

Customer Repurchase Intention and Satisfaction in Online Shopping

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Abstract: The objective of this study was to analyze the significant effect of price, service quality and product quality on customer repurchase intention and satisfaction in online shopping at the state universities students in East Java Province. This study used purposive sampling method with the sample consisted of 184 respondents. Structural Equation Model (SEM) was used as the analysis method. Results showed that price and service quality had significant effect on customer repurchase intention. Product quality and service quality had significant effect on customer satisfaction. But, product quality had no significant effect on customer repurchase intention and price had no significant effect on customer satisfaction in online shopping.

Key words: Repurchase intention, customer satisfaction, price, service quality, product quality

INTRODUCTION

Internet is an electronic network media used for various activities such as communication, business transactions, research and others. In the globalization era, Information Communication Technology (ICT) plays an important role in creating competitive products for the global market. ICT has some manifestations such as audio and video or computer and internet technology (Sudaryanto, 2011; Sakineh, 2016). Internet has developed rapidly in the United States of America (Liao and Cheung, 2001). A number of researchers (Peterson *et al.*, 1997; Burke, 1997) state that the ability of Internet to process information regarding to the online commerce is its main superiority. Online information access has changed the purchasing process between customer and seller from “push” to “pull” or from “manufacturer initiative” to “consumers initiative”.

The online shopping phenomenon is expected to attract more entrepreneurs, particularly in Indonesia, to begin developing an innovative business via., online media. Online shopping activity is a new way of purchasing and selling transaction. Online stores use electronic communication devices or social networks for online transaction where the buyer does not need to physically visit the store. Customers just need to browse the Internet, visit the web store, choose the product they want to buy, make the payment and after the web store receives the payment, the purchased product will be sent to the customers (Meskaran *et al.*, 2013). In online marketing, attitude is also one of the main factors that

influences costumers to make an online purchase (May *et al.*, 2005). Positive customer attitude towards a product will form a preference to choose the product (Tarkiainen and Sundqvist, 2005).

The use of the internet is increasingly popular for younger generation, including the university students. Most university students are always following the development of technology, science and information. By observing students’ social environment in some state universities in East Java Province, researcher found that most of the students often have a discussion about online shop with a big interest to online shop rather than offline shop. Online shop was their first alternative if they wanted to purchase a product. It was also the main topic in establishing communication among students. Results of the observation showed that students were so connected to the Internet. Students could also be categorized as the online customers as they used to shop online via the BlackBerry Messenger (BBM). Shopping online via., BBM is very easy because the customer does not have to fill in the identity form or having a registered e-mail just like when they do the online shopping via., web store. Sometimes, BBM online shopping also offers free product shipping to the customer.

Selling and purchasing products online, especially in Indonesia, could be performed via website or social media like Instagram, BBM, Twitter and Facebook. The big number of the instant messaging media users is a big potential of online customers that encourages sellers to market their products online. Selling via., BBM is one of the alternatives for online shopping where consumers can

communicate intensely with the seller. This is because the purchasing process is quite easy and practical. BBM can be accessed anytime, anywhere, via., BlackBerry mobile phone or smartphone (with the operating system of Android or iOS or Windows Phone) as long as the customers are connected to the Internet.

People living in East Java Province are very consumptive and are the best potential online shopping customers. In making a product purchase decision, the customer is influenced by marketing stimuli (Islam and Daud, 2011). The most important marketing stimuli is price. Price is defined as the amount of money charged for a product or the amount of value in exchange for the benefits or possession and use of product by the consumers (Kotler and Garry, 2012). According to Lamb *et al.* (2001), price is what should be paid by the consumer (buyer) to obtain a product. Price is used as an intensive information so that people can determine the value of a product. Sometimes, the price offered by the online store is more expensive than the price offered by offline store because of the shipping cost to deliver the product. Delivery cost depends on the distance in the different areas, the farther the distance, the more expensive the cost will be. Stated by Broekhuizen and Huizingh (2009), customers expect a lower price for the online stores compare to offline or traditional stores and after comparing the product price offline and online, they will perceive price at online stores is lower than the other store in general. Research by Yulisetiari (2013) proved that price positively affects customer satisfaction which means that the lower the price, the higher the customer satisfaction. A theory proposed by Kotler *et al.* (2009) stated that prices are often set to satisfy customers' demand toward a product or service.

However, the customer engaging in online transactions is not only concerned with the price but is also expecting the good quality product and service to keep them satisfied. Service quality is the gap between customer expectation towards the company in fulfilling their needs and wants with the perception of the service quality performance such as accuracy and delivery method. According to Yulisetiari (2014), service quality relates to customer satisfaction.

