The Role of Customer Satisfaction in Mediating The Influence of Customer Experience on Customer Loyalty for Beauty Products

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ABSTRACT

This study aims to determine the influence of customer experience on customer loyalty, with customer satisfaction serving as a mediator, specifically for beauty products on the Shopee platform. Employing a quantitative approach, this associative research explores causal relationships and was conducted with 140 respondents who are customers of beauty products on Shopee. The findings indicate that customer satisfaction mediates the relationship between customer experience and customer loyalty. Additionally, both customer experience and customer satisfaction have a direct impact on customer loyalty, while customer experience also influences customer satisfaction. Given the popularity of beauty products and the significance of e-commerce in today's society, investigating customer experiences with beauty products on the Shopee platform offers valuable insights into this evolving sector.

INTRODUCTION

The increasing development of technology and information has now caused buying and selling transactions to be conducted not only directly but also via the internet or indirectly. One form of this development is e-commerce, which includes sales, distribution, purchasing, marketing, and product services, with considerable profit prospects (Rehatalanit, 2021). This is due to the growing number of users of e-commerce. E-commerce offers various conveniences, such as access to a wide range of products, ordering, delivery methods, and easy payments (Rehatalanit, 2021).

The development of e-commerce in Indonesia is very rapid, with many e-commerce platforms emerging. Among the many platforms, there are five that are widely used by the Indonesian public. These five platforms are Shopee, Tokopedia, Lazada, Blibli, and

Bukalapak (Ikhsan, 2024). Shopee consistently ranks first as the most used e-commerce platform by the Indonesian public. In the first quarter of 2023, Shopee ranked first as the e-commerce platform with the most visitors (Ahdiat, 2023).

As the most widely used platform in Indonesia, Shopee also faces many complaints from customers regarding their shopping experience, such as products that do not match the order and a lack of solutions from Shopee for these complaints (Lie, 2023). These customer complaints have a negative impact on Shopee, including the potential for customers to switch to other platforms. In 2023, Shopee also experienced a 51% reduction in shopping because customers shifted to social commerce platforms (Suhartanto, 2023; CNBC Indonesia, 2023; Ramli & Djumena Erlangga, 2023).

The beauty product category on Shopee is highly sought after, with a market share of up to 92% from January 2023 to March 2024 (Compas.co.id, 2024). To maintain customer loyalty, Shopee needs to improve the shopping experience and ensure customer satisfaction. Customer loyalty is a manifestation of customer satisfaction in using the company's services and remaining loyal customers (Sonantasia et al., 2020; Woen & Santoso, 2021).

Customer experience and customer satisfaction are important factors that influence customer loyalty. According to Wardhana (2016) and Kartajawa (2006), a positive customer experience can increase satisfaction and long-term loyalty. Therefore, this study aims to determine whether customer experience affects customer loyalty through customer satisfaction in beauty products on the Shopee platform.

Many theories state that customer experience can influence customer loyalty, especially when mediated by customer satisfaction. However, some research indicates that customer experience does not affect customer loyalty. A study by Kurniah & Awalludin (2022) titled "The Influence of Customer Experience and Value on Loyalty through Satisfaction as an Intervening Variable on Scarlett Whitening Customers in Makassar" found inconsistencies on this matter, making it an interesting subject for further research, especially on different subjects. Therefore, this research titled "The Role of Customer Satisfaction in Mediating the Influence of Customer Experience on Customer Loyalty for Beauty Products on the Shopee Platform" is conducted to examine the influence between these variables and validate existing theories. The results of this study are expected to provide a better understanding of the factors that influence customer loyalty on Shopee, so the company can develop more effective strategies to maintain and increase customer loyalty.

