

Effects of Product Price and Quality on Customer Loyalty toward CRSL Fashion Products through Customer Satisfaction in Indonesia's Online Market

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Abstract

This study aims to examine the direct effects of product price and product quality on customer loyalty, as well as the indirect effects through customer satisfaction as a mediating variable, specifically among customers of CRSL fashion products in Indonesia's online market. The research uses a quantitative approach, with data collected via an online questionnaire using Google Forms. The data were analyzed using Structural Equation Modeling (SEM) with Partial Least Squares (PLS) via Smart PLS 4.1. The sample consisted of 159 respondents, selected using purposive sampling techniques. The results show that product price and product quality have a positive and significant effect on both customer satisfaction and customer loyalty. Furthermore, customer satisfaction also has a positive and significant effect on customer loyalty and serves as a mediator in the relationship between product price and product quality and customer loyalty.

Keywords: customer loyalty, customer satisfaction, fashion, product price, product quality, online market.

Introduction

Technological developments have changed consumer behavior in meeting their living needs, including shopping activities. A survey conducted by We Are Social in 2024 regarding global internet users who often shop online, Indonesia is the country with a ranking of nine.

One of the most purchased products of necessities online is the fashion industry sector. This industry has an important role in meeting the needs of appearance, lifestyle, identity and self-expression (Trisnawati, 2016). Social media platforms are a source of reference, with social media accelerating the process of spreading trends so that consumers can easily access the latest fashion information.

One of the local fashion brands in Indonesia is the CRSL brand. CRSL is a local brand from Yogyakarta that is popular among teenagers to adults because it offers a variety of fashion products with attractive designs and colors, ranging from clothes to accessories such as shoes, bags, and helmets.

Many local and international fashion manufacturers have emerged to offer products that are competitive in terms of price, quality, and service and take advantage of the convenience of digital marketing in adjusting to market trends and preferences. This

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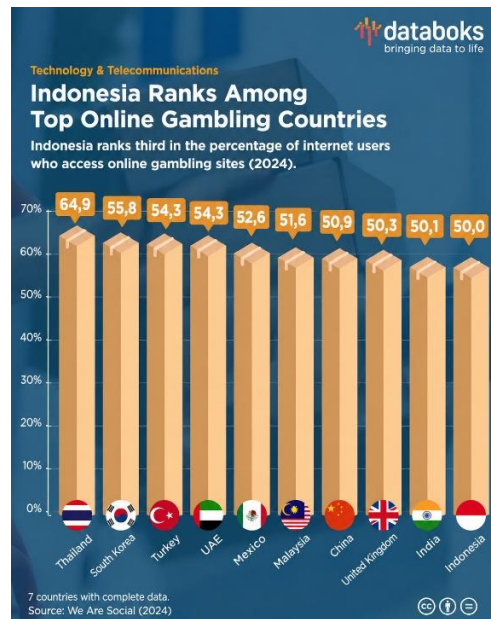


Figure 1 Online Shopping Rankings

Source: <https://databoks.katadata.co.id/infografik/2024>.

is a new challenge for CRSL, the fierce competition certainly urges fashion companies to find ways to maintain their businesses, namely by fighting for market share or retaining existing customers in other words maintaining customer loyalty (Mansouri et al., 2022). Customer loyalty is the main foundation in maintaining a competitive advantage (Wardhana, 2024). In this increasingly advanced technology, customers have extensive access to search for information and compare various products they have purchased with products from other brands. Especially now there are influencers who encourage the quality of materials that are good for the body. In the fashion world, this shows that customers are increasingly selective and critical of fashion products (Hidayah & Yulianto, 2022). Companies need to pay more attention to customer satisfaction because social media and e-commerce make it easier for consumers to spread complaints or satisfaction, which can affect the reputation and sustainability of the business (Kotler et al., 2019). In addition to design and uniqueness, material quality, comfort, and price are also customer considerations. A satisfactory product will drive customer loyalty and support the company's sustainability. Therefore, fashion manufacturers need to understand the ever-evolving needs and expectations of customers (Hidayah & Yulianto, 2022).

