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THE EFFECT OF COMPETITIVE STRATEGY AND E-SERVICE QUALITY ON CUSTOMER SATISFACTION MEDIATED BY CUSTOMER LOYALTY AMONG GENERATION Z CONSUMERS OF SHOPEE

Anang Yugotian[1], Osly Usman[2], Munawar Asikin[3]
[1-3] *Faculty Economic and Business, Universitas Negeri Jakarta*

Email: anang.yugotian@gmail.com[1], oslyusman@unj.ac.id[2], munawrasikin@unj.ac.id[3]

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Abstract

This research aims to investigate the influence of e-service quality and competitive strategies on the satisfaction levels of Generation Z customers on Shopee. A purposive sampling technique was utilized to select 200 respondents from Generation Z, aged between 17 to 27, who have made purchases on Shopee in the last six months. A quantitative methodology, along with a survey instrument, was employed to collect the necessary data. The analysis was conducted using SEM-PLS through SmartPLS software. The results demonstrate that competitive strategy has a positive and significant impact on customer loyalty ($\beta = 0.321$, $p < 0.05$). The satisfactory level of customer through competitive strategy and high-quality e-services. These findings indicate that improving the satisfaction of Generation Z consumers is not only determined directly by competitive strategies and electronic service quality but is also influenced by the level of customer loyalty that has been established. Therefore, Shopee needs to continuously strengthen its competitive strategies and improve the quality of its digital services in order to build sustainable customer loyalty and enhance customer satisfaction.

1. INTRODUCTION

The purpose of this study is to examine how e-service quality and competitive strategy affect Generation Z Shopee customers' satisfaction. (Wardhana et al., 2023). The emergence of the internet and digital devices has shifted consumer behavior from conventional transactions to digital-based transactions that offer convenience, speed, and efficiency. This transformation has become increasingly evident with the growing use of marketplace platforms that enable consumers to conduct various transactions without limitations of time and place (Firdaus, 2024). In this context, e-commerce has evolved beyond a mere transaction medium and has become an integral part of modern lifestyles.

Indonesia is one of the countries that is growing fast in the e-commerce industry in Southeast Asia. High internet penetration, increasing use of smartphones and changing consumer behavior are some of the main factors driving this growth (Mitariani et al., 2024). Different e-commerce platforms are always competing for attracting and retaining customers by adopting new business strategies. The competition is getting tougher and tougher, requiring companies to not only offer a broad selection of products but also to give consumers a high-quality shopping experience.

One of Indonesia's leading e-commerce sites is Shopee. Since joining the Indonesian market, Shopee has been able to draw customers with a variety of marketing initiatives, easy transactions, delivery services, and cutting-edge digital features that facilitate online buying (Sakina et al., 2024). However, the high level of competition among e-commerce platforms requires Shopee to continuously develop competitive strategies capable of maintaining customer loyalty and satisfaction. In today's dynamic digital business environment, companies are expected not only to attract new customers but also to build a sustainable relationships with old customers.

An e-commerce platform's ability to obtain a competitive edge is greatly influenced by how well the competitive strategy is implemented. The idea of competitive strategy refers to the different steps a company takes to get an edge over its rivals and provide superior value. (Tirtayasa et al., 2024). Porter identifies three kinds of competitive advantage: differentiation, cost leadership, and focus on a particular segment of the market (Tendean et al., 2025). The competitive strategies of the e-commerce industry can be expressed through service innovation, attractive promotions, user-friendly applications, transaction efficiency, and the creation of various features to improve customer experience.

Competitive strategy is important as well, but another element in creating customer satisfaction is e-service quality. Traditional services are characterized by direct interaction between the service provider and the consumer, while electronic services emphasize the quality of interaction through digital systems (Oktavianti, 2025). E-service quality is composed of various dimensions such as the easy usage of application, fast access, secure transaction, reliability of system, privacy of user data and capacity of platform to offer prompt services to satisfy the customer needs. As better the qualification of an electronic services, the more opportunity for a company to gain customer confidence and loyalty.

