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E-Service Quality, Perceived Value, and Customer Loyalty Relationship of Zomato Users in Indonesia

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Abstract: ***Information technology provides many benefits for people in different areas of life, it been develop to solve a problem, open creativity, and also to improve the effectiveness and efficiency in human life. Smartphone is one of the real examples of information technology's devices that very useful in human life through its applications inside. Zomato Media Indonesia use the rising of its beneficial software in smartphone to serve the needed of its customer by developing application services based on restaurant search engine and review. The purpose of this paper is to measure the service quality on Zomato application tools using E-Service Quality, also to examine the mediating role of perceived value on the relationship between E-Service Quality and customer loyalty in the contenxt of online services. Descriptive analysis and hypothesis testing with Structural Equation Modeling is used as a technique of data analysis in this research. Based on the results of questionnaires to 400 respondents, the study proved that there is a significant impact of electronic services quality on perceived value. Futhermore, perceived value as a mediating variable has a positive impact to customer loyalty. This result can be used as a reference by Zomato to maintain and increase the value of their e-service quality to increase loyalty from their customer.***

Keywords: e-service quality, perceived value, customer loyalty

1. Introduction

Information technology in the era of globalization is growing rapidly [5]. One hardware that has an important role in the advancement of information technology is a smartphone. The Minister of Communication and Informatic of Indonesia revealed that Indonesia has more than 100 million smartphone users in 2018, making this country the world's fourth largest country to use smartphone. The development of smartphone users also encourage the use of some other services, particularly in terms of internet usage [13]. Internet users in Indonesia itself is known to grow 51% within one year, even surpassing the global average growth of only 10%.

The technologies that born with smartphones and the internet is none other than the mobile apps. Increased number of users of mobile apps can develop the various fields of business by making the service easier for consumers and businesses themselves, for example through features LBS (location-based system) that allows consumers to locate merchants nearby businesses or push notification to help marketing and promotional channels. Mobile apps that take advantage of features in the process of LBS services is Zomato. Zomato is an application that is destined to look for all the needs of information about where to eat.

Zomato is a directory service eating places that developed in India. However, it has operated in Indonesia. Zomato app has detailed information on more than 30,000 restaurants in Indonesia with more than 2 million unique users as well as the monthly traffic reached 6 million visits in Jakarta. The exposure may be an idea that the presence of the application service restaurant information that Zomato serve were provide good quality services to the consumer in Indonesia. But, on the other hand we need to realize that the effort to win the hearts of even retain loyal users is in fact not an easy thing. This makes research related to factors that can help the company to maintain the application of the consumer is essential. One is through the e-service quality by measuring the quality of services provided and their impact on the loyalty of its users.

2. Literature Review

The American Marketing Association offers the following formal definition: Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large [7]. Marketing management is also defined as the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods, and services, to generate exchanges that satisfy individual and meet organizational goals [8].

Service is an activity or sequence of events that occur in direct interaction between a person with another person or a physical machine, and provide customer satisfaction. Services can be classified into high contact service namely the classification of services in which contact between consumers and service providers are very high, consumers are always involved in the process of such services and low contact service namely the classification of services in which contact between the consumer and the service provider is not too high, for example, financial institutions and digital services [7] [[1] [14].

Quality of service can be defined as the extent to which the difference between reality and expectations of customers for services they receive or obtain. One approach to service quality are popular used as a reference in marketing research is a model SERVQUAL (service quality) built on their comparison of two main factors, namely customer perception on actual service they received (perceived service) with actual services expected or desired (expected service). If fact more than expected then, can be said quality of service, while, if the reality is less than expected then, the service is

said to be not qualified, and if the same fact in the hope that, the service satisfactory [10].

E-Service Quality is a service provided on the Internet as an extension of the ability of a website to facilitate shopping, purchasing, and distribution effectively and efficiently [12]. E-service can also be defined as the provision of services through electronic media without the direct intervention of the human element of the service provider [10]. Kotler and Keller [7] expressing loyalty is "deeply held commitment to purchase or support back preferred products or services in the future despite the influence of the situation and potential marketing efforts cause customers to switch". Godwin, et.al defined customer loyalty as an attitude that displays the relationship between the customer and the business or company. Its behavioral will described as repeat purchases; the number of time the customer buys the same product or service from the same seller or provider under the same category [3].

P*erceived value* was defined as a construct of dynamic that consists of four grades, namely acquisition value (profits earned from the price in monetary terms has been given), the transaction value (pleasure that consumers receive at the time of the transaction), in-use value (utility given to the consumer for the use of the product and services), as well as the redemption value (residual profits earned at the time the product is not used anymore) [4].

This research adopted theoritical thinking of *E-Service Quality* towards customer loyalty from Zehir, et.al [14]. The framework as can be seen in figure 1.

