

## **CHAPTER I**

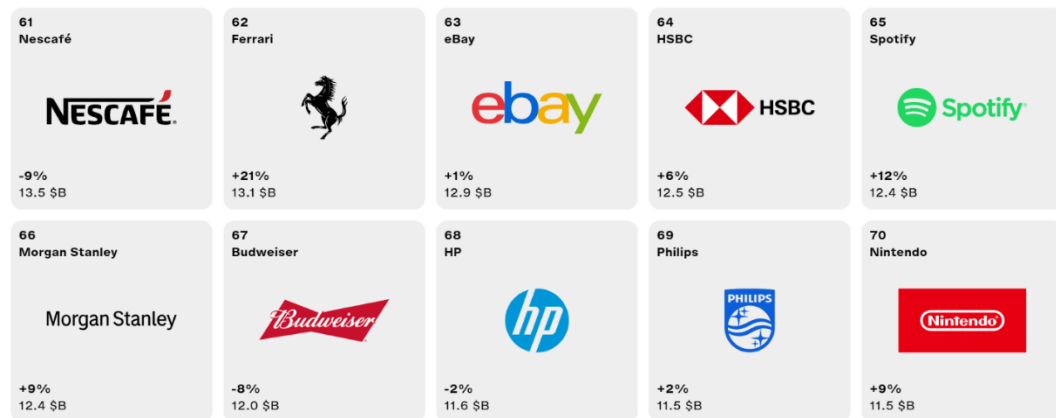
### **INTRODUCTION**

#### **1.1 Background of the Research**

Power is a curious thing, with the way it shifts toward the strongest holder, previously when the entertainment industry was dominated by the copyright-related industry, back then the only ways people could listen to music were through vinyl, radio, and cassette tapes, people could only watch movies in cinemas and play games by purchasing physical consoles. But nowadays in modern digital era we can access them all digitally, without needing to visit physical stores, simply by opening a website and purchasing online, owning access through subscriptions such as Spotify for music, Netflix for movies, and Steam for games, making everything digitally available and accessible to people all around the world. But is it matter to the entertainment industry players, But it does matter to entertainment industry players, because for them this disruptive change in customer behavior represents a wave that must be conquered, as the consequences are clear, they may either be left behind and swept away by the waves of a new civilization or learn to surf and ride those waves forward.

Spotify reflects this transformation of the entertainment industry by presenting their business breakthroughs that are consumer-oriented expertise. Three important components that make Spotify the largest margin holder in the global market include: Algorithmic personalization where Spotify processes data from customer history to create a recommendation system implemented in features such as Discovery Weekly, Daily Mix, Release Radar, Time Capsule and Blends all of these features are composed of intergarting big customer data and synthesized into certain personalization points. Secondly the User interface or UI design where Spotify user provided with personalized home screen that designed based on user personal preferences, any details regarding the social features, themes, and notification the user can customized them. The last element is Spotify marketing style that using the customer big data to compile the consumer-oriented advertisement regarding artist preferences for video or audio ads to gain sense of

recognition and conveys a positive message to customer without disturbing them, all the elements above are important to establishing a personalized connections and emphasized highly on individual experience to signify Spotify position in global market because customer are more inclined to be loyal when the brand understand their preferences. by doing all effort above Spotify has been able to place itself as one of the top ranking brand globally, competing with other brand from respected field such as Ferrari in automotive industry, eBay in e-commerce industry, and HSBC in banking industry as presented by the data below:

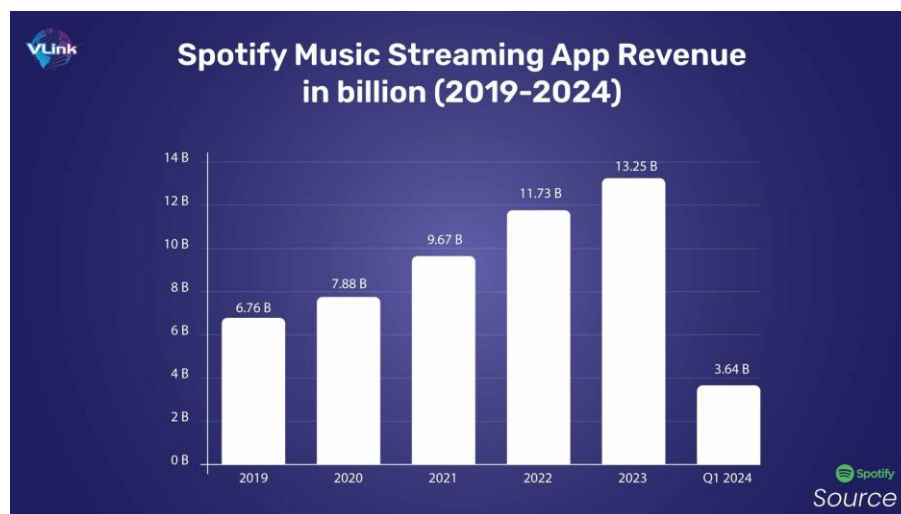


**Figure 1.1 Best Global Brand 2024**

(Source: Interbrand)