The satisfaction of customers in the realm of digital consumer behavior isn't always directly shaped by corporate tactics or the caliber of services offered. A crucial factor influencing this dynamic is customer loyalty. As noted by Cuandra et al. (2026), the loyalty of customer defined as a customer's willingness to use a individual preferable product and their likelihood of repurchase within a set period. Meanwhile, to increasing the company's transaction volume, loyal consumers can likely be effective marketing way through favorable word-of-mouth referrals. Customer loyalty is therefore typically viewed as a strategic characteristic that connects customer pleasure and service quality.

This phenomenon is even more interesting when it is connected to the character of Generation Z consumers. Generation Z consists of people who were born in the digital age which has caused a high degree of adaptability to the use of the internet and different digital platforms. Generation Z is more critical, selective and focused on the user experience in their consumption activities when choosing services. They look not only at product prices but also at service quality, application usability, response speed, and the overall shopping experience (Rizkya, 2024). These traits make Gen Z an important market segment for e-commerce companies that wish to build customer loyalty and satisfaction.

According to research, customer loyalty is significantly affected by competitive strategy. Business methods that boost customer value for customers have been shown in numerous studies to strengthen customer commitment to a company's services over time. According to other research (Agustina & Nuryani, 2026; Maulidanty, 2025; Septiani, 2023; Syafkah, n.d.), the qualification of electronic service has a crucial impact on building loyalty on a customer since it increases consumers' trust and comfort in transactions. Additionally, a number of studies have discovered a strong correlation between customer contentment and loyalty, with loyal customers reporting higher levels of satisfaction than non-loyal ones.

When it comes to the relation within the competition strategy, e-service quality, customer loyalty, and customer happiness, previous research outcomes remain inconsistent. Some studies suggest that customer loyalty acts as a mediating element that strengthens the connection, while other investigations have shown that qualification of e-service exerts a notable direct effect on the satisfactory level of customer. Furthermore, there is currently a lack of research exclusively focused on Generation Z consumers in the realm of e-commerce, especially concerning Shopee, a prominent player in Indonesia's digital commerce landscape. This study was done to explain how qualification of e-service and competitive strategy affects customer happiness through customer loyalty among Generation Z Shopee users, as previously mentioned. It is anticipated that this research will theoretically enhance our comprehension of digital marketing, particularly regarding the interplay between competitive strategy, qualification of e-service, the satisfactory level of customer, and customer loyalty. Additionally, hopefully the results will be the practical insights for e-commerce companies to formulate more effective business strategies aimed at boosting customer satisfaction and loyalty among Generation Z consumers.

2. LITERATURE REVIEW

2.1.1 Competitive Strategy

Competitive strategy is likely to be the set of actions designed by the company to obtain and sustain a competitive privilege in the highly competitive environment. According to Porter competitive strategy is how a company will create value better than its competitors. Porter states that companies can use a strategy of differentiation , cost leadership, or focus on specific market segments. In the world of e-commerce, competitive strategies are implemented through several promotional programs, service innovations, transaction convenience, application feature development, and the company’s ability to understand the needs of digital consumers (Wardhana et al., 2023).

The competitive strategy is very important in e-commerce platforms, as consumers have many alternatives that are easily accessible. Companies that can offer added value and better shopping experiences are more likely to

enhance the sustainable relation with customers. A successful competitive strategy can also improve positive consumers' perceptions of a company and promote the development of customer loyalty.

2.1.2 E-Service Quality

E-service quality means the service quality that provided by a business via digital platforms or electronic media. The ability of a website or application to successfully and efficiently streamline the product's shopping, purchase, and delivery procedures is what Parasuraman refers to qualification of e-service. The various aspects of e-service quality in an e-commerce environment such as easy usage, fast access, secure transaction, system dependability, privacy protection, and the company's ability are believed can give better services that can fulfill client hope and expectation towards it. (Putri, 2025).

Since the majority of contacts between businesses and customers take place through information technology systems, e-service quality is one of the most crucial factors that determine the success of digital organizations. Customers are more invented to trust the media they use when they have better service experiences.

2.1.3 Customer Loyalty

It means the willingness of a customer to use a spesific product or service repeatedly. Customer loyalty doesn't just in recurring purchases but also in positive views, referrals to others, and opposition to rival offers. Customer loyalty is crucial in e-commerce since retaining existing clients is typically less expensive than finding new ones (Atmadjaya, 2025).

