The Effect Of Price Fairness And E-Service Quality On Loyalty With Customer Satisfaction As An Intervening On Netflix Users

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ABSTRACT

The SVoD streaming service industry is currently being widely used by the public. One of the SVoD platforms available is Netflix. Netflix has the highest number of subscribers compared to other similar services, but while all of its competitors are experiencing an increase in the number of subscribers, Netflix is experiencing a decline. Based on this phenomenon, the aim of the authors to conduct this research is to determine the level of loyalty of Netflix customers in Indonesia through price fairness and e-service quality variables with customer satisfaction as an intervening variable. This study uses a type of quantitative research and used data from a questionnaire. Respondents in this study were users of the Netflix service aged 15 to 40 years. Data obtained from 220 respondents were processed using the Path Analysis technique with AMOS 24. The results of the study show that Price Fairness and E-Service Quality have a positive and significant effect on Customer Satisfaction and Loyalty.

Introduction

Nowadays, the use of technology and the internet can provide convenience that results in most people being tied to the internet. A simple example offered by technology and accessible by the internet is online streaming services. People now often watch online broadcasts that are accessed through digital and mobile technology. Many people use online streaming technology to watch programs that provide a variety of information, including news, talk shows, as well as shows that fully aim to entertain their audience, such as movies and series (Camilleri & Falzon, 2021).

Online streaming services, have become popular among Indonesian society. Streaming technology allows users to access and enjoy content such as videos, audios, and real-time applications directly without the need to download them first (Imran, 2016). SVoD services like Netflix, Disney+ Hotstar, and YouTube are some of
the platforms widely used by people during the Covid-19 pandemic, as they offer alternative entertainment that can be enjoyed without leaving home (Ezra, 2022).

In Indonesia, Netflix is an SVoD service that has a fairly high usage compared to similar services. Netflix has never experienced a decline in the number of subscribers, but in Q1 2022, Netflix finally experienced a decline in the number of subscribers that recently occurred in its history, remaining 221.64 million. Then, in the Q2 2022 Netflix again experienced a decline of 970 thousand subscribers (Databoks, 2022). Although the SVoD industry has seen growth, the development of Netflix services has been stagnant and even experienced a decline in the number of subscribers.

In a competitive market, factors such as streaming quality, content selection, reasonable pricing, original content, and good customer service play a crucial role in driving customer loyalty (Santos & Schlesinger, 2021). However, reasons for SVoD service cancellations include perceived lack of quality, price increases, content unavailability, usability difficulties, and device incompatibility (Statista, 2021). Hence, e-service quality becomes an essential factor in this research.

To retain customers, businesses must continuously improve their product and service quality (Bali, 2022). Customer loyalty has a significant impact on business success, and increasing customer satisfaction is key to retaining them. Customer satisfaction is often based on how well products and services meet customer expectations (Kotler & Keller, 2016).

E-service quality, which can be measured through various dimensions, also plays a vital role in building customer loyalty through customer satisfaction (Hendrayati et al., 2020). However, previous research also indicates that electronic service quality does not always have a direct impact on customer loyalty (Melinda, 2017). Besides service quality, price fairness is also an important aspect in determining customer satisfaction (Tjiptono, 2014). In the SVoD business competition, competitive pricing can attract customer interest and lead to purchase decisions. Customers have control over their decisions to choose service providers based on the balance between benefits offered and costs incurred (Bagus Krisnanda & Rastini, 2018).