The results of the 2023 survey show that CRSL is quite popular on social media but still lags behind in online sales compared to brands like Roughneck. Even though it has a unique product, it is not enough to lead the market. CRSL needs to continue to maintain relevance and relationships with customers in order to compete in a competitive market. Initial observations show that most respondents are dissatisfied with CRSL products due to prices that are not comparable to quality, materials that do not meet expectations, and inconsistent quality. This disappointment has an impact on declining customer loyalty. According to Nunez-Barriopedro et al., (2021) it is important for companies to maintain customer satisfaction in order to create loyalty and ensure business continuity. If customer satisfaction is realized, loyalty to a brand can also be realized (Sujana & Maudrey, 2008).

Customer loyalty is important for business sustainability and is formed from satisfaction with a product or service (Kotler et al., 2022). However, CRSL customers showed disloyalty because the products they received were not up to expectations. This shows the importance for CRSL to improve quality in order to maintain customer loyalty. According to Kotler et al., (2019) customer loyalty is formed when customer satisfaction with a product or service is fulfilled properly.

Customer satisfaction is a feeling of pleasure or disappointment that arises after comparing the perception of product results with the expectations of Tjiptono (2015). Kotler et al. (2019) also stated that satisfaction arises from the comparison between the performance of a product or service with customer expectations.

Price is the amount of money charged to consumers to benefit from a product or service, which reflects the value that must be paid to benefit from that product (Kotler & Armstrong, 2015). In other words, CRSL customers will feel the product received does not provide a benefit comparable to the price paid if the product does not meet expectations or initial offers.

Product quality is the overall features and characteristics that meet or exceed customer expectations (Kotler & Keller, 2009). Based on the facts in the field, it can be seen that the lack of quality in the products that customers receive leads to disappointment and dissatisfaction. This shows the importance of maintaining customer satisfaction so as not to switch to competitor products. The customer also suggested that the materials used be repaired to match the price offered.

Literature Review

Customer Loyalty

According to Kotler & Armstrong, (2018) customer loyalty is a deep commitment to buy back a certain product or service in the future. Customer loyalty will emerge when the customer's needs and expectations for a product or service can be met to the maximum (Kotler et al., 2019). According to Tjiptono & Chandra, (2017) in the context of brands, customer loyalty reflects a psychological commitment to a brand. According to Kotler & Armstrong, (2018), there are three indicators that can be used to measure customer loyalty: (1) Say positive thing, (2) Recommend friend, (3) Continue purchasing.

Product Price

Price is the amount of money a customer pays in exchange for a benefit, ownership, or use of a product (Kotler & Armstrong, 2018:345). According to Munap et al., (2025), price is a crucial aspect that influences spending behavior; The higher the price, the fewer buyers, while the lower the price drives an increase in demand. According to Kotler & Armstrong, (2018) the indicators used to measure prices are: 1) Price affordability, 2) Price conformity with product quality, 3) Price conformity with benefits, and 4) Price competitiveness.

Product Quality

According to Kotler et al., (2022), quality is the overall feature of a product or service that affects its ability to meet or exceed customer needs. According to Tjiptono & Chandra, (2017), quality reflects all dimensions of the product that provide benefits

to customers. According to Kotler & Keller, (2016:393) there are several indicators, among others: 1) form, 2) features, 3) performance quality, 4) fit quality, 5) durability, 6) reliability, 7) ease of repair, 8) style/design, 9) customization.

Customer Satisfaction

Kotler et al., (2022) define customer satisfaction as a person's feeling of happiness or disappointment that arises as a result of a comparison between the perceived performance of a product or service and customer expectations. Customer satisfaction is evaluated by getting feedback from customers after purchasing a product or service, and then comparing it to their expectations (Zhao et al., 2021).