Positive contacts with the business foster customer loyalty. Customers are interested more to become devoted to the platform they are using when they believe they are getting benefits that live up to their expectations. Therefore, it is common to consider customer loyalty can significantly mediates the relation between customer satisfaction and service quality.

2.1.4 Customer Satisfaction

Consumer satisfaction measures the likelihood meter of the customer after looking on the comparison of performance of a product or service. This can be an indicator key of a business's ability to satisfy customers' demands and expectations. In e-commerce, the satisfaction of customer is impacted by the quality of the products, better shopping experience, including transaction security, system efficiency, application usability, and service quality (Agritika & Suharjo, 2024). Satisfied clients are can be more invented to be devoted and to refer the business to others. On the other hand, dissatisfied users are more inclined to switch to rival platforms.

2.2 Empirical Review and Hypothesis

2.2.1 The Effect of Competitive Strategy on Customer Loyalty

A good competition strategy can create perceived additional value for customers, which can increase their propensity to using the company's services again. The e-commerce industry has various strategies like promotional programs, feature innovation, transaction convenience and service differentiation to enhance the customer-platform relationship. Customer loyalty may increase if the benefits achieved by customers are bigger than competitors' platforms.

H_1: Competitive strategy has a positive and significant impact on customer loyalty.

2.2.2 The Effect of E-Service Quality on Customer Loyalty

High-quality electronic services can enhance customer convenience, trust, and positive experiences while using e-commerce platforms. Customers who receive fast, secure, and user-friendly services tend to demonstrate a stronger commitment to continuously using those services. Therefore, improvements in qualification of e-service are believed to strengthen customer loyalty (Yerizal, 2024).

H_2: E-service quality has a positive and significant effect on customer loyalty.

2.2.3 The Effect of Customer Loyalty on Customer Satisfaction

Loyal customers generally experience repeated positive interactions with a product or service. These experiences form positive perceptions that contribute to increased customer satisfaction. High customer loyalty also reflects the alignment between customer expectations and the performance of the services received.

H_3: Customer loyalty has a positive and significant effect on customer satisfaction.

2.2.4 The Effect of Competitive Strategy on Customer Satisfaction

A competitive strategy that provides added value to customers can improve positive perceptions of a company. Various innovations, promotional activities, and service differentiation strategies implemented by a company can create a better shopping experience, thereby enhancing customer satisfaction.

H_4: Competitive strategy has a positive and significant effect on customer satisfaction.

2.2.5 The Effect of E-Service Quality on Customer Satisfaction

High - quality electronic services facilitate customers in conducting various transaction activities, thereby increasing their convenience and satisfaction. The better quality of electronic services provided by a company, the better customer satisfaction level can be achieved.

H_5: E-service quality has a positive and significant effect on customer satisfaction.

2.2.6 The Mediating Role of Customer Loyalty

From the perspective of relationship marketing, customer loyalty can serve as a mechanism that mediates the influence of competitive strategy and qualification of e-service on the satisfactory level of customer. Effective strategies and high-quality services first foster customer loyalty, which subsequently enhances customer satisfaction in a sustainable manner.

H_6: Customer loyalty mediates the influence of competitive strategy on customer satisfaction.

H_7: Customer loyalty mediates the influence of e-service quality on customer satisfaction.

3. RESEARCH METHODOLOGY

3.1 Research Conceptual Framework

This study examines the connection among competitive strategy and qualification of e-service as independent variables, customer loyalty as the intervening variable, and customer satisfaction as the dependent variable. The conceptual framework of the study can be illustrated as follows:

- Competitive Strategy → Customer Loyalty → Customer Satisfaction
- E-Service Quality → Customer Loyalty → Customer Satisfaction
- Competitive Strategy → Customer Satisfaction
- E-Service Quality → Customer Satisfaction.

This research adopted an explanatory research framework along with a quantitative approach (Niam et al., 2024). The main focus of this quantitative investigation is to explore the causal relationships involving Generation Z Shopee users' competitive strategies, qualification of e-service, customer loyalty, and the satisfactory level of customer. Drawing upon existing theories and findings from prior studies, this explanatory research was utilized to clarify the variables relation through hypothesis test.

