CHAPTER I

INTRODUCTION

1. RESEARCH BACKGROUND

Technological developments have contributed greatly to the development of the world including human behaviour and lifestyle, one of which is the way people see information as one of the basic needs besides the need for clothing, food and shelter, along with this, information has changed form into a commodity that is tradable (Chetioui & Lebdaoui, 2020). Technological advances in the last few decades have significantly changed the way humans consume, distribute, and create information, especially with the internet which has completely changed the way business is done around the world (Widodo & Qurniawati, 2016). The internet is generally able to help everyone to interact and communicate even though they are very far away, as well as helping everyone to know and get information that is happening anywhere in the world in a short and fast time (Akbar, 2010). The internet is a global interconnection network in sharing and providing information nowadays, in addition, the internet has also emerged as a very useful marketing tool in providing a platform for business transactions both domestically and internationally (Jin et al., 2016).

Technological developments have also made it easier for consumers to choose the channel of doing business, one of the alternatives available to the public is e-commerce, this electronic business activity (e-commerce) has provided several conveniences for both the seller and the buyer, for the seller e-commerce helps them expand the marketing area of the products they sell, while for buyers,

the existence of e-commerce makes it easier for them to get and compare information about the products they will buy (Jin et al., 2016). According to data from the Frost & Sullivan research bureau, Indonesia is one of the countries with the largest e-commerce market growth in the world with an average growth of 17 percent each year, while according to data from Wearesocial and Hootsuite in 2019 the value of e-commerce market capitalization in Indonesia reached USD 21 billion or around Rp. 294 trillion, and according to a McKinsey report, the e-commerce industry in Indonesia is predicted to reach a value of USD 40 billion in 2022. The high number of e-commerce users in Indonesia has made the transaction value continue to grow (Farida, 2019). Seeing the growth of e-commerce and the increasingly incessant use of online transactions nowadays, consumers are now becoming more demanding of service excellence, quality, and product guarantee offered, consumers expect retailers to provide quality services and products at minimum prices, thus forcing retailers to become more competitive and provide what consumers want and need (Chetioui & Lebdaoui, 2020).

E-commerce companies must attract customers by providing attractive online experiences, companies will be helped to achieve a competitive advantage by creating and maintaining online channels that evoke positive feelings, and provide engaging online experiences (Molinillo et al., 2019).Therefore a strategy is needed to improve an attractive online shopping experience to create customer satisfaction and create customer loyalty to keep shopping at these retailers, so a retail management strategy is needed to create a competitive advantage, according

toRose et al.(2012) effective management strategy retailing is closely related to creating a customer experience that will lead to successful performance results.

The importance of the experience felt by consumers in increasing the growth of online shopping has been recognized by several previous studies, one of which was stated by Molinillo et al.(2019) according to this study, online store managers (e-commerce) must understand and ensure that customers can gain experience in all marketing channels. Identifying the quality components of a website is a starting point for exploration of online customer experience (Rose et al., 2012). Thus, any strategy that companies undertake for long-term market success must understand the customer experience of their products and be able to differentiate them from their competitors (Kumar & Anjaly, 2017). Rose et al. (2012) in their research also grouping online customer experiences into two parts, such as cognitive experiences and affective experiences, these experiences have a direct positive impact on e-trust and e-satisfaction. This is in line with the results of a study fromMolinillo et al.(2019) which states that a cognitive customer experience has an impact on consumer loyalty, then an affective experience also affects e-trust and e-satisfaction, whose overall goal is to create customer loyalty in online shopping.

Creating consumer loyalty to online stores or (e-loyalty) is an important issue for online businesses, this is because it is now very easy for consumers to move from one online store to another, even consumers can easily compare the price of one product or service from various kinds of online stores, as well as when customers are about to make a purchase, they can buy goods at various online stores and don't feel the need to buy from just one shop, this causes

consumer loyalty to be low and makes it difficult for online businesses to generate long-term profits, so that to create customer loyalty, it requires accurate steps necessary for online retailers to create customer satisfaction so that customers remain loyal and do not easily move from one online store to another (Molinillo et al., 2019).