Referring to Kotler and Garry (2012), product quality is defined as the product's ability to perform its functions including its reliability, durability, accuracy, ease of operation and product improvement as well as other valuable attributes. Sometimes, the quality of product or service is not the main concern in determining customer satisfaction. The service and product quality offered by the online sellers does not affect customer satisfaction because customers prefer other factors. For example, price, style and conformity of the real product compared

to the displayed product on the Internet are the major concerns for the customer in purchasing fashion items like clothes or shoes.

Repurchase intention is the tendency of the customer's repeat buying behavior in a certain period of time because of their preference toward the product. Bloemer *et al.* (1999) stated that service quality is related to purchase intention and he concluded that a good service quality will encourage customer purchase intention.

Customer satisfaction comes from the satisfied feeling of the value offered by the supplier, producer or the provider of service. The value comes from the product, service, system or the emotional bonding among the customer and service provider. Satisfied customers will share their knowledge and experiences to others. Engel *et al.* (1990) stated that customers satisfaction is a post-purchase evaluation and the chosen product alternative is at least equal to or exceeding their expectations while dissatisfaction arises when the product or service performance does not meet their expectations.

Literature review: The theory used in this research is marketing management theory about price, service quality, product quality, customer satisfaction and repurchase intention. The theory is used to support the empirical research about online shopping.

Price: One of the factors that influences customer purchase decision is price. According to Tjiptono, price is a monetary unit or other measures, including other goods and service as the exchange unit in order to acquire the right of possessing or using the goods or services that directly influence company's profits.

Service quality: Quality is a dynamic condition that affects products, services, people, processes and environments that is equal to or exceeding the expectations. Hence, service quality can be interpreted as an effort to fulfill the needs and wants of consumers and the accuracy of service delivery in balancing consumer expectations. Quality of service is dynamic and changeable according to the demands of the customers. Actual service is a reduction of expectation score (expectation value) with the performance score (performance value). Service quality can be determined by comparing the perceptions of consumers for the actual service with the service they actually expect towards the attributes of the service of a company or service provider.

Product quality: According to Kotler, product quality is the overall characteristics of a product or service and its

ability to satisfy the stated or implied needs. Quality refers to everything that fulfill customer satisfaction. A new product can be categorized as a qualified product if it meets customer wants and can be used and produced properly (Gaspersz, 1997). Based on the previous explanation, it can be concluded that the product quality is the ability of a product in performing its functions to be able to meet the needs of customers.

Repurchase intention: Purchase intention is part of consumer behavior related to the attitude of consuming and tendency to act before a purchase decision is actually made (Kinnear and Taylor, 1991). It is the main concern for marketers to determine customer purchase intention in a product, so that both marketers and economists use purchase intention variable in predicting consumer behavior in the future.

Customer satisfaction: Customer satisfaction is someone's feeling of pleasure or disappointment that comes from a comparison of his/her impression of a product performance (or results) with his/her expectations.

According to Oliver (1997), customer satisfaction is a post-purchase evaluation where the perception of the performance of an alternative product or service meets or exceeding the pre-purchase expectations. Customer satisfaction is an emotional response to an evaluation of the consumption experience of a product and service (Wilkie, 1990). Referring to the previous definitions, it can be concluded that customer satisfaction is the level of one's feelings of happiness or disappointment on a given product or service.

MATERIALS AND METHODS

Research design: This research is an explanatory research with a quantitative approach to prove the proposed hypothesis related to the effect of price, service quality and product quality on customer repurchase intention and satisfaction in online shopping.

Location: The locations of this research were in Jember, Malang and Surabaya.

Population: The population was all students of state universities in East Java Province with the online shopping experience.

Sample: The purposive sampling method was used with the sample consisted of state university students in East Java Province, especially in Jember, Malang and Surabaya with the specific criteria and requirements as the followings:

- State university students in East Java Province who have purchased product(s) online more than twice
- State university students in East Java Province who have purchased product(s) via., BBM online shopping

Sample of the study was equal to the number of indicators used or $x(5-10)$ for the observed parameters (23 indicators multiplied by 8 observations). The size of the sample was 184 respondents. This study had fulfilled the requirements of maximum likelihood estimation in a statistical test which is equal to 100-200 respondents.

Research variables: Research variables were consisted of exogenous variables including price, service quality and product quality and endogenous variables including customer repurchase intention and customer satisfaction.

Research instrument: This research collected data via., interviews and questionnaires containing a list of statements distributed directly to the respondents.