The research focused on Indonesian Shopee users classified as Generation Z. In this context, Generation Z means the people that are born between 1997 and 2012 who actively engage with Shopee as an online shopping platform.

The study population encompassed all Generation Z consumers who completed transactions via the Shopee app. Given the lack of precise population figures (Salam, 2023), a purposive sampling method was implemented to define the sample. This method was chosen in the indication of ensuring research possession necesarry trait by each participant. The selection criteria for respondents were: (1) aged between 17 and 27 years; (2) possessing an active Shopee account; (3) having conducted at least two transactions through Shopee in the past six months; and (4) being willing to fully complete the research questionnaire.

The condition for Partial Least Squares Structural Equation Modeling (PLS-SEM) analysis guided the sample size calculation. According to the study by Hair et al., the minimum sample size for PLS-SEM should range from five to ten times the number of measurement indicators. For this study, at least 120 respondents were required with 24 measurement indicators. In pursuit of greater representativeness and analytical accuracy with 200 respondents were included in the study.

Data collection was done through an Google Forms survey (Priadana & Sunarsi, 2021). The construction of the questionnaire was based on indicators from relevant theories and previous studies. A five-point Likert scale was utilized for each item, with 1 means strongly disagree, 2 as disagree, 3 as neutral, 4 as agree, and 5 as strongly agree. The Likert scale served to measure the variables being examined according to the respondents' perceptions and evaluations.

The competitive strategy variable was assessed using indicators of pricing competitiveness, promotional variety, innovation of application features, transaction ease, and the platform's ability to fulfill customer needs (Muin, 2023). The e-service quality variable was evaluated based on indicators of application efficiency, system reliability, transaction security, user privacy safeguards, and service responsiveness. Customer loyalty was gauged through indicators of repurchase intention, commitment to the platform, likelihood of recommending the platform to others, and resistance to switching to rival platforms. Customer satisfaction levels were determined by indicators relating to service satisfaction, shopping experience satisfaction, alignment between expectations and service delivery, and overall satisfaction.

Table 1. Operationalization of Research Variables

Variable	Indicator	Code
Competitive Strategy (X_1)	Price Competitiveness	CS1
	Promotional Variety	CS2
	Application Feature Innovation	CS3
	Transaction Convenience	CS4
	Competitive Advantage	CS5
E-Service Quality (X_2)	Service Efficiency	ESQ1
	System Reliability	ESQ2
	Transaction Security	ESQ3
	Privacy Protection	ESQ4

Variable	Indicator	Code
	Service Responsiveness	ESQ5
Customer Loyalty (Z)	Repurchase Intention	CL1
	Customer Commitment	CL2
	Recommendation to Others	CL3
	Resistance to Switching to Competitors	CL4
Customer Satisfaction (Y)	Service Satisfaction	CSAT1
	Shopping Experience Satisfaction	CSAT2
	Expectation Confirmation	CSAT3
	Overall Satisfaction	CSAT4

Source: Developed by the researcher based on previous literature.

The study instrument validity and reliability were tested prior to data analysis. Validity convergency was assessed using factor loading values and Average Variance Extracted (AVE) for validity testing. If an indicator's AVE value was at least 0.50 and its factor loading value was at least 0.70, it was deemed genuine. Cronbach's Alpha and Composite Reliability ratings were then used for reliability testing. If a construct's Composite Reliability and Cronbach's Alpha scores were both at least 0.70, it was considered dependable (Priadana & Sunarsi, 2021).

In this study, PLS-SEM using SmartPLS version 4 software was the analysis method (Muin, 2023). Because PLS-SEM can analyze intricate interactions between latent variables, including both direct and indirect effects through mediating variables, it was chosen. Evalution of outer model and inner model were the two primary phases of the investigation. The examination of the outer model can be proposed to assess the reliability and validity of the research indicators. In the meantime, path coefficients, coefficients of determination (R^2), effect sizes (f^2), and the research model's predictive capacity were used in the inner model assessment to look at the intervariable relation strength.

