EXPLORING SCARLETT'S CUSTOMER LOYALTY: THE ROLE OF PURCHASE DECISION AS AN INTERVENING FACTOR IN THE CONTEXT OF SERVICE AND PRODUCT QUALITY

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ABSTRACT

The surge in beauty industry competitors has led to a decline in Scarlett's ranking on e-commerce platforms. To enhance Scarlett's consumer loyalty, research on Scarlett's service quality and product quality is necessary. The interconnection among service quality, product quality, purchase decisions, and consumer loyalty is analyzed through corresponding indicators. This research includes 125 respondents. Data undergoes validity, reliability, classical assumption tests, and path analysis for advanced multiple linear regression analysis. The results demonstrate that Scarlett's service quality and product quality significantly influence purchase decisions. Additionally, Scarlett's service quality and product quality significantly influence customer loyalty. Purchase decision has an intervening factor on service quality and product quality towards customer loyalty. Improving Scarlett's service and product quality can elevate both consumer loyalty and purchase decisions.

Keywords - **service quality, product quality, customer loyalty, purchase decision**

INTRODUCTION

The cosmetics industry in Indonesia has witnessed significant growth, with a 9.61% increase in 2021, according to data from the Central Statistics Agency. Notably, the number of cosmetic industries rose from 819 to 913 by July 2022 (CNBC, 2022). Scarlett, a local brand, has gained immense popularity among Indonesian consumers by offering a range of body care products, including body lotion, skincare, serum, and body wash.

Scarlett's service quality has been compromised due to inadequate product packaging safety. Instances of broken bottle caps and leaking product contents have been reported by customers, highlighting a need for improvement in this aspect. In terms of product quality, the pungent scent of certain products has been described as unpleasant and dizzying, leading to dissatisfaction among sensitive customers. Considering these issues, the author proposes to focus on exploring Scarlett's customer loyalty with the purchase decision as an intervening factor.
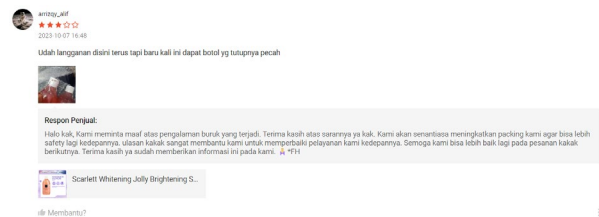

Fig. 1. Customers' feedback on Scarlett's products

LITERATURE REVIEW

Service quality entails meeting customers' needs, desires, wants, and preferences in alignment with their expectations (Naini et al., 2022). Attaining high service quality necessitates an organization's commitment to continuous improvement, staff development, and customer-centric strategies aimed at meeting and surpassing client expectations. The identity of a product's quality is shaped by how well its features, functions, characteristics, specifications, ingredients, and packaging are designed. Ali (2019) further emphasizes that product quality involves all essential elements,

ensuring the product meets customer wants, needs, and desires.

Purchase decision involves a cognitive process wherein consumers assess and weigh various options before choosing a specific product or service. Mappesona et al. (2020) characterize it as a step-by-step procedure where customers recognize a problem, investigate potential solutions, and evaluate the effectiveness of each option before making a final purchase decision. Consumer loyalty is grounded in the fundamental human desires for belonging, support, security, relationship-building, and emotional connections (Fasiha et al., 2022). It extends beyond mere repeat transactions to encompass the establishment of strong emotional bonds and trust between consumers and brands.
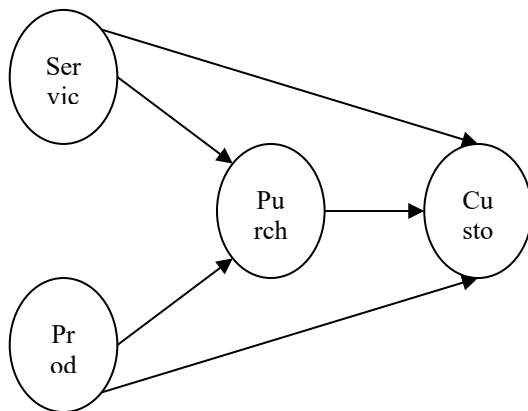

Fig. 2. Research Model

METHODOLOGY

The targeted population of this research is consumers of Scarlett with the criteria as follows:

a. Scarlett's consumers who purchased Scarlett's products through Scarlett's Official Store in e-commerce.
b. Scarlett's consumers who domiciled in Medan, North Sumatra.
c. Scarlett's consumers who purchased Scarlett's products minimum 2 times transactions in a year.