Figure 1.1 illustrates that Spotify has solidified its position as a highly influential brand on the international stage, its ability to compete with well established global giants from each distinguish sector of business namely Nescafe the globally giant that controlling the household instant coffee product, provides commercial coffee solutions for hotels, offices, restaurants, and cafes. eBay an American multinational e-commerce company and HSBC one of the world's largest banking and financial services organizations, with over \$3.2 trillion in assets, all prominent and have huge influence on today society and economy, all of these companies have long been considered dominant forces within their respective industries, making Spotify's presence among them particularly noteworthy, the platform's innovative approach to music streaming, data-driven personalization,

and continued global expansion have contributed to its rising brand prominence. In 2024, Spotify advanced four positions from the previous year to secure the 65th spot in the global brand rankings, with an estimated brand value of USD 12.4 billion, this upward trajectory not only highlights its strong market performance but also reinforces its status as a cultural and technological leader in the digital media landscape.



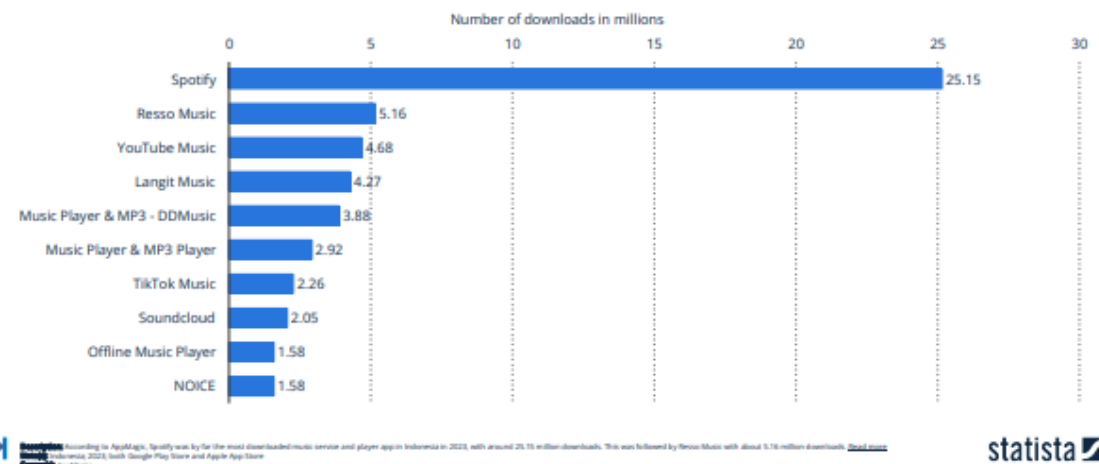
**Figure 1.2 Spotify Music Streaming App Revenue in Billion (2019-2024)**

(Source: vlink)

From Figure 1.2 above, we can conclude that Spotify's global revenue from music streaming has demonstrated steady and substantial growth over the five-year period from 2019 to 2023, in 2019, the company generated \$6.76 billion, which rose to \$7.88 billion in 2020, marking a clear upward trend, this growth continued in 2021 with revenue reaching \$9.67 billion, followed by a significant jump to \$11.73 billion in 2022, the momentum carried through into 2023, where Spotify achieved a record-high revenue of \$13.25 billion. This consistent year-over-year increase reflects not only the platform's expanding global user base but also its successful monetization strategies, such as premium subscriptions, targeted advertising, and partnerships with creators and brands, in 2024, Spotify's revenue stands at \$3.64 billion, the steady upward trajectory highlights the significant impact of streaming in the music industry and the strong market presence of Spotify in the global music streaming sector.

## Leading music service and player apps based on downloads in Indonesia in 2023 (in millions)

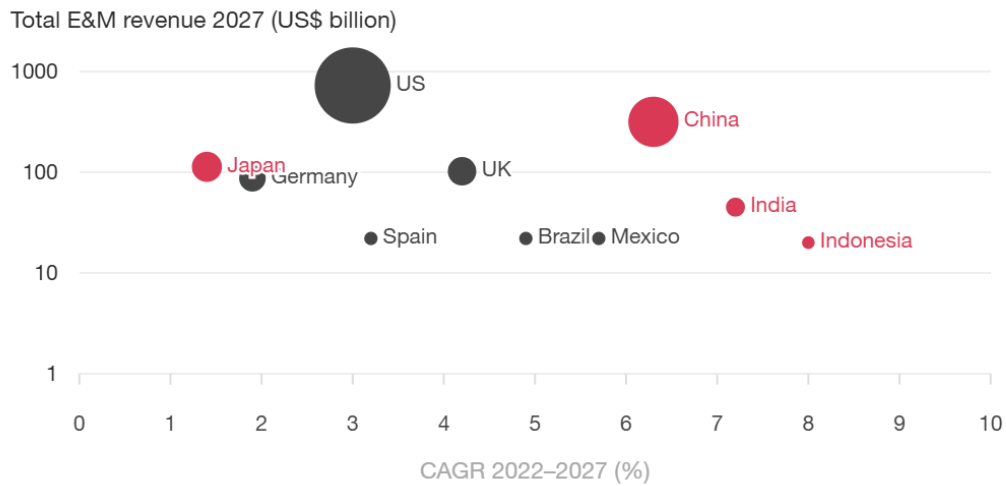
Music service and player apps with the most downloads Indonesia 2023