The bootstrapping method was used to test the hypothesis at a significance level of five percent. When the p-value was < 0.05 and the t-statistic value was > 1.96, research hypotheses were deemed supported. The capacity of customer loyalty to mediate the impacts of competitive strategy and good quality of e-service quality on customer satisfaction within Generation Z customers was also investigated through mediation analysis.

It is anticipated that this research technique will yield empirical information about the elements influencing Generation Z customers' satisfaction with the Shopee platform. Additionally, the study aims to clarify how customer loyalty functions as a mechanism that fortifies the connection between competitive strategy, e-service quality, and customer happiness.

4. RESULT AND DISCUSSION

4.1 Result

4.1.1 Respondent Characteristics

The respondents of this study are 200 Shopee consumers of Generation Z. The research criteria were based on the age range of 17-27 years old and made transactions through the Shopee application at least twice in the last six months. The characteristics of respondents were analyzed to provide an overview of the profile of Shopee users who became the objects of this research.

Table 2. Respondents' Characteristics Based on Gender

Gender	Frequency	Percentage
Male	82	41,0%
Female	118	59,0%
Total	**200**	**100%**

Source: Author (2026)

As shown in Table 2, the majority of the respondents were female with 118 people (59%). The result shows that women still dominate transaction activities on the Shopee platform more than men. This finding corresponds with the trends in shopping behavior on the internet which describe that in general women are more active in searching for product information, comparing prices, and using promotional offers on e-commerce sites.

Table 3. Respondents' Characteristics Based on Age

Age	Frequency	Percentage
17–19 Years Old	48	24,0%
20–22 Years Old	89	44,5%
23–25 Years Old	45	22,5%
26–27 Years Old	18	9,0%
Total	**200**	**100%**

Source: Author (2026)

The data show that the biggest group of respondents was aged 20-22 years with 44.5% of the sample. This age group is typically university students, active users of digital technologies and frequent users of e-commerce applications for their daily needs.

4.1.2 Descriptive Analysis of Research Variables

Descriptive analysis was done to examine respondents' point of view towards each research variable.

Table 4. Descriptive Statistics of Research Variables

Variable	Mean	Standard Deviation	Category
Competitive Strategy	4,18	0,57	High
E-Service Quality	4,24	0,51	Very High
Customer Loyalty	4,11	0,60	High
Customer Satisfaction	4,28	0,55	Very High

Source: Author (2026)

Table 4 shows customer satisfaction had the highest mean score of 4.28. This result suggests that, in general, Generation Z consumers are satisfied with their shopping experience on Shopee. Meanwhile, qualification of e-service was given a mean score of 4.24. This indicates that the respondents felt that Shopee's electronic service quality was very high. The findings indicate that Shopee's capacity to deliver digital services that are user-friendly, secure and responsive has played a role in encouraging favourable attitudes among Generation Z consumers.

4.1.3 Convergent Validity Assessment

Validity of constration can be assessed by examining the factor loading values of each indicator.

Table 5. Convergent Validity Results

Indicator	Factor Loading
CS1	0.842
CS2	0.875
CS3	0.861
CS4	0.817
CS5	0.833
ESQ1	0.879
ESQ2	0.892
ESQ3	0.846
ESQ4	0.855
ESQ5	0.871
CL1	0.867
CL2	0.894
CL3	0.852
CL4	0.836
CSAT1	0.885
CSAT2	0.901
CSAT3	0.873
CSAT4	0.889

Source: Author (2026)

All the indicators had a factor loading of > 0.70, that indicates convergent validity. This result means that all measurement indicators are appropriate for satisfactory convergent validity.

4.1.4 Reliability Assessment

Table 6. Reliability Test Results

Variable	Cronbach Alpha	Composite Reliability	AVE
Competitive Strategy	0,901	0,926	0,715
E-Service Quality	0,918	0,938	0,752
Customer Loyalty	0,893	0,925	0,755
Customer Satisfaction	0,914	0,939	0,794

The values of Cronbach's Alpha and Composite Reliability of all constructs were above the commonly accepted cut-off value of 0.70. Furthermore, the AVE values for all variables were above the minimum acceptable level of 0.50. Therefore all constructs were reliable and had satisfactory internal consistency.

Source: Author (2026)

4.1.5 Structural Model Evaluation (Inner Model)

The structural model evaluation was conducted by assessing R-Square values.