LITERATURE REVIEW

Customer Experience

Customer experience is the response or perception that arises after a customer interacts with a company or completes a transaction (Diyanti et al., 2021). Other studies define customer experience as the result of physical and emotional interactions that can influence a customer's evaluation of a company (Septian & Handaruwati, 2021). Thus, customer experience reflects the interaction between customers and a company that affects their assessment of the company. Kotler & Keller (2009) state that a positive customer experience can significantly enhance satisfaction with the products or services used. Customer experience encompasses dimensions and indicators such as Think Experience, Act Experience, Feel Experience, Sense Experience, and Relate Experience (Kotler & Keller, 2009).

Customer Satisfaction

Customer satisfaction is the feeling of contentment that encourages customers to repurchase the offered products (Naibaho et al., 2022). According to Rio Sasongko (2021), customer satisfaction is the pleasure experienced when customer needs or wants are met or exceeded. Zeithaml, Parasuraman, et al. (1985) mention that customer satisfaction is

influenced by reliability, responsiveness, assurance, empathy, and physical evidence that align with customer expectations. Felix et al. (2024) identify several dimensions of customer experience, including:

Product: Factors affecting satisfaction include performance, features, conformance to specifications, reliability, durability, aesthetics, perceived quality, and serviceability (Kotler & Keller, 2009).

Price: Price considerations include affordability, the alignment of price with product quality, and price competitiveness (Anggraini & Budiarti, 2020; Sumarsid & Paryanti, 2022).

Service: Service indicators include reliability, responsiveness, assurance, empathy, and physical aspects (Zeithaml, Parasuraman, et al., 1985).

Customer Loyalty

Customer loyalty is the commitment arising from satisfaction with the products or services used (Sinambela & Mardikaningsih, 2022). Loyalty establishes a long-term relationship between the company and its customers. Product evaluation aims to maintain customer loyalty and prevent customers from switching to competitors (Curatman & Suroso, 2020). Oliver (1999) states that customer loyalty is influenced by customer satisfaction. Zeithaml, Parasuraman, et al. (1985) also note that high satisfaction can lead to loyal behaviors such as repeat purchases and referrals. Indicators of customer loyalty include Repeat Purchase, Retention, and Referrals (Kotler & Keller, 2009).

METHOD

The research employs an associative quantitative approach, which aims to determine the relationship between two or more numerically measured variables (Creswell & Creswell, 2017). This quantitative analysis seeks to examine whether customer experience influences customer loyalty through customer satisfaction among beauty product customers on the Shopee platform. The population for this study comprises beauty product customers on Shopee, with a sample size of 140 respondents.
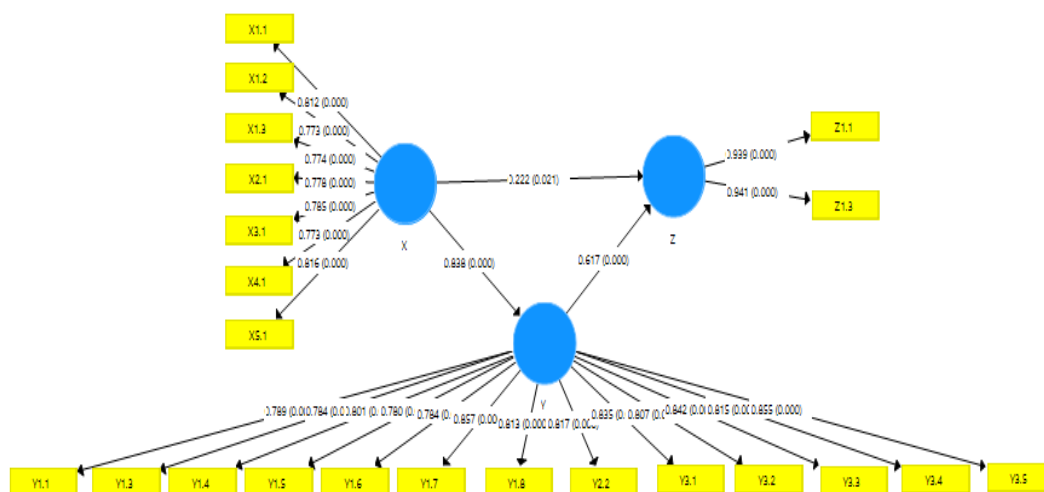
RESULT AND DISCUSSION

