e-service quality and online customer value, few studies have investigated the two key successes to achieve e-satisfaction and e-loyalty. However this study has several limitations: It only recruited Indonesian Gen Z members as its population and did not take into account any differences among Gen Z members in other countries. The quantitative method was the only method used in this study to gather information from the respondents; in-depth information cannot be obtained by only using this method.

It is acknowledged that there are opportunities for improvement in this study. Further related studies are expected to compare different generations, developing other measurement scales (e-service quality and online customer value), and assess other factors that affect e-satisfaction and e-loyalty.

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