

## **Implementation Five-Construct Model to Determine Factors that Affect Customer Satisfaction in The Online Leathercraft Industry**

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### **Abstract**

This research uses a five-construct theoretical model as the basis for finding out what factors can satisfy customers in the online leathercraft industry. The questionnaire is based on this model, which is distributed through online channels and social media. There are 691 samples obtained and analyzed by looking at the demographic data and then correlation and regression analysis. The results obtained are that all hypotheses are accepted with factors that can satisfy customers: online shopping experience; external incentives; customer service; and security/privacy; and personal characteristics. For personal characteristics that can be used as factors, namely monthly salary and occupation. These five factors are recommended to be implemented by the online leathercraft industry to satisfy their customers.

**Keywords:** *Five-construct theoretical model, Online Leathercraft Industry, Customer Satisfaction*



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### **INTRODUCTION**

One of the company's benchmark factors in the successful sales of its products is customer satisfaction. Customer satisfaction can be defined as judging a sufficient level of satisfaction offered by a product or service during consumption (Oliver, 1997). Customer satisfaction ratings are believed to be the best indicator of the company's future profits, affecting the company's sales rate. It is possible because higher levels of customer satisfaction play an important role in encouraging customers to repurchase their products or reuse their services (Park et al., 2019). Businesses or companies are concerned with satisfying and retaining customers to generate profits, improve business competitiveness, and secure market share. Therefore, customer satisfaction becomes essential, and it needs to be maintained commitment and consistency when running a business.

Satisfying customer needs can increase competitiveness. Company is often considered the key to their long-term competitiveness and success is customer satisfaction with their products or services (Hennig-Thurau and Klee, 1997). The fierce competitiveness can make companies innovate to improve product quality, customer trust, brand image, and other good things to attract customers. The company will continue to anticipate the needs and fulfill the customer's desire for profit. Satisfied customers will tend to repurchase and talk about the goods or services they consume. It can create customer loyalty to the company.

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Today, in the customer-focused era, customers interact with companies indirectly. When customers want to order products, track the shipment, and receive customer service without ever interacting with employees of the company's (DeLone and McLean, 2016). Customers can easily share their opinions or provide feedback through online forums or social media in this era. Personal sharing can significantly impact because more people can quickly and easily read their thoughts or feedback. However, if a lousy scenario occurs when customers are not completely satisfied, they will likely spread the news about a harmful or destructive buying experience (Zairi, 2000). As such, companies or businesses will be significantly harmed because dissatisfied individuals can discontinue buying products or using services, make complaints, return products, or even engage in negative word-of-mouth communication with friends, family, and especially the online forums. Therefore, it is essential to build and maintain customer satisfaction in a company's strategic planning or business and know exactly why and how customers are satisfied with a product.

A study conducted by Nguyen (2020) offers a measurement of customer satisfaction with a five-constructs model. In that research, case studies were used on e-commerce beauty and cosmetics in Vietnam. The results of the research are the five-constructs models containing the online shopping experience; external incentives; customer service; and security/privacy; and personal characteristics have a positive effect on customer satisfaction. It proves that these five components are essential factors in customer satisfaction in the beauty and cosmetics online business. One of the studies inspiring that study is a study conducted by (Rita, Oliveira, and Farisa, 2019). The study was to determine what factors affect customer satisfaction using the overall e-service quality construct. It is influenced by several constructs such as website design, customer service, security/ security/privacy, and fulfillment affect the overall e-service quality, namely website design, security/privacy, and fulfillment. Inspired by that two research, this study implements the five construction models initiated by Nguyen (2020) to determine the factors that influence customer satisfaction in the online leathercraft industry in Indonesia.

The reasons for choosing the online leathercraft industry in Indonesia are the leathercraft industry in Indonesia, which continues to grow, as evidenced by this industry already existing in several regions in Indonesia, including Sidoarjo, Bandung, Yogyakarta Magetan, and other areas outside java island. Second, the popularity of the internet has enabled various online services, including the online shopping business, which is where the leathercraft industry in Indonesia has entered the online business. Third, more than 500 samples were taken, and some of the question instruments were adjusted to differ from the previous study.