**Figure 1.3 Spotify Market Share in Indonesia in 2023**

(Source: statista 2023)

From data presented by statista In 2023, in Indonesia Spotify holding the top position as the number one most used music streaming platform, recording the remarkable 25.15 million downloads, making it the most downloaded music app in the country, beyond user numbers, Spotify's impact on Indonesia's music ecosystem has been profound. In 2023, Indonesian artists were discovered over 5.1 billion times by new listeners on Spotify, more than 3,600 local musicians were featured in Spotify editorial playlists, significantly increasing their global reach and exposure, the Indonesia music streaming market is valued at USD 280 million, driven by the rapid digitalization and increasing smartphone penetration in the country, the growth is supported by a burgeoning young population addicted to consume any modern digital music content, combined with the development of internet access in all areas in Indonesia. This phenomenon surely create an ideal vessel for streaming activities, popularizing paid based subscription as a model that offer more features to customers.



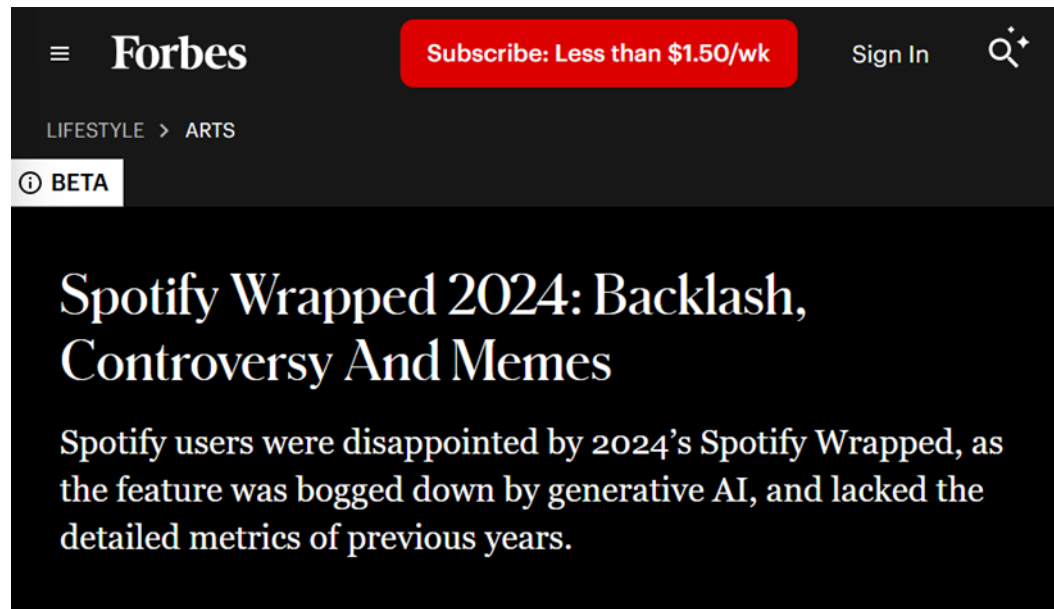
Note: Revenue includes consumer spending and advertising, but not internet access. 2022 is the latest available data. 2023-2027 values are forecasts.  
Source: PwC's Global Entertainment & Media Outlook 2023-2027, Omdia

### Figure 1.4 Entertainment & Music Industry Global Market Revenue 2023

(Source:Omdia)

As one of only three Asian countries alongside China and India that offer the rare and highly desirable combination of massive population scale, rapid urbanization, and fast-growing consumer spending, Indonesia presents a golden opportunity for music streaming platforms seeking both reach and revenue, supporting by mass population of 260 million people with 60% of whom are under the age of 35 the country is home to one of the youngest and most digitally engaged demographics in the world, this young generation is driving an explosion in mobile first content consumption, including music streaming, which has become an inseparable part of daily routines, with a revenue of US\$13 billion, Indonesia has emerged as the 15th largest market globally, now rivaling established markets such as Brazil, Mexico, and Spain, the country's digital and entertainment sectors are projected to continue expanding, along the year 2027 the anticipated percentage of compound annual growth rate (CAGR) mark at 7.7%, consequently, Indonesia should no longer be underestimated or overlooked. Its large, youthful, and digitally engaged population, combined with its accelerating digital infrastructure, positions the country as a highly promising and strategic market for future investment, global

companies particularly in the media and technology sectors, Indonesia represents not only a growth opportunity but also a critical market that may shape regional trends and consumer behavior in Southeast Asia and beyond.