Using the Lemeshow formula, the number of samples obtained for this research is cumulatively 96. Since this research will be using path analysis with IBM SPSS Statistics 22, thus, the requirement of minimum sample 100 respondents is to be followed.

RESULTS

A. Classical Assumption Test

First, the normality test. The result of the normality test based on Scarlett's service quality, product quality, purchase decision, and customer loyalty are as follows.
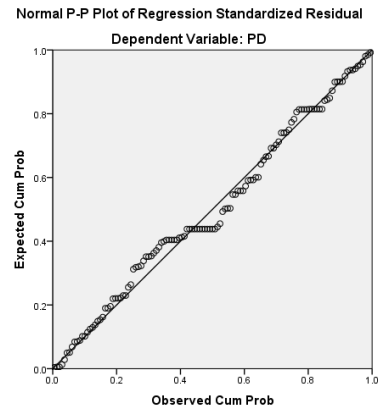

Fig. 3. Normal P-P Plot of Regression Standardized Residual for Substructure (1)
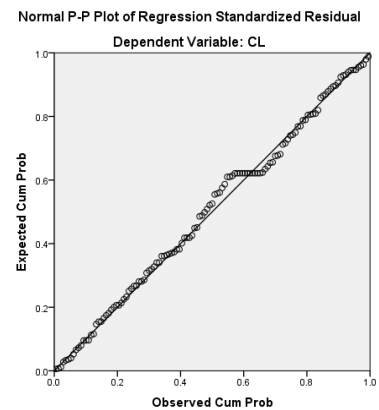

Fig. 4. Normal P-P Plot of Regression Standardized Residual for Substructure (2)

Second, the multicollinearity test. The VIF data obtained for both Service Quality and Product Quality in Substructure (1) is 3.173. Also, the VIF data obtained for Service Quality, Product Quality, and Purchase Decision in Substructure (2) respectively 3.669, 5.781, and 5.986. Thus, as none of the VIF obtained equals or exceeds 10, the phenomenon of multicollinearity does not appear in both Substructure (1) & (2) regression models.

Last, the heteroscedasticity test. Using Spearman's rho, the sig. value in Substructure (1) for Service Quality is 0.853 and Product Quality is 0.904. Also, the sig. value in Substructure (2) for Service Quality is 0.952, Product Quality is 0.998, Purchase Decision (PD) is 0.972. Thus, since sig. value higher than 0.05, heteroscedasticity does not occur.

B. Path Analysis

First, Substructure (1). The adjusted R square value is 0.83. This indicates that there is 83% influence of Service Quality and Product Quality on the Purchase Decision. The path coefficient's magnitude for other unmeasurable variables is as follows.

$$\rho e_1 = \sqrt{1 - R^2} \quad (1)$$

$$\rho e_1 = \sqrt{1 - 0.83}$$

$$\rho e_1 = 0.412$$

TABLE I

COEFFICIENTS FOR SUBSTRUCTURE (1)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.667	.825		.809	.420
SQ	.278	.064	.288	4.367	.000
PQ	.439	.044	.660	10.014	.000
. Dependent Variable: PD					

The path coefficient for Service Quality on Purchase Decision is ρZX_1 equals 0.288. The path coefficient for Product Quality on Purchase Decision is ρZX_2 equals 0.660. With path coefficient's magnitude for other unmeasured variables ε_1 equals 0.412, thus, the formula obtained for Substructure (1) is as follows.

$$Y = \alpha + \rho ZX_1 + \rho ZX_2 + e_1 \quad (2)$$

$$Y = (0.288)X_1 + (0.660)X_2 + (0.412)e_1$$

Second, Substructure (2). The adjusted R square value is 0.884. This indicates that there is 88.4% influence of Service Quality, Product Quality, and Purchase Decision on the Customer Loyalty. The path coefficient's magnitude for other unmeasurable variables is as follows.