Overall, the increasing use of the internet and online streaming services presents both challenges and opportunities for SVoD service providers to retain customers through quality service, reasonable pricing, and appealing content selection. Understanding customer loyalty and attachment to the brand is also a critical factor in facing fierce competition in the SVoD industry. Due to the phenomenon significant decrease in Netflix subscribers when the SVoD industry has seen growth, researchers conducted further research about the effect of price fairness and e-service quality on loyalty through Customer Satisfaction.
Literature Review

Price Fairness

Price fairness, as perceived by consumers, refers to their feelings about whether the price offered by a seller compared to comparative prices from other parties is reasonable, acceptable, or justifiable (Konuk, 2018). According to Ferguson & Ellen, (2013), consumers may evaluate prices based on the value received, prices compared to those offered by competitors or paid by other customers, or as a form of fairness in pricing procedures. Price fairness requires a comparison of prices or benchmarking against relevant norms, references, or standards. Several factors can contribute to perceptions of price fairness, such as actual price fairness, price information, previous experiences, and general knowledge about the service provider. It is reasonable to expect that perceptions of price fairness would enhance satisfaction with the service (Gumussoy & Koseoglu, 2016). According to Amryan et al., (2013) price fairness is measured by how much the customer feels confident about paying a fair price in each transaction, the price of one company is said to be comparable to the prices of other companies, the policies set by the company regarding prices, the price that has been set is an ethic.

E-Service Quality

The modern form of service quality (SERVQUAL) is known as e-service quality or e-SERVQUAL. e-SERVQUAL is a critical factor in determining whether online companies succeed or fail because it allows online consumers to anticipate better service quality than traditional methods. In the virtual market, e-SERVQUAL overall contributes to customers' ability to evaluate service quality (Lee & Lin, 2005). Electronic service quality, also known as e-service quality, is defined by Parasuraman et al. (1988) as the ease with which customers can enter a website, access products and related product information, and exit the website. Consequently, information technology plays a crucial role in online service operations, such as speed, reliability, and security. According to Rita et al., (2019), Gounaris et al., (2010), Candra & Juliani (2018), indicators to measure e-service quality are fulfillment, aesthetics, ease of use, reliability and privacy.

Loyalty

According to Kotler & Keller (2016), customer loyalty is a steadfast commitment to continue using and promoting desired products or services in the future, regardless of situational factors or marketing efforts that could cause brand switching. Additionally, (Tjiptono, 2014) also mentions that customer loyalty is a commitment from customers to a brand, store, or supplier, based on positive experiences in long-term purchasing. Consumer loyalty is a condition where customers or consumers
regularly continue to make purchases at a business (Cardia, 2019). Thus, customer loyalty is the commitment and allegiance of customers to a brand that leads them to make repeat purchases, unaffected by situations or marketing tactics that might cause brand switching. Loyalty indicators according to Hurriyati (2010) are repeat purchase, refer others, retention and show immunity to full competition.

**Customer Satisfaction**

According to Schiffman & Kanuk, (2015) satisfaction is a feeling of happiness or disappointment obtained through comparing the performance of a product experienced with the desired performance. Irawan (2021) defines customer satisfaction as how customers feel about a particular product or service they have used. Kotler & Keller (2016) describe customer satisfaction as an individual's evaluation of how well a product's performance matches their expectations, reflected in their level of satisfaction. Customers feel disappointed when a product's performance falls short of their expectations. If it meets their expectations, customers feel satisfied. If it exceeds their expectations, customers are highly satisfied. Hassan et al. (2013), state that service companies can use several ways to measure customer satisfaction, there are pleasant experience, choosing the right service, enjoying the use of services, desiring to reuse.

**Hypothesis Development**

**The Effect of Price Fairness on Customer Satisfaction**

Consuegra et al. (2007) suggests that price fairness can impact customer satisfaction. Customer satisfaction may decrease if a company sets prices that are perceived as unreasonable given the benefits of the product/service, whereas customer satisfaction will increase if the pricing is considered fair based on the perceived benefits. Bagus Krisnanda & Rastini (2018) supports this perspective, indicating that price fairness has a significant positive influence on customer satisfaction.

H1: Price fairness has a significant positive on customer satisfaction.

**The Effect of E-Service Quality on Customer Satisfaction**

Customer satisfaction with the experience provided by a service, according to Tjiptono & Chandra (2020) will undoubtedly result in a general assessment or attitude towards service quality over time. Customers who perceive that the e-service quality they receive meets their requirements and expectations, will tend to feel satisfied. Previous research was also conducted by Tobagus (2018) which supports this theory, indicating that e-service quality has a positive and significant impact on customer satisfaction.