## **LITERATURE REVIEW**

### **Online Shopping Experience Construct**

The shopping experience is one of the crucial factors in customer satisfaction; if a customer's shopping experience is terrible, it will result in a dissatisfied customer. Simultaneously, the evolution of technology is causing a shift in the digital world, including the shopping experience (Pantano and Priporas, 2016). With this phenomenon and the number of people surfing the internet, the online shopping experience has become a vital component in customer satisfaction, making today's global competition and online shopping dependent on customer experience. Today's customers prefer to use online shopping to get a faster and more efficient shopping experience (Liang and Lai, 2000). In the research (Nguyen, 2020), customers' online shopping experience affects customer satisfaction. It confirms that the online shopping experience influences customer satisfaction. As a result, this research hypothesizes the following.

*H1. Online Shopping Experience positively influences Customer Satisfaction*

### **Seller Or Customer Service Construct**

Online business is currently increasing, but its development has given rise to high competition. This competitive atmosphere makes it difficult for online firms to maintain adequate and efficient customer satisfaction. To overcome the problems, online businesses must present quality products or services to have a positive effect on customer loyalty (Gounaris, Dimitriadis, and Stathakopoulos, 2010). Service quality must be provided as much as possible so that customer satisfaction will be formed. Not only face-to-face service but electronic services are also now a consideration in today's online business. Electronic services are considered critical in online business success (Sharma and Lijuan, 2015). Therefore, customer satisfaction can be influenced by the quality of e-service through excellent e-service quality (Blut et al., 2015). It is essential to pay attention to several things that refer to online business activities: various payment methods to make it easier for customers to make payments, delivery, and fulfillment, ensuring online shoppers can receive orders correctly and adequately. Delivery/Fulfillment is an important thing that refers to online business activities, where sellers must ensure that online buyers can receive their orders correctly with the parameters of time and delivery conditions, order accuracy (Blut et al., 2015). It must be ensured because online shoppers cannot directly see the products/services before purchasing (Keng and Liao, 2013). Online businesses must provide guarantees for their customers that they will fulfill and deliver the goods that have been purchased within the agreed time. Not only payment methods, ordering, and warranties, seller service must include customer service. If these elements are correctly implemented, then customer satisfaction will increase.

*H2. Seller or Customer Service positively influences Customer Satisfaction*

### **External Incentives Construct**

Several things motivate customers to buy a product or service, one of which is intensive/promotion provided by the seller. Usually, sellers offer incentives to attract customers to purchase the products or services they offer. Customers will prefer to shop at stores that deliver the products and services they like more quickly than stores that delay their purchases (Yaylí and Bayram, 2012). Online businesses can provide price policy offers such as price reductions so that they can affect customer satisfaction. Customers prefer retailers who provide them with more attractive promotional policies (Wang et al., 2011). It proves that an excellent promotional policy affects customers' emotions, which will lead to customer satisfaction with the seller or retailer. Product price, Promotional activities, policies, Product attributes and quality, product brand, and Opinion sources are attributes of External Incentives (Rita, Oliveira, and Farisa, 2019). Based on the above analysis, this research proposes:

*H3. External Incentives positively influences Customer Satisfaction*

### **Security and Privacy Construct**

Security and privacy are the focus of online business today. When buying products online, it is based on customers' personal information, such as names, addresses, and telephone numbers. Also, if they use a credit card at the time of payment, their credit card information will be recorded in the payment system. In an online business, when making a purchase transaction through the seller's website, the seller must increase customer trust in security and privacy in their website; for instance, the security of personal information and payment details, contact numbers, shipping addresses, and credit card information (Holloway and Beatty, 2008). Failure to maintain customer privacy will affect customer trust and satisfaction. Protecting customers from fraud and making customers feel safe in online transactions will

increase customer satisfaction. The construction of security and privacy has a vital role in customer satisfaction. Based on the above analysis, this research proposes:

*H4. Security and privacy positively influences Customer Satisfaction*

### **Personal Characteristics Construct**

Personal Characteristics are part of the model associated with customer satisfaction. Unique Characteristics consist of gender, age, occupation, education, and income. This research will see whether the components of these personal characteristics will affect satisfaction. The study conducted by (Simon and Peppas, 2005) revealed that men and women have different perceptions and satisfaction with websites. Research from (Smith and Baltes, 1990) also found that young and old customers have differences in the information processing abilities needed to evaluate a product. Older people have more limited information processing abilities than younger people; therefore, their reactions to satisfaction may also change. Therefore, personal characteristics can be one of the factors of customer satisfaction

### **RESEARCH METHOD**

The research targeted a group of respondents who provided information according to the needs of this research. The survey was conducted from April 2021 to June 2021. The criteria for selecting respondents are Indonesian internet users who have visited, purchased, or used the services offered by the leathercraft online industry at least once during the previous month. The survey was conducted online by distributing questionnaire links through social media such as Facebook and WhatsApp. Respondents are directed to a website that contains a questionnaire via the link together, to be managed alone. We excluded invalid data and respondents who filled out the questionnaire more than once. From this procedure, there are 691 data ready for analysis. All the constructs mentioned before are made into several questions measured by a Likert scale where 1 = strongly disagree; 2 = disagree; 3 = neutral; 4 = agree, and 5 = strongly agree.

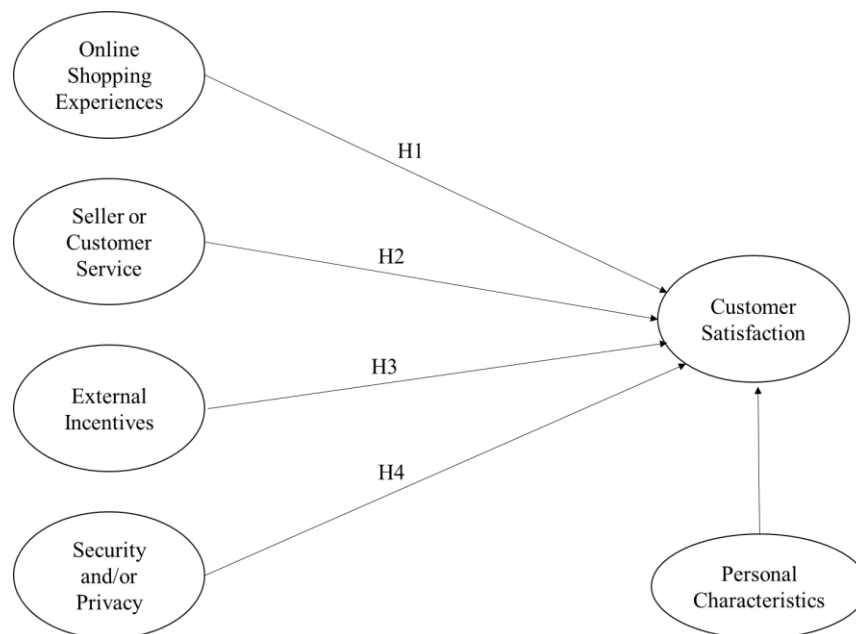


Figure 1 Five-construct theoretical model of customer satisfaction

This research uses quantitative methods to explore several different analytical techniques, such as correlation analysis and regression analysis. Validity and reliability tests were carried out before the analysis stage to find out the data was eligible for the study. Each hypothesis made previously will be tested and analyzed using correlation and regression analysis to determine what factors affect customer satisfaction in the online leather craft industry. The model created by (Nguyen) has several variables and indicators, and these indicators are used as the basis for making questions in the questionnaire. For more details on the list of variables and indicators, see table 1.

Table 1 Variable and Indicator on Five-construct theoretical model

<b>Variable Names</b>	<b>Indicator</b>
<b>Online Shopping Experiences</b>	Have online shopping experiences
	No online shopping experiences
	Have online shopping experiences for women's bag
<b>Seller or Customer Service</b>	Ordering
	Payment Method
	Delivery Fulfilment
	Guarantee
	Website Design
	Service
<b>External Incentives</b>	Price
	Promotion
	Product Attributes
	Quality
	Brand
<b>Security and Privacy</b>	Source of Opinion
	Security
<b>Customer Satisfaction</b>	Privacy
	Overall Satisfaction