$$\rho e_2 = \sqrt{1 - R^2} \quad (3)$$

$$\rho e_2 = \sqrt{1 - 0.884}$$

$$\rho e_2 = 0.341$$

TABLE II

COEFFICIENTS FOR SUBSTRUCTURE (2)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.238	1.102		-.216	.829
SQ	-.265	.091	-.170	-2.900	.004
PQ	.781	.079	.731	9.918	.000
¡ PD	.606	.121	.377	5.021	.000

The path coefficient for Service Quality on Customer Loyalty is $\rho Y X_1$ equals -0.170. The path coefficient for Product Quality on Customer Loyalty is $\rho Y X_2$ equals 0.731. The path coefficient for Purchase Decision on Customer Loyalty is $\rho Y Z$ equals 0.377. With path coefficient's magnitude for other unmeasured variables e_2 equals 0.341, thus, the formula obtained for Substructure (2) is as follows.

$$Y = \alpha + \rho Y X_1 + \rho Y X_2 + \rho Y Z + e_2 \qquad (3)$$

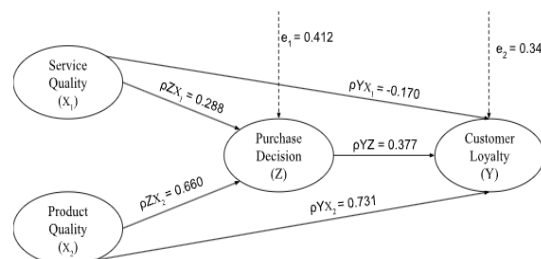$$Y = (-0.170)X_1 + (0.731)X_2 + (0.377)Z + (0.341)e_2$$

Fig. 5. Path Coefficient Figure for Substructure (1) and (2)

TABLE III

DIRECT AND INDIRECT RELATIONSHIP OF THE VARIABLE

Variable	Path Coefficient	Influence		
		Direct	Indirect	Total
Service Quality towards Purchase Decision	0.288	0.288	-	0.288
Product Quality towards Purchase Decision	0.660	0.660	-	0.660
Service Quality towards Customer Loyalty	-0.170	-0.170	-0.170 x 0.377 = - 0.064	-0.234

Product Quality towards Customer Loyalty	0.731	0.731	0.731 x 0.377 = 0.276	1.007
Purchase Decision towards Customer Loyalty	0.377	0.377	-	0.377
Other unmeasured variables (e_1) towards Purchase Decision	0.412	0.412	-	0.412
Other unmeasured variables (e_2) towards Customer Loyalty	0.341	0.341	-	0.341

The influence of Service Quality on Customer Loyalty is in the opposite direction, where Customer Loyalty is the variable that influences Service Quality. The influence itself is more dominant from the direct influence of Customer Loyalty to Service Quality instead of indirect influence with Purchase Decision as the intervening variable. The indirect influence with Purchase Decision as the intervening variable of Product Quality does not have a supreme effect on Customer Loyalty. Comparing the total influence of the independent variables towards Customer Loyalty, the total influence of Service Quality is -0.234 while the total influence of Product Quality is 1.007. Thus, the influence of Product Quality is much more presiding compared to Service Quality in terms of influencing Customer Loyalty.

DISCUSSION
A. The Influence of Scarlett's Service Quality on Purchase Decision

Scarlett's Service Quality has a significant influence on Scarlett's customers' Purchase Decision, which means when the Service Quality increases, the Purchase Decision will also increase. This research supports the results that were previously conducted by Kurniawan et al. (2020) which stated that there is a positive and significant influence between Scarlett's Service Quality on Purchase Decision, the better the Service Quality, the higher the Purchase Decision. Although the initial findings of the studies found that the quality of service provided by Scarlett is still poor, respondents in contrast

agree that Scarlett's Service Quality has been meeting their expectations and can be considered as providing a good quality of service, which leads the customer to make the decision to purchase Scarlett's products.

B. The Influence of Scarlett's Product Quality on Purchase Decision

Scarlett's Product Quality has a significant influence on Purchase Decision, which means when Scarlett's Product Quality increases, the Purchase Decision also increases. This supports the previous research done by Subastian et al. (2021), Product Quality has a positive and significant effect on Purchase Decision. Although the initial findings of the studies found that the quality of products provided by Scarlett is still far from customer expectations, respondents in contrast agree that Scarlett's Product Quality has been considered good. Furthermore, the respondents claimed that the quality of Scarlett's product makes them confident and comfortable in using Scarlett's skin care, thus leading them to purchase Scarlett's products.