Tabel 7. R-Square Values

Endogenous Variable	R^2
Customer Loyalty	0,648

Customer Satisfaction	0,731

Source: Author (2026)

The R 2 value of 0.648 shows that competitive strategy and e-service quality by 64.8% can explain variance of customer loyalty while the 35.2% can be caused by other factors outside the research model. The R 2 value of 0.731 for customer satisfaction indicates that competitive strategy, qualification of e-service, and customer loyalty can account for the variability in the satisfactory level of customer of 73.1%.

4.1.6 Hypothesis Testing

Tabel 8. Hypothesis Testing Results

Relationship Between Variables	Path Coefficient	$T-Statistics$	$P-Value$	Decision
Competitive Strategy → Customer Loyalty	0,321	4,782	0,000	Accepted
E-Service Quality → Customer Loyalty	0,487	7,654	0,000	Accepted
Customer Loyalty → Customer Satisfaction	0,624	8,932	0,000	Accepted
Competitive Strategy → Customer Satisfaction	0,178	2,645	0,009	Accepted
E-Service Quality → Customer Satisfaction	0,264	3,911	0,000	Accepted

Source: Author (2026)

From the results above, it can be interpreted that the p-value of all relationships between variables was <0.05, which means that all research hypotheses were supported. This result indicates that competitive strategy and e-service quality are important in building customer loyalty and customer satisfaction of Generation Z Shopee Users..

4.1.7 Customer Loyalty Mediation Analysis

Tabel 9. Mediation Test Results

Mediation Path	Coefficient	$T-Statistics$	$P-Value$	Result
Competitive Strategy → Customer Loyalty → Customer Satisfaction	0,200	4,123	0,000	Significant Mediation
E-Service Quality → Customer Loyalty → Customer Satisfaction	0,304	5,876	0,000	Significant Mediation

Source: Author (2026)

The results of the mediation analysis show that customer loyalty has a significant mediating effect on the relationship between competitive strategy and e-service quality on the satisfactory level of customer. These results suggest that customer loyalty is an important mechanism by which competitive strategies and electronic service quality lead to the bigger satisfactory level of customer. The empirical results show that Generation Z consumers evaluate Shopee not only on prices or promotional programs but also on the quality of their digital service experience. When competitive strategies and service quality consistently create a positive customer experience, customer loyalty is increased, which in turn increases customer satisfaction sustainably.

4.2 Discussion

4.2.1 The Effect of Competitive Strategy on Customer Loyalty Among Generation Z Shopee Users

The results of this study indicate that competitive strategy significantly influence on customer loyalty with a path coefficient of 0.321 and p-value of 0.000. The result of this study explains that the better the competitive strategy implemented by Shopee, the better the customer loyalty level (Yerizal, 2024). Put differently, customer loyalty is not an accident but is created through multiple strategic initiatives that the company develops to generate superior value relative to its competitors.

In the fast-paced e-commerce world, there are a lot of alternative online shopping platforms offered to Generation Z consumers (Yasshinta, 2025). They can easily migrate from one application to another if they find another platform more beneficial. They can easily switch between applications if they think another platform is offering more benefits. Thus, the ability of Shopee to provide the various forms of competitive advantages such as free shipping, discounts, cashback programs, digital payment features and massive promotional campaigns is essential to maintain customer loyalty (Faisal & Yuliati, 2025).Such benefits help to create a high perceived value. Consumers will feel that they are getting more benefits than they pay for.

These results are consistent with Porter's theory that competitive advantage is a significant factor for a company to retain customers. The digital environment is not only about pricing, but also about technological innovation, service differentiation and the improvement of user experience as a competitive strategy (Putri, 2025). Millennials are digital natives, and this makes them more open to innovation and usability of applications than the previous generations. Therefore, the winning competitive strategies are those that create shopping experiences that are convenient, efficient and enjoyable.

The results also show that the application feature innovation indicator had the highest score among all the competitive strategy indicators. The result suggests that technological innovation is a very significant factor in driving customer loyalty among Generation Z consumers (Atmadjaya, 2025). Today's consumers want more than just low prices – they want intuitive navigation, accurate search, convenient payment systems and a host of supporting services that make shopping easier.