Figure 1. Conseptual Models

Outer Model Testing
Convergent Validity

Table 1. Overview Model Results

Ket	AVE	Composite Reliability	Cronbach's Alpha
X	0.595	0.911	0.886
Y	0.640	0.966	0.962
Z	0.708	0.879	0.795

(source: data processing, 2024)

According to Hair, Risher, et al. (2019), the convergent validity of a construct is achieved when the Average Variance Extracted (AVE) value exceeds 0.5. Based on Table 1 above, it can be concluded that all variables used in this study are confirmed to be valid in terms of convergent validity, as they have AVE values above 0.5.

Table 2. Loading Factor Outer Model

Customer Experience		Customer Satisfaction		Customer Loyalty	
X1.1	0.789	Y1.1	0.762	Z1.1	0.836
X1.2	0.825	Y1.2	0.708	Z1.2	0.836
X1.3	0.726	Y1.3	0.827	Z1.3	0.853
X2.1	0.712	Y1.4	0.799		
X3.1	0.839	Y1.5	0.807		
X4.1	0.739	Y1.6	0.763		
X5.1	0.759	Y1.7	0.797		
		Y1.8	0.860		
		Y2.1	0.733		
		Y2.2	0.835		
		Y2.3	0.727		
		Y3.1	0.859		
		Y3.2	0.860		
		Y3.3	0.795		
		Y3.4	0.794		
		Y3.5	0.847		

(source: data processing, 2024)

Based on Table 2, it can be seen that all item loading factor values are above 0.7, indicating convergent validity. Therefore, the testing can proceed to the next stage, which is the discriminant validity test.

Discriminant Validity

Table 3. Fornell Lecker Criterion

	X	Y	Z
X	0.771		
Y	0.760	0.800	
Z	0.693	0.698	0.842

(source: data processing, 2024)

Based on the data in Table 3, it is evident that the Fornell-Larcker correlation values are higher compared to the correlation values between other latent variables. Therefore, it can be concluded that all items meet the Fornell-Larcker criterion and are valid in terms of discriminant validity.

Table 4. Cross Loading

	X	Y	Z
X1.1	0.789	0.538	0.554
X1.2	0.825	0.555	0.598
X1.3	0.726	0.622	0.524
X2.1	0.712	0.561	0.401
X3.1	0.839	0.736	0.608
X4.1	0.739	0.427	0.505
X5.1	0.759	0.613	0.525
Y1.1	0.682	0.762	0.529
Y1.2	0.595	0.708	0.549
Y1.3	0.650	0.827	0.526
Y1.4	0.580	0.799	0.513
Y1.5	0.606	0.807	0.611
Y1.6	0.505	0.763	0.513
Y1.7	0.635	0.797	0.611
Y1.8	0.646	0.860	0.569
Y2.1	0.672	0.733	0.625
Y2.2	0.626	0.835	0.594
Y2.3	0.529	0.727	0.664
Y3.1	0.627	0.859	0.621
Y3.2	0.599	0.860	0.502
Y3.3	0.609	0.795	0.523
Y3.4	0.474	0.794	0.394
Y3.5	0.609	0.847	0.559
Z1.1	0.603	0.645	0.836
Z1.2	0.581	0.564	0.836
Z1.3	0.563	0.545	0.853

(source: data processing, 2024)

Based on Table 4, it can be seen that all the constructs used in this study are valid in terms of discriminant validity. This is because the cross-loading values for each construct are greater than 0.7. Additionally, the correlation values of the constructs with their respective measurement items are higher than those with other constructs.

Table 5. Heterotrait-Monotrait Ratio

	X	Y	Z
X			
Y	0.808		
Z	0.820	0.788	

(source: data processing, 2024)

From Table 5 above, it can be concluded that each variable has a Heterotrait-Monotrait Ratio value less than 0.9. Therefore, all variables in this study are deemed valid in terms of discriminant validity.