## **FINDINGS AND DISCUSSION**

A total of 691 data took part in the analysis. The gender sample obtained is all women with various educational and occupational backgrounds. The sample obtained is female because the leathercraft online industry, the target of this research, is most products intended for women, such as bags, wallets, and accessories. For more detailed population data, it is presented in table 2. The table shows that civil servants (33%) dominated the respondents' occupations and private employees (19%). For the last education, most of the respondents are diploma or bachelor graduates (71%) and after that are masters graduates (17%). The respondent's monthly opinion is at most around Rp. 2,500,000 – Rp. 5,000,000 (30.5%) then it ranges from Rp. 5,000,000 – Rp. 7,500,000 (21.9%). The number of products that have been purchased is also something we ask in the questionnaire, where the result is that respondents have purchased more than seven leathercraft products (52%) and 4 to 6 products (26.3%). Based on the overview of demographic data, particularly on the salaries data, the number of products purchased, and education, the respondents were from the upper-middle class and were educated.

Table 2 Demographic information of respondents

<b>(All Female, N = 691)</b>	
<b>Occupation</b>	<b>Total</b>
Private employee	19%
Civil Servant	33%
Entrepreneur	18%
Housewife	5%
Lecturer	1%
Not Working	24%
<b>Last Education Level</b>	
High School or Below	10%
Diploma or Bachelor Degree	71%
Master Degree	17%
Doctoral Degree	2%
<b>Salary PerMonth (Rp.)</b>	
< 2.500.000	14%
2.500.000 - 5.000.000	30.5%
5.000.000 - 7.500.000	21.9%
7.500.000 - 10.000.000	16.1%
> 10.000.000	17.5%
<b>Number of products purchased</b>	
1 - 3 Product	21.7%
4 - 6 Product	26.3%
> 7 Product	52%

Based on data from respondents, civil servants have high purchasing power on leathercraft products, as seen by the number of products they have purchased (see table 3). Furthermore, the distribution of data shows that those who do not have a profession have a fairly high purchasing power after civil servants; this is quite interesting because it can be said that people without jobs are able to buy more products than those who have jobs.

Table 3 Demographic Information of Occupation with Number of products purchased

<b>Occupation</b>	<b>Number of products purchased</b>		
	1 - 3 Product	4 - 6 Product	> 7 Product
Private employee	6%	6.3%	7%
Civil Servant	10%	12.0%	11%
Entrepreneur	7%	4.0%	6%
Housewife	3%	1.5%	2.17%
Lecturer	1%	0.3%	0.17%
Not Working	8%	9.2%	7%

Respondents with a monthly salary of between Rp. 2,500,000 – Rp. 5,000,000 has the highest purchasing power on leathercraft products with a monthly income of Rp. 5,000,000 – Rp. 7,500,000 in the second place, it proves that having a high monthly salary does not make people buy more leathercraft products. People with income > Rp. 7,500,000 prefer not to spend money on buying leathercraft products.

Table 4 Demographic Information of Salary per month with the number of products purchased

Salary per month (Rp.)	Number of products purchased		
	1 - 3 Product	4 - 6 Product	> 7 Product
< 2.500.000	7%	4.8%	4%
2.500.000 - 5.000.000	12%	11.4%	9%
5.000.000 - 7.500.000	8%	6.4%	8%
7.500.000 - 10.000.000	2%	6.2%	6.13%
> 10.000.000	3%	4.6%	7.52%

After viewing and analyzing the demographic data, a validity and reliability test is carried out. The test result is that the information has passed the validity and reliability test with a significant value > 0.05 and Cronbach's alpha > 0.6. It proves that the data can be valid and reliable, so the data can continue to carry out further analysis.

Correlation analysis was carried out next. This analysis is carried out to determine the relationship between each variable so that later it can prove the pre-determined hypothesis. Four hypotheses were tested using correlation analysis techniques with the following results:

- H1: Online Shopping Experience positively influences Customer Satisfaction. Hypothesis accepted because the significant value < 0.05 with Pearson Correlation 0,650.
- H2: Seller or Customer Service positively influences Customer Satisfaction. Hypothesis accepted because the significant value < 0.05 with Pearson Correlation 0,734.
- H3: External Incentives positively influence Customer Satisfaction. Hypothesis accepted because the significant value < 0.05 with Pearson Correlation 0,554.
- H4. Security and privacy positively influence Customer Satisfaction. Hypothesis accepted because the significant value < 0.05 with Pearson Correlation 0,702.