RESULTS DAN DISCUSSION

Data analysis: Data were analyzed using Structural Equation Modelling (SEM). SEM modelling made it possible to answer the dimensional research questions. The research framework is as follows (Fig. 1):

- H_1 : price significantly affects customer repurchase intention in online shopping
- H_2 : service quality significantly affects customer repurchase intention in online shopping
- H_3 : product quality significantly affects customer repurchase intention in online shopping
- H_4 : price significantly affects customer satisfaction in online shopping
- H_5 : service quality significantly affects customer satisfaction in online shopping
- H_6 : product quality significantly y affects customer satisfaction in online shopping
- H_7 : repurchase intention significantly affects customer satisfaction in online shopping

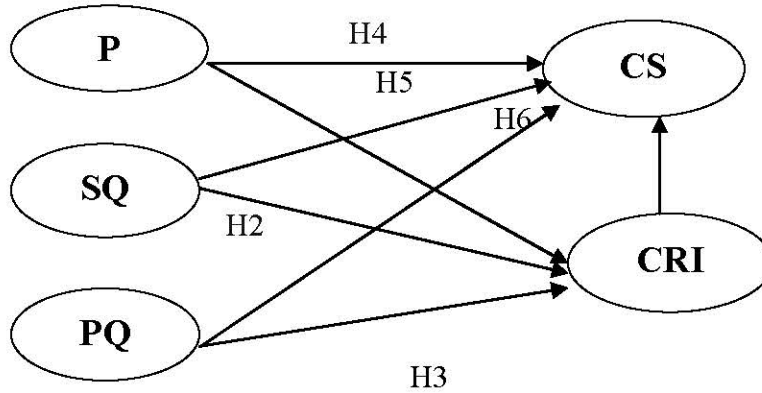


Fig. 1: Research framework: Price (P), Service Quality (SQ), Product Quality (PQ), Customer Satisfaction (CS) and Customer Repurchase Intention (CRI)

Table 1: summary of model compatibility index

Goodness of fit index	Cut of value	Analysis results	Model evaluation
Chi-square (χ^2)	$\chi^2 \leq 258.8365$	256.366	Good
Significant probability	≥ 0.05	0.062	Good
RMSEA	≤ 0.08	0.029	Good
GFI	≥ 0.90	0.893	Marginal
AGFI	≥ 0.90	0.867	Marginal
CMIN/df	≤ 2.0	1.150	Good
TLI	≥ 0.95	0.989	Good
CFI	≥ 0.95	0.990	Good

Primary data (2016)

Research output: Model compatibility evaluation. The research model was developed by referring to confirmatory factor analysis (Table 1).

The study results showed that the value of Chi-square was 256.366, the value of significant probability was 0.062, the Root Mean Square Error of Approximation (RMSEA) value was 0.029, the value of Goodness of Fit Index (GFI) was 0.893, the value of Adjusted Goodness of Fit Index (AGFI) was 0.8671 and the value of Normed Chi-square (CMIN/DF) was 1.150. The value of Tucker Lewis Index (TLI) was 0.989 and the value of Comparative Fit Index (CFI) was 0.990 showed that the research model has a goodness of fit.

The effect of price on repurchase intention in online shopping: Respondents of this research stated that the price of products offered in online shop was very affordable and they would purchase again in the future. They would also recommend others to purchase online, especially in the store where they made the online shopping. Hypothesis 1 of the research stating that price significantly affects customer repurchase intention in online shopping was accepted. It means that if the price matched with what consumer perceived, it will affect to the higher intention to shop online and vice versa, if the price does not match the customer's perception, then

there will be no product purchase. This study supports the research by Peattie and Peters (1997). Research findings also support theory of Tsotsou stating that the matched perceived price by the online customers will influence them to make repeat purchases.

The effect of service quality on customer repurchase intention in online shopping: Respondents of this research stated that the quality of service was one of the considerations when they shopped online. If the online shop provided good service, accurate information and gave a fast response to any customer questions, then the repurchasing would be increasing in the future. The respondents would also recommend the online shop to others. The comfort in communicating with the online shop would make the customers happy and it would encourage them to shop again. Hypothesis 2 of this research stating that service quality significantly affects customer repurchase intention in online shopping was accepted. So, it can be concluded that the increasing quality of the service leads to the higher the customer's intention to repurchase and vice versa, if the service quality decreases, then it will lower the customer's intention to do the repurchasing. This finding supports previous study by Kim *et al.* (2012) stating that service quality significantly affects customer repurchase intention.

The effect of product quality on customer repurchase intention in online shopping: Research respondents stating that the product quality when they shop online via BBM was not good. The product they received was different to what had been displayed online. This condition would lower the customers intention to repurchase. As another impact, the customers would not recommend the online shop to others or even gave

negative feedback by delivering negative comments both written and oral or posting negative comments in their social media. Hypothesis 3 of the research stating that product quality significantly affects customer repurchase intention in online shopping was rejected. This finding was not consistent with previous study conducted by Lin *et al.* (2011) stating that the quality of products significantly influences customer repurchase intention.