H2: E-service quality has a significant positive on customer satisfaction.

**The Effect of Price Fairness on Loyalty**
The main focus for customers is price. When the price that has been set can be considered reasonable for the customer, the customer will be more loyal to the company. To form customer loyalty, it can be formed by looking at the price fairness factor (Siewanto et al., 2022). According to Consuegra et al., (2007), customer loyalty is positively correlated with perceived price fairness. According to Dib & Al-Msallam (2015) price fairness affects customer loyalty both directly and indirectly (through consumer satisfaction). Price is what is offered or given up, in the eyes of consumers, to obtain a good or service. Consumers will be dissatisfied if they believe that the financial sacrifice to be made is unreasonable or unreasonable. Conversely, if consumers feel the price is fair and reasonable, they will be satisfied.

H3: Price fairness has a significant positive on loyalty.

**The Effect of E-Service Quality on Loyalty**

According to Bendapudi and Berry in Tjiptono & Diana (2020), loyalty in the context of marketing services can be defined as a response that is closely related to a promise to uphold a commitment that is the basis for the continuity of the relationship, usually also reflected in a continuous repurchase process from the same service provider. The service offered by a business, whether it is general service or e-service quality, can influence a person's loyalty. When a service is offered to consumers and meets their expectations, they often make subsequent purchases. The reason why e-service has a good impact on customer loyalty, according to Messakh (2016), is because customers feel happy and satisfied with the various services they get.

H4: E-service quality has a significant positive on loyalty.

**The Effect of Customer Satisfaction on Loyalty**

Customer satisfaction affects loyalty positively. Customer satisfaction affects several important factors, such as building customer loyalty, increasing the reputation of (Tjiptono, 2014). Consumers' feelings of satisfaction or dissatisfaction with service levels will influence their future purchasing decisions and determine whether they will remain loyal to the e-tailer. Previous research by (Saragih, 2019) shows that every loyalty is significantly influenced by customer satisfaction.

H5: Customer satisfaction has a significant positive on loyalty

**Method**

The method chosen to be used in this research is quantitative. In the research being carried out, the population is consumers who use Netflix streaming services with an unknown or infinite population. the judgmental sampling method. In this study, the sample calculation according to Malhotra was used. According to Malhotra (2015) in a marketing study, the minimum sample size used is 200 respondents. To anticipate that the sample size remains valid, it uses an error of 10% of the total sample size, the statement was quoted from Sarwono (2011). Based on
these things, the number of samples needed is 220 respondents. This research in data collection uses online questionnaire distribution via google form. The data analysis technique used in the research is Path Analysis technique using the AMOS (Analysis of Moment Structure) 24 and SPSS programs.

Result and Discussion

Characteristics of Respondents

The characteristics of respondents in this study based on gender, age and occupation. Women dominated the respondents with 129 people and a percentage of 58.6%, aged 21-30 years dominated respondents with 158 people and a percentage of 71.8%, students dominated respondents with 110 people and a percentage of 50%.