**Figure 1.5 Spotify Facing Backlash from its Customer**

(Source: Forbes.com)

In the latter half of 2024, Spotify received a wave of negative responses from its loyal user base, according to a report published by Forbes, a significant number of customers expressed dissatisfaction with the annual Spotify Wrapped feature, which was perceived as increasingly inaccurate, poorly structured, and of declining quality compared to previous years, this dissatisfaction extended beyond the feature itself, evolving into a broader discourse across various online forums, where users voiced concerns that Spotify was losing its identity as a platform focused on personalization and individualized user experiences, some users even suggested that Spotify now appeared more inclined to chase viral trends and commercial gain rather than prioritizing listeners' preferences, these negative reactions reflect a potential decline in the company's performance and reputation and serve as a warning that innovations misaligned with user expectations can have serious implications for long-term customer loyalty.

Spotify Wrapped is an annual feature released by Spotify that compiles individual user listening data into a set of personalized insights and statistics, these data-driven summaries provide users with a reflective overview of their music preferences and listening habits over the past year, presented in an engaging and visually dynamic format, longtime users expressed frustration over the absence of key personalized metrics such as top music genres and top albums, but instead listeners were presented with a vague “Music Evolution” list that featured obscure, AI-generated micro-genres, which many found confusing and uninformative.



**Figure 1.6 Spotify User Review on Spotify Wrapped 2024**

(Source: Twitter.com)

The dissatisfaction highlights a critical issue of the potential decline in customer satisfaction, as personalization has long been a core value and competitive advantage for Spotify, any perceived deviation from this focus can significantly impact user perception and engagement, the backlash against the 2024 Spotify Wrapped feature suggests that users no longer feel the platform understands or reflects their individual music preferences an expectation that has been central to

Spotify's brand identity, when users begin to feel that their experiences are being shaped more by algorithmic generalizations or marketing gimmicks than by genuine personalization, their satisfaction naturally diminishes. If such dissatisfaction persists, it could ultimately result in a broader erosion of customer loyalty, long-term users may begin to explore alternative platforms that better align with their expectations for personalized content and user-centric innovation, in a highly competitive digital music streaming market, the loss of loyal customers can be particularly damaging not only in terms of revenue but also in weakening brand equity and reducing Spotify's cultural relevance, the current situation of backlash shows the need of realignment for Spotify and its strategic focus with user needs and preferences before the decline in satisfaction evolves into a significant downturn in its market position.

The Service quality points to the overall evaluation made by consumers when comparing a company's actual performance with their expectations of how services should be delivered (Berry, 1988). In the case of Spotify Wrapped 2024, the platform fell short of user expectations, highlighting a gap in service quality, features like the new "Music Evolution" highlighting specific months that indicated a change in taste but genre categories made absolutely no sense, some genre sounds ridiculous with example genre of "Royalcore Classical Dark Academia" "Coastal Grandmother fingerstyle yacht rock", "Pink Pilates Princess Roller Skating Pop", by giving these names Spotify directly shows their user that they have lack attention to their features it giving poor AI touch, making user disappointed and feel unconnected to Spotify.

In understanding the customer behaviour Perceived Value plays an important role within, as it directly shapes purchasing decisions and fosters brand loyalty (Parasuraman, 1997). Spotify, known for its personalized user experience, Spotify's failure to meet user expectations in Wrapped 2024 weakened one of its most iconic features and disrupted its emotional connection with loyal users. By prioritizing efficiency and AI over meaningful personalization, the platform risks damaging its user-first image potentially leading to lost trust, lower engagement, and declining brand loyalty. The customer initiative desire to continue subscribing to a business

over time is the definition of Customer Loyalty, consistently using its services and recommending them to others (Christopher & Lauren, 2011). The introduction of artificial intelligence in place of human insight was perceived as cheap and impersonal, while the visual design of the feature was criticized for being aesthetically unappealing and poorly crafted. These shortcomings contribute to a decline in perceived value, weakening the emotional connection that fosters user loyalty. If left unaddressed, such issues may prompt users to question whether Spotify is still worth their continued support.

The main reason to conduct this research using Spotify as unit analysis is because Spotify holds a significant role as market leader in the global streaming market industry, a prominent area that can provide a strong setting for digital service. Spotify accompanies many everyday activities, and user experiences with the platform can have a substantial influence on satisfaction and loyalty. This makes Spotify particularly valuable for understanding consumer behavior in the modern digital entertainment landscape. The platform also provides subscription-based digital service that provides an ideal setting for studying the factors that encourage users to remain loyal despite numerous alternatives. This can be used to understand more about modern-day customer loyalty, with research respondents based on Semarang serving as an ideal environment as Semarang is one of Indonesia's major urban centers with a large population of young adults, students, and digital consumers who actively use music streaming services. Unsubscribed users were included because they remain active Spotify users and continuously interact with the platform's services. Loyalty does not necessarily require a paid subscription, as users can demonstrate loyalty through continued usage, recommending to others, and preference for Spotify over competing platforms.