C. The Influence of Scarlett's Service Quality on Customer Loyalty

Scarlett's Service Quality has a significant influence on Customer Loyalty. This is in accordance with Firmansyah (2018, p. 139) which states that there is a type of customer who, even though they do not get good service from a brand, does not stop that customer from being loyal to that brand (captive customer type). The initial findings about the quality of service from

Scarlett led to an immunity of customer loyalty where the complaint from the customer was being neglected and also about experiencing unreliable service where the product received by the customer did not match with the customer's order. However, in contrast, the respondents claimed to have received an adequate quality of services and considered it as already providing a good service quality leading them to stay loyal to Scarlett.

D. The Influence of Scarlett's Product Quality on Customer Loyalty

Scarlett's Product Quality has a significant influence on Customer Loyalty. Especially skin care products, with various types of skin of the customers, customers will tend to be more willing to be loyal to a brand when the quality of products is suitable for their type of skin or even requirements. Consistent quality of products that allow the customer to feel satisfied and match with their expectation, will eventually shape them to become loyal as the product has been part of their daily life (Indrasari, 2019, p. 31). Scarlett's credentials of having BPOM certification and halal certification, support the creation of loyalty through product quality.

E. The Influence of Scarlett's Service Quality, Product Quality, and Purchase Decision on Customer Loyalty

Scarlett's Service Quality and Product Quality have a significant influence on Purchase Decision. There is a significant influence of Scarlett's Service Quality, Product Quality, and Purchase Decision on Customer Loyalty. The capability to provide fast-response services when customers seek Scarlett's customer services to consult on problems faced when purchasing Scarlett products motivates Scarlett's customers to stay loyal to Scarlett. Despite the quality of services provided by Scarlett may not necessarily please the customer, Scarlett's consumers may still choose to stay loyal to Scarlett due to Scarlett's great quality of products.

CONCLUSION

The conclusion for this research is as follows:

a. Scarlett's Service Quality has a significant influence on Purchase Decision. When the service quality increases, the purchase decision will also increase significantly.

b. Scarlett's Product Quality has a significant influence on Purchase Decision. When Scarlett can maintain or improve the quality of products, customers' purchase decisions will also significantly increase.

c. Scarlett's Service Quality has a significant influence on Customer Loyalty. Even when the service quality provided by Scarlett is good, this does not guarantee the customers to stay loyal to Scarlett, but still significant influence will result in the loyalty rate.

d. Scarlett's Product Quality has a significant influence on Customer Loyalty. Thus, maintaining or further improving the quality of products may lead to an increase in Scarlett's Customer Loyalty.

e. Purchase Decision has an intervening effect on Service Quality and Product Quality towards Customer Loyalty.

The writer provided some recommendations that might be beneficial for Scarlett to further improve their quality of services and quality of products for increasing the rate of customer loyalty directly, or even indirectly through customer's purchase decision.

a. Scarlett's Service Quality needs to improve by implementing the use of chatbots in the chat box in Shopee. Scarlett shall provide options in the chatbots about the frequent behavior on why the customers seek Scarlett's customer services like Product Information, Product Return, and Product Exchange may help to provide a faster response to the customers. Special labeling on the product packaging, be it by color, province, region, or product type will enhance the rate of accuracy and minimize the mismatches between the customer order and the products being delivered to the customers therefore allowing the customer to stay loyal to Scarlett. Making customization options for their loyal customers, for example customers can create their initials or their name in Scarlett's packaging, can influence the customers' decision to purchase or stay

loyal to Scarlett's products.

b. Scarlett's Product Quality needs to improve by trying to label their packaging with "keep away from direct sunlight" as it may minimize or reduce the probability of changes in product texture, ensuring the quality of the product received by the customers, thus influencing the customers to stay loyal and keep purchasing Scarlett's products. Add additional information on their product packaging like "suitable for dry skin" to allow the customers to understand more about the quality of Scarlett's products. Having the adequate information about Scarlett's product quality will influence the customers' purchase decision and the decision to stay loyal with Scarlett. Improving the fragrance aspects for Scarlett's perfume may lead to an increase in customers' purchase decision and the loyalty rate.

ACKNOWLEDGMENT

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