The effect of price on customer satisfaction in online shopping: Research respondents stated that the prices of products offered by the online shops were different and the customers should be selective in choosing the best price. Respondents could be very sensitive to the price when they shop online. Many online shops offer low prices to attract customers but there is no guaranty for the product quality that finally resulting in customer dissatisfaction. Hypothesis 4 of the research stating that price significantly affects customer satisfaction in online shopping was rejected. This finding does not support the results of previous studies conducted by Yulisetiari (2013, 2014) stating that price has significant effect on customer satisfaction.

The effect of service quality on customer satisfaction in online shopping: Respondents of the research, especially the female respondents, stated that it is okay for them if the service quality offered by the online shop was not really good as long as the product was in a good condition and was available anytime they need it in terms of quantity, size or model. Hypothesis 5 stating that service quality significantly affects customer satisfaction in online shopping was accepted. This finding supports previous research by Yulisetiari (2014). Moreover, Yulisetiari (2014) stated that the results of the analysis of Service Quality (SERVQUAL) dimensions indicated that responsiveness assurance, empathy and tangible were the dimensions that satisfied customers while reliability dimension had a negative effect on customer satisfaction in online shopping. Finding of this research is also consistent with previous study by Lin *et al.* (2011) stating that the service quality significantly influenced customer satisfaction in online shopping. It is also in line with the theory proposed by Cronin and Taylor (1992) stating that there is a positive relation between service quality and customer satisfaction. The online service providers have to satisfy their customers by providing maximum service quality.

The effect of product quality on customer satisfaction in online shopping: Product quality has a biggest direct effect on customer satisfaction. This is because most

Table 2: Summary of hypothesis testing

Dependent/Independent variables	Estimate	SE	CR	p-values
Customer price- repurchase intention	0.177	0.073	2.444	0.015
Customer service quality- repurchase intention	0.235	0.081	2.880	0.004
Customer product quality- repurchase intention	-0.008	0.066	-0.127	0.899
Customer price - satisfaction	-0.023	0.090	-0.260	0.795
Customer Service quality- satisfaction	0.214	0.102	2.105	0.035
Customer Product quality- satisfaction	0.207	0.081	2.557	0.011
Customer repurchase- intention	0.226	0.099	2.275	0.023

Primary data (2016)

online shops provide many varieties of product with different sizes or models that will be delivered to the customers as ordered. In terms of product availability, most online shops also had a good product supply system so the products would be available whenever the customers order it online. The female respondents of the research liked to buy products for a variety of models or sizes and they would do anything to get the product they need or want. Hypothesis 6 stating that product quality significantly affects customer satisfaction in online shopping was accepted. The findings supported previous research by Lin *et al.* (2011) stated that the quality of products significantly affects online customer satisfaction.

The effect of customer repurchase intention on customer satisfaction in online shopping: Research respondents stated that they chose to shop online via BBM because of the comfort when shopping online. The buying process was not complicated because they did not have to register via email, just by joining the BBM online shop group then the communication between the online shop and the buyer would happen. Female respondents liked to purchase fashion products in the online shop recommended by their friends who had experiences in online shopping. Repurchase intention would affect customer satisfaction toward online shop. Hypothesis 7 stating that customer repurchase intention significantly affects customer satisfaction in online shopping was accepted. It means that the increasing of repurchase intention will also increase customer satisfaction and vice versa, if the repurchase intention is declining, the customer satisfaction will lower or the customers will be dissatisfied. The finding in this study supports the research conducted by Hsu *et al.* (2014) stating that repurchase intention has significant effect on customer satisfaction. So, it can be concluded that the company's success is determined by the repeat purchase from its customers. In details, a summary of the results of research hypothesis testing can be seen in Table 2.

CONCLUSION

- Price significantly affects repurchase intention in online shopping. If the price offered by the online shop is matched with customers' expectation, they will increase their repeat purchase
- Service quality significantly affects customer repurchase intention in online shopping. It means that good service quality can increase repurchase intention in online shopping
- Product quality does not significantly affect customer repurchase intention in online shopping. It means that the poor product quality can lower customer repurchase intention
- Price significantly affects customer satisfaction in online shopping. If price offered by the online shop is not matched with the quality of the product, it can lower customer satisfaction
- Service quality significantly affects customer satisfaction in online shopping. It means that good service quality can improve customer satisfaction
- Product quality significantly affects customer satisfaction in online shopping. It proves that good product quality can improve customer satisfaction
- Repurchase intention significantly affects customer satisfaction in online shopping. This proves that repurchase intention can improve customer satisfaction

LIMITATION

This study did not use online questionnaires. The population was homogeneous and the theories used were incomplete.

SUGGESTIONS

- Future online shopping research needs to be more specific to one type of product, for example woman clothes
- All payment transactions based on information technology should be evaluated. It needs more adjustment or modification as the customers tend to compare prices and quality of products from various online shops
- All online sellers should create a community in BBM to support their marketing system. It is expected the community will help the sellers to gaining more profit and increasing their customers purchase intention

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