The competitive strategies also appeared in the form of customer loyalty generated by the repeat purchase behavior, and consumers' willingness to recommend Shopee to others. The phenomenon shows that successful competitive strategies are not limited to the immediate transaction, but bring benefits through the creation of an emotional bond between consumers and the platform. Repeated perception of value and benefits may lead to consumers' psychological attachment to a platform, which increases long-term customer loyalty.

4.2.2 The Effect of E-Service Qualification on Customer Loyalty Among Generation Z Shopee Users

The results of this study indicate that e-service quality can significantly affects on loyalty of a customer with a path coefficient of 0.487. This coefficient is the most significant relationship of all paths in the research model, which indicates that the quality of electronic service is the dominant factor in forming customer loyalty among generation Z consumers (Agritika & Suharjo, 2024). This result shows that customer loyalty in the digital environment is highly reliant on the qualification of e-service that perceived by customers in the usage of the platform.

In the e-commerce context, the company-customer relationships are primarily mediated by digital systems. Thus, the qualification of e-service is the main indicator of the overall quality of the company from the perspective of consumers. When systems function effectively, transactions are secure, and information is presented clearly, customers are invented more to develop higher levels of trust in the platform.

Digital service quality for Generation Z consumers is not only related to the technical functionality of an application. They expect digital experiences that are fast, responsive, intuitive, and seamless (Agritika & Suharjo, 2024). System delays, navigation problems or issues with the security of transactions can quickly erode customer trust. In contrast, positive digital experiences make consumers feel comfortable and confident and motivate them to keep using the same platform.

The results show that the highest mean score of e-service quality indicators is transaction security and system reliability. This finding implies that even though generation Z is recognized as having technical expertise, they still place importance on security in online transaction activities (Anggreina et al., 2026). The main factors impacting the loyalty of consumers in the e-commerce ecosystem are: protection of personal data, transaction security, transparency of refund procedures.

Theoretically, the results are consistent with the literature of e-service quality delivered by Parasuraman (2002) which emphasizes that electronic service quality is a basis for long-term customer relationship. For Shopee, excellent electronic services not only improve transaction convenience but also build trust, which lays the foundation for customer loyalty.

4.2.3 The Effect of Customer Loyalty on Customer Satisfaction

The result of this study indicates that customer loyalty significantly influence customer satisfaction. The path coefficient is 0.624. Customer loyalty has the most significant impact on customer satisfaction in the research model (Aulia et al., 2025; Maharani et al., 2025).This is particularly interesting because it shows that customer satisfaction is not only a prerequisite for loyalty, but can also be a result of established loyalty. Loyal customers usually have repeated positive experiences with a company, and this leads to the development of more stable and positive perceptions. These experiences build confidence in customers that the platform will cater to their needs in the future as well, which eventually translates into an increase in satisfaction.

The loyalty of Generation Z consumers is not only based on rational considerations such as price or product quality, but also on emotional experiences associated with platform usage (Putri & Prianthara, 2024). Generation Z consumers want to be entertained, easily access information and have personalized interactions with brands. The provision of these elements on a regular basis result in customer loyalty and improved customer satisfaction.

The results also indicate a relatively high score for the recommendation to others indicator. This means that loyal customers are not only satisfied in person, but also want to participate in promotional activities through word of mouth communication (Puspita, 2025). This behavior has important implications in the age of social media, as other users' recommendations are often perceived as more credible than corporations' advertising and promotional campaigns.

These findings are consistent with Oliver's (1999) conceptualization of loyalty as a willingness to repatronize a specific product or service consistently despite the presence of competing products or services in the marketplace. Strong customer loyalty is a measure of how well a company can consistently meet customer expectations and maintain customer satisfaction over time.

4.2.4 The Mediating Role of Customer Loyalty in the Relationship Between Competitive Strategy, E-Service Quality, and Customer Satisfaction

The analysis of mediation can be interpreted that customer loyalty significantly affect competitive strategy and qualification of e-service on the satisfactory level of customer. These findings indicate that competitive strategies and electronic service quality do not directly result in the satisfactory level of customer, but first form customer loyalty, which then leads to customer satisfaction (Putera et al., 2025).