This is what motivates researchers to conduct research on the influence of online customer experiences which consists of two dimensions, such as cognitive online experience and affective online experience in influencing customer loyalty through creating customer satisfaction, this research is focused on the millennial generation as an interesting generation to evaluate, this is because the millennial generation with a born between 1981- 1996 is a very attractive market for business people including online shop businesses because this millennial group is very close to technological advances including online shopping, they have a specificity in assessing a brand, as well as in general already use technology in transactions and like the convenience and sophistication, including online shopping (Jin et al., 2016).

Then the researcher will conduct this research with the title "The Influence of Cognitive and Affective Online Experience on Customer Loyalty with Customer Satisfaction as Mediating Variables (Case Study: Millennial Generation)".

2. RESEARCH QUESTIONS

Based on the description of the research background, there are several questions as follow:

1. How does cognitive online experience has contributes positive and significant influence on customer satisfaction?
2. How does affective online experience has contributes positive and significant influence on customer satisfaction?
3. How does cognitive online experience has contributes positive and significant influence on customer loyalty?
4. How does affective online experience has contributes positive and significant influence on customer loyalty?
5. How does customer satisfaction has contributes positive and significant influence on customer loyalty?
6. How does cognitive online experience indirectly influence through customer satisfactions contribute positively and significantly to customer loyalty?
7. How does affective online experience indirectly influence through customer satisfaction contribute positively and significantly to customer loyalty?

3. OBJECTIVES OF THE RESEARCH

Based on the research question, there are several questions as follow:

1. To test and analyze the cognitive online experience has contributes positive and significant influence on customer satisfaction
2. To test and analyze the affective online experience has contributes positive and significant influence on customer satisfaction

3. To test and analyze the cognitive online experience has contributes positive and significant influence on customer loyalty
4. To test and analyze the affective online experience has contributes positive and significant influence on customer loyalty
5. To test and analyze the customer satisfaction has contributes positive and significant influence on their customer loyalty
6. To test and analyze the cognitive online experience indirectly influence through customer satisfaction has a positive and significant contribution to customer loyalty
7. To test and analyze the affective online experience indirectly influence through customer satisfaction contributes positively and significantly to customer loyalty.

4. CONTRIBUTION OF THE RESEARCH

The contributions of the research are:

- **Online Sellers / Online Retailers**

  This research can be used for online shoppers as a reference in paying attention to customers online shopping experience which consists of cognitive and affective online experiences in influencing customer satisfaction which will have an impact on customer loyalty to the product brands offered and useful for maintaining customers to remain loyal to online product brands offered by retailers / sellers.

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- **Academicians**

For academics, this research can be used as input in learning consumer behaviour, where customer loyalty can be influenced by the customer online experience which consists of the dimensions of cognitive online experience and affective online experience through customer satisfaction with the product brand offered. In addition, this research can also help study consumer behaviour that focuses on the millennial generation.

5. SCOPE OF THE RESEARCH

This research focuses on seeing how the influence of customer online experience which consists of cognitive online experience and affective online experience on customer satisfaction in the millennial generation, besides that, the estuary of this research is to see how customer loyalty in the millennial generation is influenced by satisfaction and trust, so this research only testing its influence on the millennial generation.

6. SYSTEMATIC OF WRITING

The preparation and discussion of this writing consists of sub-chapters that are related to each other as seen in the systematic writing below:

CHAPTER I INTRODUCTION

Explain in outline the background, problem formulation, problem boundaries, objectives and benefits of research, as well as writing systematics.

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CHAPTER II LITERATURE REVIEW

It is a chapter that contains the theoretical basis/review of the literature relevant to the problem posed. The theory in this research is Cognitive Online Experience, Affective Online Experience, Customer Satisfaction, and Customer Loyalty, then this chapter also discusses previous research, conceptual framework, and hypothesis development.

CHAPTER III RESEARCH METHODOLOGY

This chapter describes the research method consisting of the method used, population, and sample determination, sources and techniques of data collection and operationalization and measurement of variables.

CHAPTER IV RESEARCH RESULTS AND DISCUSSION

This chapter contains research results which include demographic profiles of respondents, descriptive analysis, research data, and research hypothesis testing.

CHAPTER V CLOSING

This chapter is a concluding chapter that contains conclusions, research implications, useful suggestions for online sellers and suggestions for further research related to customer online experiences on customer satisfaction and loyalty in the millennial generation, and finally the limitations contained in this study.

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