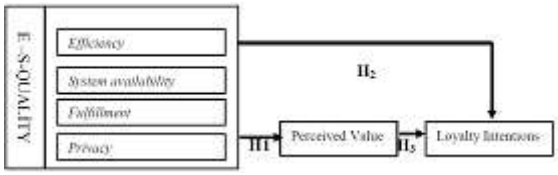

Figure 1: Structural Model *E-Service Quality*, Perceived Value and Customer Loyalty

Research Hypotheses:
H1: There is a significant positive relationship between *E-Service Quality* and perceived value of Zomato users in Indonesia.
H2: There is a significant positive relationship between perceived value and customer loyalty of Zomato users in Indonesia.
H3: There is a significant positive relationship between *E-Service Quality* and customer loyalty of Zomato users in Indonesia.

3. Research Method

3.1 Data Analysis

This this study used Smart PLS software for Structural Equation Modeling (SEM) technique. SEM enables the simultaneous examination of both the path (structural) and factor (measurement) models in one model [1]. The study adopted the *E-Service Quality* instrument developed by Parasuraman, et.al [10] to measure *E-Service Quality* of Zomato users in Indonesia. Model was revised according to Chinomona [1] and Zehir [14] study that included customer loyalty in this research. The respondent were asked to indicate their level of agreement with each of the 15 item, on a five point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). The respondents were asked to rate the corresponding service quality items by completing a structured online survey. Online questionnaire were spreading in a google form to Zomato users that have been use Zomato apps at least one time in Indonesia. As a result, 512 respondent self administrated the questionnaire, of which 112 questionnaires were eliminated due to the respondent that never been use zomato services. The demographic structure of Zomato users in Indonesia as was shown in table 1.

Table 1: Demographic Structure of Respondent

Variable	Classification	% (based on sample size of 400)
Gender	Female	60
	Male	40
Age (years)	Under 19	10
	19 – 24	53
	25 – 29	22
	30 - 39	11
	40 or above	4
Occupation	Student	44
	Private employee	26
	Goverment Employee	19
	Business Owner	7
	Etc.	4
Amount spent per month (IDR-in thousand)	< 1.500.	11.25
	1.500 – 3.000	36
	3.001 – 4.500	34.75
	4.001 – 6.000	12
	6.001 – 7.500	3
	>7.500	3

3.2 Measurement model

Convergent validity and Cronbach Alpha was used to validate the validity and reliability of three dimension of *E-Service Quality*, perceived value, and customer loyalty in this research. Convergent validity (internal consistence) was assessed using the average variance extracted (AVE) measure and item loading values. This research used loading value benchmark 0.5 as suggested in previous study [2]. The coefficient α values for reliability measurement should exceed the minimum standard of 0.7 [9]. As the result in this study, both measumerement model for validity and reliability meet the standards, suggesting that the measure are valid and reliable. This means that the item scale are valid to be used in this research as shown in table 2.

Table 2: Reliabilities

Variabel	*Cronbachs Alfa*	*Composite Reliability*	*Rule of Thumbs*
e-Servqual	0,894091	0,912948	0,7
Service value	0,885831	0,929266	0,7
Customer loyalty	0,800872	0,909450	0,7

As an be noted again in Table 3, all the item loadings and AVE values reached the recommended benchmark –

implying that all items converged well on the construct they were supposed to measure and hence confirming the existence of convergent validity.

Table 3: Factor Loading Output

Variable	Item	*Factor Loadings*	*Rule of Thumbs*
E-Service Quality	ESQ-EF2	0,737409	0,5
	ESQ-EF3	0,708590	0,5
	ESQ-SA1	0,582791	0,5
	ESQ-SA2	0,741003	0,5
	ESQ-SA3	0,759471	0,5
	ESQ-PR1	0,702618	0,5
	ESQ-PR2	0,714879	0,5
	ESQ-FU1	0,739065	0,5
	ESQ-FU2	0,699942	0,5
	ESQ-FU3	0,763305	0,5
Perceived Value	PV1	0,905639	0,5
	PV2	0,894628	0,5
	PV3	0,906514	0,5
Customer Loyality	CL1	0,912522	0,5
	CL2	0,913881	0,5

3.3 Structural Modeling Results

Figure 2 represent the stuctural model of *E-Service Quality*, perceived value, and customer loyalty. The result of the study prove that the model is fit for the sample with the following goodness of fit statistic as proposed by global goodness-of-fit (GoF) [1] [11]. The structural model was tested using the loadings and significance of the path coefficients (indicate the strengths of relationships between dependent and independent variables), and the R^2 value (the amount of independent variables). The statistical significance of each path was estimated using a Smart PLS bootstrapping method [1]. Utilizing 400 resamples to obtain t-values, the results in figure 2 presents the results of the PLS analysis on the structural model along with the path estimates and t-values.