This finding helps us better understand the behavior of Generation Z consumers in the digital ecosystem. Generation Z consumers are not only looking for instant benefits when they are assessing their shopping experience but also the long-term relationships they have built with a platform (Martio & Moko, 2023). When competitive

strategies and service quality successfully cultivate customer loyalty, consumers can be more having a positive evaluation of their overall shopping experiences.

From the managerial point of view, the results defined the efforts to build customer satisfaction should not depend solely on promotional activities or isolated service quality improvement (Dwiana, 2025; Rahmadani & Dwita, 2025). All companies need to ensure their strategic initiatives are geared to building sustainable customer loyalty. Customer loyalty is a strategic asset that ties the various marketing activities to the end result of customer satisfaction.

Overall, this study confirms that Shopee's ability to retain Generation Z consumers in the increasingly competitive e-commerce industry depends heavily on the ability to implement relevant competitive strategies, provide high-quality electronic services, and build strong customer loyalty. Customer loyalty is the crucial process through which the value created by the company is transformed into sustainable customer satisfaction.

5. CONCLUSION

This research aimed to explain the influence of competitive strategy and electronic service quality on customer satisfaction through customer loyalty in Generation Z consumers using Shopee. The results of data analysis with the PLS-SEM approach show that all relationships between the variables studied in this study are positive and significant. These results show that competitive strategy, e-service quality, customer loyalty, and the satisfactory level of customer are interrelated factors influencing the experiences of Generation Z consumers on e-commerce platforms.

The findings revealed that competitive strategy can significantly affects on customer loyalty. This finding shows that strategies used by Shopee such as competitive promotional programs, application feature innovations, transaction convenience and creation of added value for customers are able to enhance customer loyalty of Generation Z consumers. In the e-commerce environment, competitive strategy is not only a tool for attracting new customers, but also an important tool for maintaining existing customers. Digital oriented, highly adaptive and exposed to multiple platform alternatives Generation Z consumers are also characterized by relevant and innovative competitive strategies to build good relatio with consumers and the company.

The results also show that e-service quality has a positive and significant effect on customer loyalty. Among the investigated variables, qualification of e-service had a more prominent contribution to the development of customer loyalty. This means that Generation Z consumers care more about the digital experiences they have when using the Shopee application. System reliability, application's ease of use, transaction security, protection of personal data, and services' responsiveness are among the key factors affecting consumers' decision to continue using the platform. So in other words, in the digital age, it's really dependent on the quality of interaction through technology.

Moreover, the results show that customer loyalty significantly influences on the satisfactory level of customer. The result indicates that the more loyal the customers, the more satisfied they tend to be with the services provided to them. Repeated positive experiences create a sense of loyalty that translates into more positive perceptions of the quality of a company's services. Loyalty among Generation Z consumers is demonstrated not only through repeated purchases, but also through an emotional attachment to the platform, the desire to recommend it to others, and the commitment to continue using the service even when competing alternatives are available.

Moreover, this research shows that customer loyalty significantly mediates the influences of competitive strategy and qualification of e-service on the satisfactory level of customer, in addition to their direct effects. The results indicate that the satisfactory level of customer is not directly created by marketing strategies or service quality, but by a process in which customer loyalty is created first. This is because the best competitive strategies and quality electronic services are the cause of customer loyalty and then high level of customer satisfaction. Hence, customer loyalty can be described as a strategic mechanism linking different organizational activities to the successful creation of the satisfactory level of customer.

Theoretically, this study contributes to the literature of digital marketing by strengthening the linkages between theory of competitive advantage, e-service quality, customer loyalty, and customer satisfaction in the e-commerce environment. The study adds to the understanding of Generation Z consumer behavior, especially given the unique characteristics of this generation in terms of technology adoption and preference for digital services.

From a practical perspective, the results suggest that the efforts to improve the customer satisfaction of Generation Z consumers cannot be based only on promotional activities or price competition. Companies need to develop more comprehensive strategies with customer loyalty as a primary objective. Continuous enhancements in electronic service quality, digital innovation, and positive user experiences are critical for maintaining customer loyalty and ultimately achieving sustainable.

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