Table 5 Result of Correlation Analysis

Hypothesis	Variables	Technique	Findings		Results
			Significant	Pearson Correlation	
H1	Online Shopping Experience – Customer Satisfaction	Correlation	0.000	0,650	Accepted
H2	Seller or Customer Service – Customer Satisfaction	Correlation	0.000	0,734	Accepted
H3	External Incentives – Customer Satisfaction	Correlation	0.000	0,554	Accepted
H4	Security and Privacy – Customer Satisfaction	Correlation	0.000	0,702	Accepted

After performing correlation analysis, regression analysis was performed. Regression analysis was carried out to cover the shortcomings of the previous technique. One of the results of this analysis is the value of R<sup>2</sup>, the value of R<sup>2</sup> shows 0.669, which means a variance of 66.9%. It explains that four variables (Online Shopping Experiences, Seller or Customer Service, External Incentives, and Security and Privacy) can present the 66.9% variance to Customer Satisfaction. The remaining 33.1% of customer satisfaction is

driven by unknown variables or the variables not mentioned in this research. The results of the hypothesis from the regression analysis are:

- H1: Online Shopping Experience positively influences Customer Satisfaction. Hypothesis accepted because the significant value  $< 0.05$  with  $\beta$  0,290.
- H2: Seller or Customer Service positively influences Customer Satisfaction. Hypothesis accepted because the significant value  $< 0.05$  with  $\beta$  0,341.
- H3: External Incentives positively influence Customer Satisfaction. Hypothesis accepted because the significant value  $< 0.05$  with  $\beta$  0,177.
- H4. Security and privacy positively influence Customer Satisfaction. Hypothesis accepted because the significant value  $< 0.05$  with  $\beta$  0,262.

The results of the analysis show that all the hypotheses were accepted. Factors influencing customer satisfaction are Online Shopping Experience, Seller or Customer Service, External Incentives, and Security and Privacy. In the leathercraft industry, the shopping experience is an essential factor to provide customer satisfaction. If customers are not comfortable when they shop online, it will affect customer satisfaction. Moreover, in the online industry where the online shopping experience must continue to be considered and monitored. Evaluation of service to customers is an essential factor. Providing exemplary service by simplifying the ordering process and providing ease of payment can increase customer satisfaction. The online leathercraft industry must pay attention to evaluating its services to develop because excellent and innovative service is one of the keys to surviving in this era. Providing guarantees and services that can be accessed for 24 hours will make customers satisfied. Based on research conducted by Blut (2016), website design significantly influences the quality of services provided online. To be able to give recommendations to others, customers must feel satisfied and believe in the information provided on the website (Loureiro, Cavallero, and Miranda, 2018), so that the design and the provision of information on the web are crucial.

Giving External Incentives is also an essential factor to be able to satisfy customers, pricing, quality, and product attributes must always be maintained and considered, promotions must also be carried out regularly to keep customers loyal. Security is a concern, especially when shopping online, and transacting online is required for service providers or online merchants at this time to be able to maintain the privacy of their customers and guarantee customers to be able to transact online safely.

## **CONCLUSION AND FUTURE RESEARCH**

The five-construct theoretical model can be implemented in this research to determine what factors can satisfy customers in the online leathercraft industry. These factors are Online Shopping Experience, Seller or Customer Service, External Incentives, Security and Privacy, and supporting factors, namely Personal Characteristics such as monthly income and work from customers. These results can be used as recommendations for the online leathercraft industry to improve its services so that they can satisfy their customers so that the online leathercraft industry can develop.

Further research recommended adding psychological factors to research to explain how this variable can affect their overall satisfaction when buying online products, especially leathercraft products. This research found that all respondents were female. In the future, it recommended collecting more general data by taking the market for leathercraft products that both men and women can purchase. In addition, because this study was only conducted for the Indonesian market and limited to one industry, these



findings may not be generalizable to other countries and industries. Therefore, it suggested that further research can be expanded by examining different markets with more industries than this research.

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