Reliability Test

Table 6. Overview Model

	AVE	Composite Reliability	Cronbach's Alpha
X	0.595	0.911	0.886
Y	0.640	0.966	0.962
Z	0.708	0.879	0.795

(source: data processing, 2024)

Based on Table 4.10 above, it can be seen that all variables meet the general reliability criteria, with Cronbach's Alpha values greater than 0.6 and Composite Reliability values exceeding 0.7. Therefore, it can be concluded that the constructs used in this study, namely customer experience (X), customer satisfaction (Y), and customer loyalty (Z), are reliable.

Inner Model
Multicolinearity

Table 7. VIF Inner Model

	X	Y	Z
X		1.000	3.351
Y			3.351
Z			

(source: data processing, 2024)

Based on Table 7 above, regarding the VIF output of the inner model, it can be seen that all VIF values are below 5. Therefore, the level of multicollinearity among the variables can be considered low. This supports the conclusion that the parameter estimates in the SEM PLS analysis are unbiased or robust.

Hypotesis Testing

Table 8. Hypotesis Testing

Hipotesis		Path Coefficient	P-Value	95% Interval Kepercayaan Path Coefficient		F Square
				Batas Bawah	Batas Atas	
H1	X → Y	0.838	0.000	0.748	0.904	2.351
H2	Y → Z	0.617	0.000	0.407	0.814	0.332
H3	X → Z	0.222	0.023	0.049	0.407	0.043

(source: data processing, 2024)

Hypothesis 1 examines the relationship between customer experience (X) and customer satisfaction (Y). The p-value of 0.000 indicates that this relationship is statistically significant at the 95% confidence level. The path coefficient of 0.838 shows a very strong and positive relationship between X and Y. The confidence interval, ranging from 0.748 to 0.904, indicates that the path coefficient is estimated with high precision. The F-square value of 2.351 demonstrates that variable X has a substantial influence on variable Y. Therefore, Hypothesis 1 is accepted.

Hypothesis 2 tests the relationship between customer satisfaction (Y) and customer loyalty (Z). The p-value of 0.000 suggests that this relationship is statistically significant. The path coefficient of 0.617 indicates a strong and positive association between Y and Z. The 95% confidence interval, from 0.407 to 0.814, shows that the true value of the path coefficient is expected to fall within this range. The F-square value of 0.332 indicates that customer satisfaction has a significant impact on customer loyalty. Thus, Hypothesis 2 is accepted.

Hypothesis 3 explores the relationship between customer experience (X) and customer loyalty (Z). The p-value of 0.023 indicates that this relationship is significant at the 95% confidence level, as it is below the significance threshold of 0.05. The path coefficient of 0.222 shows a positive relationship, though weaker compared to Hypothesis 1. The confidence interval ranging from 0.049 to 0.407 confirms that this effect is significant, as it does not include zero. The F-square value of 0.043 indicates a small effect of X on Z. Despite the smaller impact, Hypothesis 3 is accepted due to its statistical significance.

Table 9. Hypothesis Testing

Hipotesis		Path Coefficient	P-Value	95% Interval Kepercayaan Path Coefficient		Upsilon v
				Batas Bawah	Batas Atas	
H4	X → Y → Z	0.516	0.000	0.346	0.683	0.267

(source: data processing, 2024)

The hypothesis test for the indirect (mediating) effect resulted in a p-value of 0.000, indicating that this effect is statistically significant, thus accepting the mediation hypothesis. The path coefficient for this hypothesis is 0.516, which means there is a strong indirect effect of customer experience (X) on customer loyalty (Z) through customer satisfaction (Y). The 95% confidence interval ranges from 0.404 to 0.709. Additionally, the Upsilon v value of 0.267 indicates that the mediation effect of customer satisfaction on the relationship between customer experience and customer loyalty is very high. In other words, the mediation effect is very strong and significant, demonstrating that customer satisfaction plays a crucial role in connecting customer experience with customer loyalty.