One of the contemporary challenges facing Spotify is the growing concern regarding its increasing reliance on AI-generated content and algorithm-driven personalization. Historically, Spotify established its competitive advantage through its ability to deliver highly personalized experiences, allowing users to feel understood through features such as music recommendations, curated playlists, and Spotify Wrapped. However, recent developments have generated criticism among

users who perceive that some AI-generated outputs no longer reflect their actual listening behavior and preferences. In particular, certain Spotify Wrapped presentations have been criticized for containing unusual descriptions, confusing categorizations, and aesthetically unappealing designs that fail to resonate with users. As a result, content that was previously viewed as a source of personal expression and social sharing has become less appealing for users to showcase on social media platforms. Furthermore, these concerns extend beyond a single feature and reflect a broader debate regarding the balance between automation and human-centered customer experiences. While artificial intelligence enables Spotify to process vast amounts of user data efficiently, excessive dependence on algorithmic generation may create the impression that the platform is prioritizing scalability and operational efficiency over authenticity and individual user preferences. Consequently, the issue becomes highly relevant for this research, as it directly relates to how users evaluate the platform's e-service quality and perceived value, and how these evaluations influence customer satisfaction and long-term loyalty toward Spotify.

Several research gaps remain that require further investigation. Some previous researchs indicated the need of customer satisfaction this variable must carefully considered by companies, therefore this study examines in greater depth the factors influencing the satisfaction of the customer and their loyalty. Stemming from the current foundation, the current research further analyzes current effect between the Spotify e service quality and also the perceived value. In light of the research background, the study is titled as follows, **“The Influence of Service Quality and Perceived Value on Customer’ Loyalty with Customer’ Satisfaction as Mediating Variable (Study on Spotify Customer in Semarang)”**

## **1.2 Problem Formulation**

This study was conducted to analyze how much The Influence of Service Quality and Perceived Value on Customer’ Loyalty with Customer’ Satisfaction as Mediating Variable. Based on the description of the problem, research problems can be formulated as follows:

1. Does the E Service Quality have a significant effect on Spotify Consumers Loyalty?
2. Does E Service Quality have a significant effect on Spotify Consumer Satisfaction?
3. Does the Perceived Value have a significant effect on Spotify Consumer Loyalty?
4. Does Perceived Value have a significant effect on Spotify Consumer Satisfaction?
5. Does Customer Satisfaction have a significant effect on Spotify Consumer Loyalty?
6. Does Customer Satisfaction have a significant role mediating E Service Quality on Consumer loyalty?
7. Does Customer Satisfaction have a significant role mediating Perceived Value on Consumer loyalty?

### **1.3 Objective of the Research**

To conducting research, it is important to point out the research objectives, this objective must be known so that researchers get the expected results. According from the previous point the main objectives of conducting the research are bellow:

1. Ensure and validate the influence of E Service Quality on Spotify Consumers' Loyalty.
2. Ensure and validate the influence of E Service Quality on Spotify Consumers' Satisfaction.
3. Ensure and validate the influence of Perceived Value on Spotify Consumers' Loyalty.
4. Ensure and validate the influence of Perceived Value on Spotify Consumers' Satisfaction.
5. Ensure and validate the influence of Customer's Satisfaction on Spotify Consumers' Loyalty.
6. Ensure and validate the influence of Customer's Satisfaction role mediating E Service Quality on Consumers' loyalty.

7. Ensure and validate the influence of Customer's Satisfaction role mediating Perceived Value on Consumers' loyalty.

#### **1.4 Significance of the Research**

The research urgency, which encompass on the perceived value and E service quality, is to examine the length of consumer loyalty can be explained and understood with Customer Satisfaction as support, the current study hoping for beneficial support for others, namely:.

1. The Researchers

As a means of improving the scientific ability of researchers in applying marketing theories and can also be more skilled in seeing problems, especially those related to purchasing decisions in business.

2. For Readers

Can provide insight into knowledge of customer behaviour and marketing. In addition, as an overview and knowledge that act as basis for subsequent research.