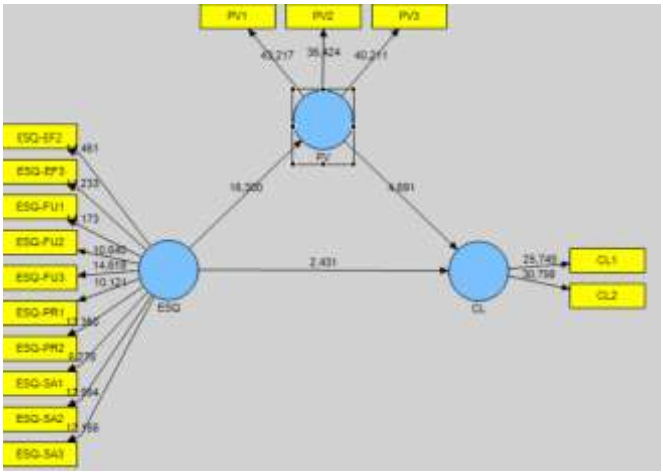

Figure 2: Structural Model of E-Service Quality, Perceived Value, and Customer Loyalty

Note: ESQ = E-Service Quality, PV = Perceived Value, CL = Customer Loyalty

As on PLS model, R^2 represent the amount of variance explained by the independent variables. Based on the output results can be seen that the value of R^2 produced by 0.619454 to customer loyalty and 0.606303 for perceived value. These results indicate that the effect of variable E-Service Quality on Customer Loyalty Mobile Apps users Zomato about 61.9% and the impact of e-service quality to perceived value are 60,6%. Result for testing the hypotheses in this study was shown in table 4.

Table 4: Results of Structural Equation Model Analysis

Hypothesis	Influence	*Path Coefficient*	t-count	t-table (5%)	Results
H1	ESQ → PV	0.778655	17.2452	1.65	Accepted
H2	PV → CL	0.555109	4.46045	1.65	Accepted
H3	ESQ → CL	0.273550	2.26861	1.65	Accepted

Note: ESQ = E-Service Quality, PV = Perceived Value, CL = Customer Loyalty

Smart PLS software does not provide goodness-of-fit measures for the full path model as like LISREL and AMOS, but it provides only R^2 values for the dependent variables [1]. This research was used a global goodness-of-fit (GoF) proposed by Tenenhaus, et.al [11]. The global goodness-of-fit (GoF) statistic was calculated using the following equation:

$$GoF = \sqrt{\overline{AVE} \times \overline{R^2}}$$

Where AVE represent the average of all AVE values for theresearch variables while R^2 represents the average of all R^2 values in the full path model.

The calculated global goodness of fit (GoF) in this research is 0.66, which exceeds the recommended threshold of GoF>0.36 [1]. Thus, this study concludes that the research model provides an overall goodness of fit.

4. Results and Discussion

The main aim of this research is to validate the *E-Service Quality* instrument develop by Parasuraman towards perceived value and customer loyalty [10][1][14] in the context of Zomato users in Indonesia. The model fit (as shown in figure 2) shows that *E-Service Quality* is valid to measuring *E-Service Quality*, perceived value, and customer loyalty. Hypotheses testing were conducted to test whether the independent variables partially positive and significant effect on the dependent variable. In addition, the original number of samples on the results of path coefficient is used to see how much influence between latent constructs with indicators and other constructs. The result in table 4 provides the information to support of three hypotheses in this research. Hypotheses 1 posited a positive relationship between e-service quality and perceived value. Hypotheses 2 posited a positive relationship between perceived value and customer loyalty. And hypotheses 3 posited a positive relationship between e-service quality and customer loyalty. Conclusion from this research is that e-service quality influence perceived value, that in the end its affected on costumer loyalty of zomato users in Indonesia. Thus, this result are different with the result from previous research that conducted by Chinomona, et.al [1] that revealed that E-

Service Quality has negative relationship to customer loyalty, and perceived value value has a negative relationship to customer loyalty. The same results from this research and Chinomona research found that e-service quality has positive relationship to perceived value. Last, this findings support the result from research that had been conducted by Zehir in. 2014 which that study found the positive relationship between e-service quality, perceived value, and customer loyalty. Further study needed to suppost all these finding in those research.

5. Other recommendations

The purpose of this study was to examine the influence of e-service quality, perceived value, and customer loyalty on Zomato apps user in Indonesia. This study find that three variables has positive relationship and influenced each other. Other study can use the same variables and method to test the hypotheses and support this finding in other object study. Since this study use single object category, these finding can be used as reference to test the same object in different category that use e-service quality. As for further study, researcher can use e-loyalty instead of loyalty that had been used in this research to have the wider understanding on impact of e-sevice quality toward both loyality in offline and online ecosystem.

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