Discussion of Research Findings

The first hypothesis confirms a significant relationship between customer experience (X) and customer satisfaction (Y) for beauty products on Shopee. The analysis shows a p-value of 0.000, indicating statistical significance, and a path coefficient of 0.838, demonstrating a strong positive relationship. The confidence interval (0.748 to 0.904) is precise, and the F Square value of 2.351 suggests a substantial impact. This implies that a positive customer experience directly enhances satisfaction, consistent with Kotler & Keller's theory and supported by previous studies.

The second hypothesis reveals a significant impact of customer satisfaction (Y) on customer loyalty (Z) with a p-value of 0.000 and a path coefficient of 0.617, indicating a strong positive relationship. The confidence interval (0.407 to 0.814) and the F Square value of 0.332 highlight that customer satisfaction significantly influences loyalty. This finding aligns with the expectation confirmation model and Oliver's theory, reinforcing that satisfied customers are more likely to be loyal.

The third hypothesis shows a significant but weaker effect of customer experience (X) on customer loyalty (Z) with a p-value of 0.023 and a path coefficient of 0.222. The confidence interval (0.049 to 0.407) indicates significance, though the effect is smaller compared to satisfaction. This supports the idea that customer satisfaction mediates the relationship between experience and loyalty, consistent with Zeithaml and Parasuraman's theories.

The mediation analysis reveals a significant indirect effect of customer experience (X) on customer loyalty (Z) through customer satisfaction (Y), with a p-value of 0.000 and a path coefficient of 0.516. The confidence interval (0.346 to 0.683) and the Upsilon v value of 0.267 indicate a strong mediation effect. This highlights that customer satisfaction is crucial

in enhancing the impact of customer experience on loyalty. Previous research supports this finding, emphasizing the role of customer satisfaction as a mediator.

CONCLUSION

This study aims to evaluate the impact of customer experience on customer loyalty through customer satisfaction for beauty products on Shopee. Using Partial Least Squares Structural Equation Modeling (PLS-SEM), the findings reveal significant relationships among the studied variables. The key conclusions are as follows:

Direct Effect of Customer Experience on Customer Satisfaction: Customer experience has a significant and positive direct effect on customer satisfaction with beauty products on Shopee. This indicates that a better shopping experience leads to higher customer satisfaction, supporting Kotler & Keller's (2009) theory that positive customer experiences significantly enhance satisfaction.

Effect of Customer Satisfaction on Customer Loyalty: Customer satisfaction has a significant and positive direct effect on customer loyalty for beauty products on Shopee. This finding aligns with Oliver's (1999) theory that satisfaction is a major factor in creating customer loyalty. Satisfied customers are more likely to remain loyal, make repeat purchases, and recommend Shopee's beauty products to others. Thus, customer satisfaction is crucial for building a loyal customer base, which can boost Shopee's long-term profitability.

Direct Effect of Customer Experience on Customer Loyalty: Customer experience also shows a significant direct effect on customer loyalty for beauty products on Shopee. However, this effect is not as strong as the impact of customer experience on customer satisfaction, suggesting that other factors may also play a role in shaping customer loyalty.

Mediating Role of Customer Satisfaction: Customer satisfaction acts as a significant mediator between customer experience and customer loyalty for beauty products on Shopee. Positive customer experiences not only directly enhance satisfaction but also indirectly increase loyalty through satisfaction. This supports Oliver's (1999) theory that customer loyalty is influenced by customer experience through satisfaction.

These conclusions highlight the importance of both customer experience and satisfaction in building customer loyalty for beauty products on Shopee. To achieve higher customer loyalty and business sustainability, Shopee should continually improve their customer experience and satisfaction, encompassing product quality, service, and interactions with the platform. By focusing on these factors, Shopee can strengthen its customer base and ensure long-term loyalty.

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