Validity and Reliability Test Results

Table 1. Validity Test

<table>
<thead>
<tr>
<th>Statement Items</th>
<th>R.Count</th>
<th>Cut Off Value</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1.1</td>
<td>0.366</td>
<td>0.30</td>
<td>Valid</td>
</tr>
<tr>
<td>X1.2</td>
<td>0.456</td>
<td>0.30</td>
<td>Valid</td>
</tr>
<tr>
<td>X1.3</td>
<td>0.373</td>
<td>0.30</td>
<td>Valid</td>
</tr>
<tr>
<td>X1.4</td>
<td>0.400</td>
<td>0.30</td>
<td>Valid</td>
</tr>
<tr>
<td>X1.5</td>
<td>0.349</td>
<td>0.30</td>
<td>Valid</td>
</tr>
<tr>
<td>X2.1</td>
<td>0.376</td>
<td>0.30</td>
<td>Valid</td>
</tr>
<tr>
<td>X2.2</td>
<td>0.351</td>
<td>0.30</td>
<td>Valid</td>
</tr>
<tr>
<td>X2.3</td>
<td>0.368</td>
<td>0.30</td>
<td>Valid</td>
</tr>
<tr>
<td>X2.4</td>
<td>0.322</td>
<td>0.30</td>
<td>Valid</td>
</tr>
<tr>
<td>X2.5</td>
<td>0.457</td>
<td>0.30</td>
<td>Valid</td>
</tr>
<tr>
<td>X2.6</td>
<td>0.443</td>
<td>0.30</td>
<td>Valid</td>
</tr>
<tr>
<td>X2.7</td>
<td>0.326</td>
<td>0.30</td>
<td>Valid</td>
</tr>
<tr>
<td>X2.8</td>
<td>0.388</td>
<td>0.30</td>
<td>Valid</td>
</tr>
<tr>
<td>Z1.1</td>
<td>0.395</td>
<td>0.30</td>
<td>Valid</td>
</tr>
<tr>
<td>Z1.2</td>
<td>0.388</td>
<td>0.30</td>
<td>Valid</td>
</tr>
<tr>
<td>Z1.3</td>
<td>0.412</td>
<td>0.30</td>
<td>Valid</td>
</tr>
<tr>
<td>Z1.4</td>
<td>0.501</td>
<td>0.30</td>
<td>Valid</td>
</tr>
<tr>
<td>Y1.1</td>
<td>0.448</td>
<td>0.30</td>
<td>Valid</td>
</tr>
<tr>
<td>Y1.2</td>
<td>0.476</td>
<td>0.30</td>
<td>Valid</td>
</tr>
</tbody>
</table>
From the table 1 shown that the results of validity testing show that all statement items have a calculated r greater than the cut off value >0.30, so that the statement items in this study can be declared valid and can be used as a measuring tool.

<table>
<thead>
<tr>
<th>Variabel</th>
<th>Cronbach’s Alpha</th>
<th>Critical Ratio</th>
<th>Assesment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price Fairness (X1)</td>
<td>0,635</td>
<td>0,60</td>
<td>Reliable</td>
</tr>
<tr>
<td>E-Service Quality (X2)</td>
<td>0,689</td>
<td>0,60</td>
<td>Reliable</td>
</tr>
<tr>
<td>Satisfaction (Z)</td>
<td>0,642</td>
<td>0,60</td>
<td>Reliable</td>
</tr>
<tr>
<td>Loyalty (Y)</td>
<td>0,668</td>
<td>0,60</td>
<td>Reliable</td>
</tr>
</tbody>
</table>

From the table 2, the results of the reliability test show the results of Cronbach's Alpha value on the variables price fairness, e-service quality, customer satisfaction and loyalty greater than 0.60 so that the statement items in this study can be declared reliable.

**Model Feasibility Test Results**

The feasibility test of the model can be seen from the results of the coefficient of determination of price fairness and e-service quality to satisfaction (R21) get a value of 0.489, and the value of the coefficient of determination of price fairness and e-service quality to loyalty (R22) resulting in 0.554. The accuracy of the model from the research data is measured from the relationship of the coefficient of determination (R2) in the two equations that can be seen in formula (1). The calculation of the permanence of the model shows a result of 77.20% which explains that if the contribution of the model used to explain the structural correlation of the five variables is 0.7720 or 77.20%, while the rest is explained by other variables that are not involved in the model.

\[
\text{R2 Model} = 1 - (1 - R21) (1 - R22)
\]

\[
= 1 - (1 - 0.489) (1 - 0.554)
\]

\[
= 1 - (0.511) (0.446)
\]

\[
= 1 - 0.227906
\]

\[
= 0.772094
\]

\[
= 77.20%.................................................................(1)
\]
Path Coefficient Test Results