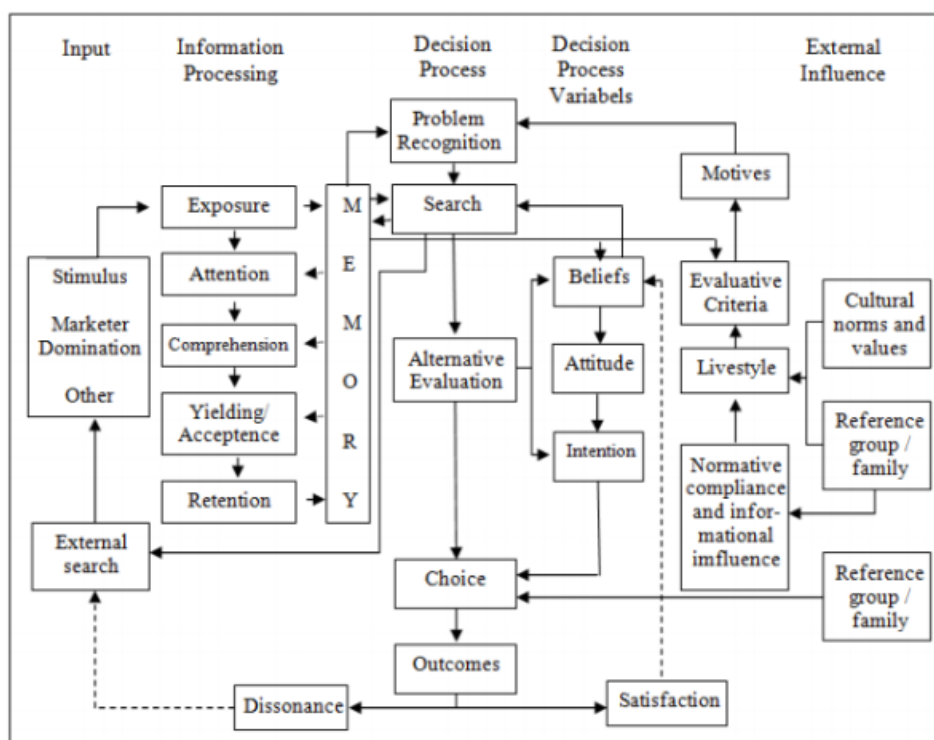
3. For Companies

The findings hope to offer some valuable insights for companies by serving as a benchmark for evaluating the factors that shape consumer loyalty decisions, thereby providing a reference point for assessing consumer behavior and its influencing determinants.

#### **1.5 Theoretical Framework**

##### **1.5.1 Grand Theory of Customer Behaviour**

Engel, Kollat, Blackwell, and Miniard famous on their dedication to complete their work regarding the subject of customer behaviour model. The finished modern form of 1994 conceptual model were born because of them.



**Figure 1.7 The Engel, Blackwell, Miniard (1994)**

James F. Engel, Roger D. Blackwell, Paul W. Miniard develop a conceptual framework that focus on the decision making process in marketing strategy, a consumer behaviour model that consists of five process to understand the order of customer aspiration to choose a brand. Highlighting the way customer pitch out their interest according to some factors. Here is a brief description of each stage:

- a. Information Input Stage: The beginning recognition stage when customer receive stimuli both from non marketing or marketing sources, when customer not yet claim their own decision the information that customer receive before, acts as factors that effecting their decision making, in the process to make that choice customer will search for external information that can support their decision, but some cases when customer expectation doesn't match with their experiences it will lead to dissonance because the selected alternative is less satisfying
- b. Information Processing Stage: This stage is when customer operate their sense to interpret the previous stimuli and encoding them in their long their

memory, recognizing them based on consumer exposure, attention, perception, acceptance, and retention of incoming information to undertake the next stage.

- c. Decision Process Stage: Even though not all customer undergo the same stage of process they might still go to some of this five fundamental and central stage of decision making process: problem recognition, alternative search, and seeking the alternatives (when expectation result in the shaping of attitude, which subsequently can influence their intention of purchase), and the outcome after purchase.
- d. Factors effecting the decision making process: Any customer motives and aspirations that influencing them to committee to purchase decision, based on three main factor. First the cultural factors including the social class and cultural trends that defines people, understanding the customer based on the common behaviour of their own culture. Secondly the social factors including the reference group, family, social status, by identifying which group they belong will help tracing their preference and mindset. thirdly the personal factors including the lifestyle, personality, self-concept and purchasing power, infact customer not just but product based on their need but also the constant image the create while using the product, so product is a proof of their social standing. lastly the psychological factors including the motivation, perception, and belief. Usually working at customer subconscious level and acquired by experience.

In this research, both Perceived Value and E-Service Quality can be conceptually positioned within the External Influence component of the Engel Blackwell Miniard (EBM) Consumer Behavior Model. According to the EBM framework, consumer decision making is not solely determined by individual preferences but is continuously shaped by various external influences, including lifestyle, culture, social class, family, and reference groups. In the context of Spotify, these external factors significantly affect how consumers perceive and evaluate the platform's services. For example, the growing integration of music streaming into daily activities, the influence of peers and social media trends, and

the increasing dependence on digital entertainment platforms all contribute to shaping users' expectations regarding service quality and perceived value. These external influences subsequently affect consumers' beliefs, perceptions, and evaluative criteria, which serve as important inputs in the decision making process. Perceived Value and E-Service Quality function as important antecedents that influence not only consumer decision-making but also subsequent outcomes such as Customer Satisfaction and Customer Loyalty.

Following the external influence component that resulting into consumption stage, Customer Satisfaction reflecting whether the service performance meets user expectations. When satisfaction is achieved. Customer Satisfaction functions as an outcome of the consumption experience and serves as a critical indicator of the success or failure of the consumer decision process, consumers are more likely to reinforce their intention and remain within the cycle, leading to loyalty .This successful repeated intention that shaping Customer Loyalty re enter the decision making cycle with a reinforced positive bias, Customer Loyalty, on the other hand, can be positioned beyond the post purchase evaluation stage as a behavioral consequence of satisfaction and as part of the feedback mechanism that characterizes the cyclical nature of the EBM model. making future choices more automatic and less effortful. This reduces the likelihood of engaging in alternative search and strengthens long term retention. In contrast, when satisfaction is not achieved, loyalty fails to form, and consumers return to the problem recognition stage, seeking better alternatives. Therefore, Customer Loyalty acts as a stabilizing force within the EBM model, ensuring that positive experiences are sustained over time and continuously translated into repeated consumer behavior.