Customer satisfaction indicators according to Tjiptono & Chandra, (2017) include: 1) Previous satisfied experience, 2) Consistency of repeat purchases, 3) Willingness to recommend, and 4) Suitability of expectations (quality, service, price). Meanwhile, according to Kotler & Keller, (2016): 1) Suitability of expectations, 2) Interest in buying back, and 3) Willingness to recommend.

Hypothesis

H1. Price has a positive and significant influence on customer loyalty of CRSL fashion products in the Indonesian online market.

H2. Product quality has a positive and significant influence on customer loyalty of CRSL fashion products in the Indonesian online market.

H3. Product prices have a positive and significant influence on customer satisfaction of CRSL fashion products in the Indonesian online market.

H4. Product quality has a positive and significant influence on customer satisfaction of CRSL fashion products in the Indonesian online market.

H5. Customer satisfaction has a positive and significant influence on customer loyalty of CRSL fashion products in the Indonesian online market.

H6. Product prices have a positive and significant influence on customer loyalty mediated by customer satisfaction of CRSL fashion product customers in the Indonesian online market.

H7. Product quality has a positive and significant influence on customer loyalty mediated by customer satisfaction of CRSL fashion product customers in the Indonesian online market.

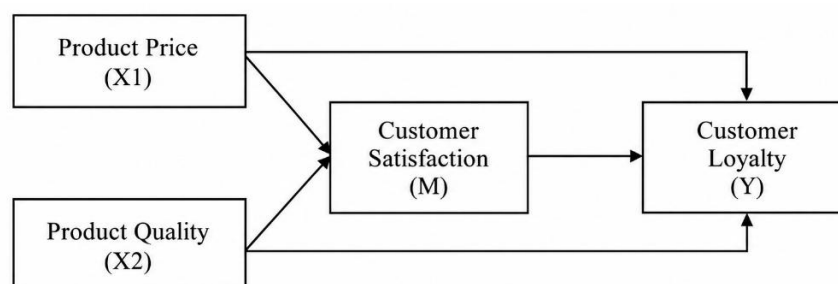


Figure 1. Research Framework

Methods

Sampling and Procedure

The population of this study consists of customers who have purchased CRSL fashion products online in Indonesia. The sample includes customers who have made repeat purchases and intend to repurchase CRSL fashion products through online marketplaces. A non-probability sampling technique with a purposive sampling method was employed.

Since the population size is unknown, the minimum sample size was determined based on the recommendation of Hair et al. (2017), suggesting a sample of five to ten times the number of measurement indicators. With 17 measurement items, the minimum required sample was 119 respondents. A total of 159 valid questionnaires were collected and used for further analysis.

Data were collected through an online questionnaire distributed using Google Forms. Before the main survey was conducted, a pilot test involving 30 respondents was carried out to evaluate the clarity and appropriateness of the questionnaire items. The results indicated that the instrument was suitable for use in the main survey.

Measures

The questionnaire consisted of 17 measurement items representing four constructs: Product Pricing, Product Quality, Customer Satisfaction, and Customer Loyalty.

Data Analysis

The collected data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS software. The analysis consisted of two stages: evaluation of the measurement model (outer model) and evaluation of the structural model (inner model).

The measurement model was assessed through convergent validity, discriminant validity, Average Variance Extracted (AVE), Composite Reliability, and Cronbach's Alpha. According to Hair et al. (2022), a construct is considered valid when the AVE value exceeds 0.50. The structural model was evaluated using the coefficient of determination (R^2), predictive relevance (Q^2), and bootstrapping to test the proposed hypotheses.

Result and Discussion

Table 1. Average Variance Extracted (AVE)

Construct	AVE	Assessment
Product Pricing	0.723	Valid
Product Quality	0.673	Valid
Customer Satisfaction	0.722	Valid
Customer Loyalty	0.659	Valid

Note: A construct is considered valid when the AVE value exceeds 0.50.