Figure 1. Path Analysis Chart

Table 3. Standardized Regression Weights

<table>
<thead>
<tr>
<th></th>
<th>Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfaction ← Price Fairness</td>
<td>0.174</td>
</tr>
<tr>
<td>Satisfaction ← E-Service Quality</td>
<td>0.597</td>
</tr>
<tr>
<td>Loyalty ← Satisfaction</td>
<td>0.478</td>
</tr>
<tr>
<td>Loyalty ← Price Fairness</td>
<td>0.191</td>
</tr>
<tr>
<td>Loyalty ← E-Service Quality</td>
<td>0.195</td>
</tr>
</tbody>
</table>

Figure 1 shows the results of the path analysis test. Details of the relationships between variables are presented in Table 3. The results explain that there is a positive influence on the price fairness variable on customer satisfaction with a path coefficient value of 0.174, there is a positive influence on the e-service quality variable on customer satisfaction with a path coefficient value of 0.597, there is a positive influence on the price fairness variable on loyalty with a path coefficient value of 0.191, there is a positive influence on the e-service quality variable on loyalty with a path coefficient value of 0.195, there is a positive influence on the customer satisfaction variable on loyalty with a path coefficient value of 0.478.
Hypothesis Test Result

Table 4. Regression Weights

<table>
<thead>
<tr>
<th>Variabel</th>
<th>Estimate</th>
<th>S-E</th>
<th>C.R</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfaction ← Price Fairness</td>
<td>0,174</td>
<td>0,041</td>
<td>3,129</td>
<td>0,002</td>
</tr>
<tr>
<td>Satisfaction ← E-Service Quality</td>
<td>0,597</td>
<td>0,037</td>
<td>10,744</td>
<td>***</td>
</tr>
<tr>
<td>Loyalty ← Price Fairness</td>
<td>0,191</td>
<td>0,044</td>
<td>3,611</td>
<td>***</td>
</tr>
<tr>
<td>Loyalty ← E-Service Quality</td>
<td>0,195</td>
<td>0,047</td>
<td>3,048</td>
<td>0,002</td>
</tr>
<tr>
<td>Loyalty ← Satisfaction</td>
<td>0,478</td>
<td>0,070</td>
<td>7,576</td>
<td>***</td>
</tr>
</tbody>
</table>

Tabel 4 shows the results of the hypothesis test. The first hypothesis is the effect of price fairness on satisfaction, has a C.R value of 3.129 > 2.00 and a significant probability value of 0.002 (p ≤ 0.05) then H1 is accepted. The second hypothesis is the effect of e-service quality on satisfaction, has a C.R value of 10.744 > 2.00 and a significant probability value of 0.000 (p ≤ 0.05) then H2 is accepted. The third hypothesis is the effect of price fairness on loyalty, has a C.R value of 3.611 > 2.00 and a significant probability value of 0.000 (p ≤ 0.05) then H3 is accepted. And its significant probability value of 0.002 (p ≤ 0.05). The fourth hypothesis is the effect of e-service quality on loyalty, has a C.R value of 3.048 > 2.00 and a significant probability value of 0.002 (p ≤ 0.05) then H4 is accepted. The fifth hypothesis is the effect of customer satisfaction on loyalty, has a C.R value of 7.576 > 2.00 and a significant probability value of 0.000 (p ≤ 0.05) then H5 is accepted.

Sobel Test

The probability value of the significant price fairness variable is 0.003 which means a p value of ≤ 0.05. This shows that the price fairness variable has a significant influence on satisfaction and loyalty. That is, the X1 sobel test mediation test is accepted. Furthermore, the probability value of e-service quality is significant 0.000 which means a p value of ≤ 0.05. This shows that the variable e-service quality has a significant influence on satisfaction and loyalty. That is, the X2 sobel test mediation test is accepted.

Discussion

The Effect of Price Fairness on Customer Satisfaction

Based on the results of tests that have been carried out, it is known that price fairness has a positive and significant influence on customer satisfaction. This condition shows that the more reasonable Netflix's cost for streaming services with
comparable benefits enjoyed by subscribers, the higher customer satisfaction. Conversely, if customers feel that the fees they pay are not reasonable / in accordance with the benefits enjoyed by customers, then customers will feel dissatisfied.