The consumer behavior model from Engel Blackwell Miniard offers meaningful insights into how consumers process information and behave throughout the purchase decision-making process. Nevertheless, it is essential to recognize that consumer behavior is shaped by multiple factors, and each individual possesses distinct experiences and preferences. In the Blackwell model of consumer behavior,

### A. Definition of Consumer Behavior

Behavior is one of the components of dynamic psychology in individuals that can be identified by the causes and effects of their surrounding environment. It manifests in the form of fantasies, communication, and physical activities. Behavior is described as the personal reaction regarding the physiological, social, ego, impression, belief, concept, taste, preference, objective reality, and subjective reality convergence (Woodruff, 1949). Consumer behavior is a process of consumer behavior in making purchasing decisions, including the use or disposal of the purchased products or services. This process includes factors that influence purchasing decisions and their usage (Hair et al, 1995).

### B. Factors Affecting Consumer Behavior

The consumer behavior have some factors that influencing them in decision-making include both internal factors within the consumer and external factors, and external factor which are stimulated or provided by companies (Swastha & Handoko, 2011).

#### 1) External Factors

Consumer behavior can be influenced by several external factors, including culture, demographics, family, and reference groups (Supranto & Limakrisna, 2011). The factors of the External environment that are the basic factors in consumer behavior are:

##### (a) Cultural

Culture is the evolving way of life held by individuals or groups that can influence consumer behavior, particularly in consumption patterns, communication, and decision-making based on habits (Faqih.2022).

##### (b) Demographics

Demographics refer to the description of population size, structure, distribution, and dynamics that can influence consumer behavior (Akbarov, 2022).

##### (c) Family

Family refers to the individuals closest to the consumer, who can influence their behavior (Essiz & Mandrik, 2021).

(d) Reference Groups

Reference groups are a collection of individuals with shared goals who interact with each other to achieve common objectives, they can influence consumer behavior, such as friend groups, organizations, and others, this has been researched by (Boshoff. 2012).

2) Internal Factors

internal factors play a significant role in purchasing decisions. The influence of internal factors on purchase decisions cannot be separated from personality, motivation, self-perception, learning, and consumer attitudes (Mariusz, 2021). The factors of the internal environment that are the basic factors in consumer behavior are:

(a) Personality

Personality refers to an individual's way of reacting and interacting with others, which can influence consumer behavior. This aspect has been studied by (Li & Yu, 2022).

(b) Motivation

The aspect that signify the individual's effort to achieved their goals by giving them clear direction and strong intensity to reach them can be classified as motivation. It can influence consumer behavior and has been examined by (Li & Yu, 2022) and (Tian et al., 2022).

(c) Learning process

The learning process involves an individual's efforts to enhance knowledge and skills, which can have an impact on consumer behavior. This has been studied by (Aviv et al., 2019).

(d) Attitude

Attitude is an evaluative statement about something that reflects an individual's feelings. It can influence consumer behavior and has been examined by (Tuhin et al.,2022).

## 1.5.2 Electronic Service Quality

### A. Definition of Electronic Service Quality

This variable is described as a concept that encompasses interactive information services that facilitate systems for companies to differentiate service development and offerings, e-service quality represents a convergence of customer belief or expectations without direct interaction from provided service (Pearson, 2012). The development of electronic service quality was conducted to utilize the services used over the internet, to build better user experience that might lead to loyalty from customer (Parasuraman, 2004). The act of improvement is needed in platform features and web quality, both components are the central elements that depict a good e-service quality.

### B. Characteristics of E-Service Quality

(Kotler & Keller, 2000) e-service quality has four characteristics as follows:

#### 1) Intangibility

Services are essentially different from tangible goods. Services are intangible efforts, processes, or performances. Unlike tangible goods that can be seen, touched, and tasted, services cannot be perceived until they are purchased and consumed. Services are limited to their usage and cannot be owned. Service performance evaluation is based on users' experience when using the service..

#### 2) Heterogeneity

Services exhibit more variability in terms of their form, type, and quality. The three main variations can be named as: the participation of the customer during delivery services, while serving the customer the motivation the employee had to do their job, also workload experienced.

#### 3) Inseparability

Services can be provided at the same time and place as long as the service provider (company) offers them. An important characteristic of service marketing namely the influence of the company to the customer during

the services. In this regard, the success of employees becomes a vital element in achieving service excellence, supported by the company's capabilities in recruitment, training, employee development, compensation systems, and performance evaluation.

#### 4) Perishability

Services cannot be stored, resold, or repeatedly used for an extended period. Service capacity and demand experience fluctuations and changes making it difficult to make adjustments. Therefore service providers need to design strategies that are aligned with demand and supply in order to manage uncertainty effectively.

### C. E-Service Quality Indicator

(Parasuraman, 2005) e-service quality encompasses several indicators, including:

(1) Efficiency: The website is easily accessible for product search, and consumers can access the website quickly.

(2) Fulfillment: The website fulfills its promises regarding order delivery and maintains sufficient stock of goods.

(3) System Availability: The website provides what consumers need and expect.

(4) Privacy: The website is trusted to protect and secure consumers' personal data.