Table 2. Construct Reliability

Construct	Composite Reliability Cronbach's Alpha Assessment		
Product Pricing	0.912	0.873	Reliable
Product Quality	0.925	0.902	Reliable
Customer Loyalty	0.885	0.829	Reliable
Customer Satisfaction	0.886	0.808	Reliable

Note: Constructs are considered reliable when Composite Reliability and Cronbach's Alpha exceed 0.70.

The outer model was evaluated using the Average Variance Extracted (AVE), Composite Reliability, and Cronbach's Alpha. The AVE values for all constructs are above the recommended threshold of 0.50. Product Pricing has an AVE value of 0.723, Product Quality 0.673, Customer Satisfaction 0.722, and Customer Loyalty 0.659. These results indicate that all constructs have good convergent validity and are considered valid.

The reliability of the constructs was evaluated using Composite Reliability and Cronbach's Alpha. As presented in Table 2, all Composite Reliability values range from 0.885 to 0.925, while Cronbach's Alpha values range from 0.808 to 0.902. Since all values are greater than 0.70, all constructs are considered reliable. Therefore, the measurement model meets the validity and reliability requirements and can be used for further hypothesis testing.

Hypothesis Testing

In this study, seven hypotheses were tested. The hypothesis testing was conducted based on the path coefficient (original sample), T-statistic, and P-value to examine the significance of each relationship. A hypothesis is considered supported when the P-value is less than 0.05.

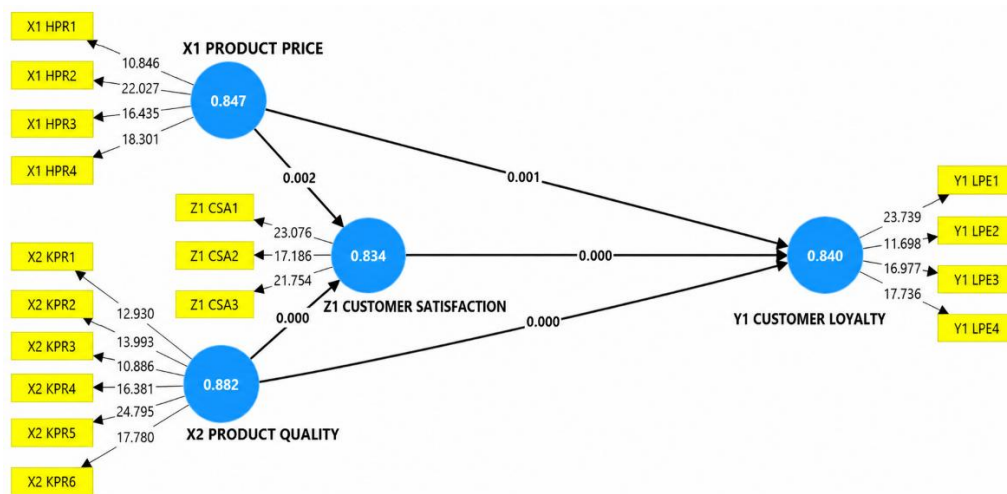
**Figure 2. Bootstrapping Results of the PLS-SEM Model**

Table 3. Summary of Hypothesis Testing

Hypothesis	β	t	p-value	Decision
H1	0.312	4.610	0.000	Supported
H2	0.511	7.791	0.000	Supported
H3	0.282	3.027	0.000	Supported
H4	0.396	3.635	0.000	Supported
H5	0.239	4.824	0.000	Supported
H6	0.068	2.488	0.013	Supported
H7	0.095	2.827	0.005	Supported

The results show that H1 is supported, with a path coefficient of 0.312, a T-statistic of 4.610, and a P-value of 0.000. This indicates that product price has a positive and significant effect on customer loyalty. This finding is consistent with the theory proposed by Kotler and Keller (2016), which states that competitive prices can encourage customer loyalty because customers perceive that the value received is comparable to the costs incurred. This result is also supported by Hendy et al. (2024) and Dewi and Budiarti (2021), who found that price has a positive and significant effect on customer loyalty.