This is in line with the theory of Consuegra et al. (2007) which suggests that price fairness can affect customer satisfaction. If the price set by a company is not in accordance with the benefits of the product, it can reduce the level of customer satisfaction, otherwise if the price set by a company is in accordance with the benefits received, customer satisfaction will increase. This result is in accordance with the research of Tohar & Wibawanto (2020) that price fairness has a significant positive effect on customer satisfaction.

The Effect of E-Service Quality on Customer Satisfaction

Based on the results that have been done, indicators of fulfillment, aesthetics, ease of use, privacy and reliability affect customer satisfaction of Netflix services. This explains that if the service is received in poor quality, consumers will be dissatisfied, and if the quality of service received is good, then consumers will get satisfaction (Tam, 2004). So, when the Netflix company has the ability to provide high-quality service, it will generate customer satisfaction. The results of this hypothesis support the theory according to Tjiptono & Chandra (2016) that customer satisfaction with the service experience will certainly lead to an overall evaluation or attitude towards service quality over time. in accordance with the results of research by Josua et al, (2017) which states that e-service quality has a positive and significant effect on customer satisfaction.

The Effect of Price Fairness on Loyalty

Price fairness has a positive and significant effect on loyalty. This means that when the Netflix company offers fair and reasonable prices to customers, it can generate loyalty from customers. In this study, customer loyalty to Netflix services is influenced by how customers feel about price fairness. Customers are more likely to make repeat purchases when they believe that the company's prices are reasonable, appropriate, fair and appropriate. In accordance with the opinion of Consuegra et al. (2007) which states that there is a positive relationship between consumer loyalty and price fairness. Similar to the results of research by Kristiana & Mandala (2019) that price fairness has a positive and significant effect on customer loyalty.

The Effect of E-Service Quality on Loyalty

In testing the fourth hypothesis, it proves that e-service quality has a positive and significant effect on loyalty. So these results show that the fourth hypothesis is accepted. According to the mediation test results, when consumers feel that the e-service quality felt by consumers is good, then consumers can be directly loyal to Netflix services. The results of testing the fourth hypothesis agree with the theory.
expressed by Ling and Run (2009), who state that service quality is one of the factors that influence customer loyalty. These results are supported by research from Wilis & Nurwulandari, (2020) that the better the level of service received, the higher the level of loyalty by customers.

The Effect of Customer Satisfaction on Loyalty

Customer satisfaction has a positive and significant effect on loyalty. So these results show that the fifth hypothesis is accepted. These results mean that when customers feel satisfaction from the experience they have felt, it will lead to loyalty to the services provided by Netflix. The results of this study also support the theory of Zeithaml and Bitner (2000) which states that customer satisfaction is closely related to loyalty. This result is in line with the findings of Sri et al, (2019) where the study states that satisfaction has a positive influence on customer loyalty.

Conclusion

This study uses the independent variables price fairness, e-service quality and the dependent variables, namely customer satisfaction and loyalty. This study aims to determine the effect of price fairness and e-service quality variables on loyalty for Netflix streaming service users in Indonesia. Based on the results of the processed research analysis, it can be concluded that the five hypotheses of this study are accepted, namely price fairness has a positive and significant effect on Netflix user customer satisfaction (H1), e-service quality has a positive and significant effect on Netflix user customer satisfaction (H2), price fairness has a positive and significant effect on Netflix user loyalty (H3), e-service quality has a positive and significant effect on Netflix user loyalty (H4), customer satisfaction has a positive and significant effect on Netflix user loyalty (H5).

This research only discusses one object service, namely Netflix. It is hoped that further research will examine the effect of price fairness and e-service quality on similar streaming services such as Disney + Hotstar, Viu, Vidio and so on. To research it is recommended for future research to use independent variables other than e-service quality and price fairness. Another variable that can be used is service variety, which is the number of different products or services offered by the company or the number of different types of products or services offered by the company.
Reference