H2 is also supported, with a path coefficient of 0.511, a T-statistic of 7.791, and a P-value of 0.000. This result indicates that product quality has a positive and significant effect on customer loyalty. This finding is consistent with the studies of Listyowati et al. (2024), Lestari & Sholahuddin (2024), and Putra (2021), which reported that product quality positively and significantly influences customer loyalty.

The results further indicate that H3 is supported, with a path coefficient of 0.282, a T-statistic of 3.027, and a P-value of 0.000. This means that product price has a positive and significant effect on customer satisfaction. This finding supports the theory of Kotler et al. (2022), who stated that the perception of price fairness affects customer satisfaction. Zhao et al. (2021) also explained that customer satisfaction arises when the price is considered comparable to the quality and benefits of the product. Likewise, Gani, & Oroh (2021) argued that price influences customer value perception. These findings are also supported by Dewi & Budiarti (2021) and Gunawan & Nainggolan (2024), who found a positive and significant relationship between price and customer satisfaction.

The analysis also shows that H4 is supported, with a path coefficient of 0.396, a T-statistic of 3.635, and a P-value of 0.000. These results indicate that product quality has a positive and significant effect on customer satisfaction. This finding is consistent with Kotler & Armstrong (2018), who explained that product quality reflects the ability of a product to perform its functions effectively. Kotler et al. (2019) also stated that perceived product quality is an important factor in creating customer value and satisfaction. Zhao et al. (2021) further argued that customer satisfaction

is influenced by the consistency between product performance and customer expectations. Similar findings were reported by Gunawan & Nainggolan (2024), Lestari & Sholahuddin (2024), and Lone & Bhat (2023).

Furthermore, H5 is supported, with a path coefficient of 0.239, a T-statistic of 4.824, and a P-value of 0.000. This result indicates that customer satisfaction has a positive and significant effect on customer loyalty. This finding is in line with Kotler et al. (2019), who stated that customer satisfaction plays an important role in building customer loyalty, especially when customers experience a high level of satisfaction. This result is also supported by Gunawan & Nainggolan (2024) and Lestari & Sholahuddin (2024).

The mediation analysis shows that H6 is supported, with a path coefficient of 0.068, a T-statistic of 2.488, and a P-value of 0.013. This means that customer satisfaction significantly mediates the relationship between product price and customer loyalty. This finding is consistent with Kotler & Armstrong (2018), who explained that customer loyalty is influenced by satisfaction with a fair price. Similar results were reported by Gunawan & Nainggolan (2024) and Dewi & Budiarti (2021).

Finally, H7 is supported, with a path coefficient of 0.095, a T-statistic of 2.827, and a P-value of 0.005. This indicates that customer satisfaction significantly mediates the relationship between product quality and customer loyalty. This finding is in line with Kotler et al. (2019), who argued that a decline in product quality may reduce customer satisfaction and loyalty. This result is also supported by Gunawan & Nainggolan (2024) and Lestari & Sholahuddin (2024), who found that product quality positively and significantly affects customer loyalty through customer satisfaction.

Conclusion

This research shows that price and product quality have a positive and significant effect on customer loyalty and customer satisfaction. The better the customer's perception of the price and quality of CRSL products, the higher their satisfaction and loyalty levels. In addition, customer satisfaction has proven to be a mediating variable that reinforces the influence of price and quality on loyalty despite its low influence.

Thus, CRSL is advised to continue to maintain and improve product quality, from the selection of materials to the production process, as well as ensuring that product information in e-commerce is always accurate and updated. This is important because good quality will increase customer satisfaction and loyalty. Even though the price influence is not too large, CRSL still needs to implement a price strategy that is transparent and reasonable, meaning that it is worth the product sold. Additionally, explaining the reasons behind the price, such as the quality of the materials and the uniqueness of the design, can help increase customer satisfaction with the value of the product and strengthen customer loyalty.

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