(5) Responsiveness: The website promptly responds to inquiries and issues, providing assistance to consumers and welcoming feedback and criticism.

(6) Compensation: The website makes efforts to facilitate consumers when purchased items are defective or not as ordered, offering appropriate compensation.

(7) Contact: The website provides communication channels, such as messaging or telephone, for consumers to seek assistance or interact with other consumers.

### **1.5.3 Perceived Value**

#### **A. Definition of Perceived Value**

This research term of value interpret as different meaning, the perceived value can be explained as consumer total assessment of the benefits derived from a product, implying that from their perception of what they have received and what they have given in return (Hauser & Zeithalm cite, 2011). Value indicates the trade-off between the components provided and obtained by consumers, perceived value is the difference between the total customer value and the total customer cost, additionally, due to limitations in search costs, knowledge, mobility, and income, customers tend to maximize value, hence, it is crucial for marketers to understand what perceived value entails (Kotler and Keller, 2009). Value indicates the trade-off between the components provided and obtained by consumers, perceived value is the difference between the total customer value and the total customer cost, additionally, due to limitations in search costs, knowledge, mobility, and income, customers tend to maximize value, therefor, it is crucial for marketers to understand what perceived value entails (Kotler and Keller, 2009). Perceived value represents the relationship between the product or service offered and the customers, reflecting their understanding of how well it meets their needs compared to the costs incurred (Woodruff and Gardial, 2002).

Service capacity and demand undergo fluctuations and changes making it challenging to implement adjustments. Therefore service providers must develop strategies that align demand and supply to manage uncertainty effectively. It involves understanding customers' desires, fulfilling their needs, and providing a favorable trade-off between the value delivered and the value obtained by the consumer. Marketers should have a clear understanding of perceived value to effectively cater to customers' expectations and preferences.

#### **B. Perceived Value Indicators**

Perceived value act as important element to attract customer making their decision to purchase some product. Each evaluation result act as crucial factor depending on the level of decision making (such as buying or not buying a product

or service from a brand), as well as the products and services themselves. (Sweeney & Soutar, 2014) conduct four main aspects that act as perceived value indicator, which are:

1. Emotional Value: The positive emotions evoked from consuming or using a product.
2. Social Value: Based on how consumer perceived them self , the product need to provide a benefits that match their social status and standing.
3. Quality/Performance Value: A durability benefits that able to reduce cost for customer in long run, product constantly giving a reliable performance during the pucase, a benefits that sustain, generating the functionality of the product.
4. Price/Value for Money: Benefits that mirror the perception of product performance quality with reduction of value each time being used in short or long time.

These aspects encompass the different dimensions of value that consumers perceive when evaluating and assessing a product. By combining the four indicators, it is hoped for the customer to feel the persuaded and attracted with offered product in accordance with the phrase “it must make me want to buy it or use it”, so that in the decision-making process positive stimuli are created to initiate purchases.

#### **1.5.4 Customer Sasisfaction**

##### **A. Definition of Consumer Satisfaction**

Customer satisfaction or dissatisfaction is commonly understood as the customer's response to their consumption experience, which is used to evaluate the differences between their prior expectations and the actual performance perceived after ownership (Sangadji & Sopiah, 2013). Customer satisfaction is a person's feelings of pleasure or disappointment that arise after comparing performance results of a product that is thought about the expected performance results, if performance below expectations resulting into dissatisfied customers, if performance exceeds expectations, the customer is satisfied, but if performance

exceeds expectations, the customer is highly satisfied (Kotler dan Keller, 2007). Customer satisfaction is the result of meeting or fulfilling needs and desires that align with expectations (Brown, 1992). It is characterized by the pursuit of pleasant levels of fulfillment and emotional responses provided by a service (Oliver, 1997).

#### B. Customer Satisfaction Factors

According to (Zeithaml et al., 2003), factors that determine customer satisfaction or dissatisfaction include:

- 1) Product and service features: Customer satisfaction may appear after customer analyze the product features after they used it. Customers will compare various service features such as pricing, service quality, and staff friendliness to evaluate the overall service that they experienced.
- 2) Consumer emotions: Customer mood play a significant role when they use the product, mainly the customer mood at that moment effecting the perception of satisfaction in customer evaluation, with customer emotional state shaped the way customer react to any service and product they used.
- 3) Attributes for service success or failure: Service attributes can impact customer perceptions of satisfaction. When customers are surprised by the outcomes they receive, they try to find reasons behind it, and their evaluations can affect satisfaction rate.
- 4) Perceptions of equity or fairness: It is natural for customer to compare the treatment they received with other, Whether other customers receive better or worse treatment than themselves is an important aspect of equality. Justice in treating customers must be maintained at a fair level.
- 5) Other consumers, family members, and coworkers: As social beings, being influenced by those closest to them indicates that customers can be satisfied if they are surrounded by the behavior and monitor the experiences of other people who have close relationships with them.

#### C. Customer Satisfaction Measurement Indicators

According to (Zeithaml, Parasuraman,2004) Customer satisfaction dimensions can be divided into several categories:

- 1) Expectations: To adapt products to customer preferences and desires, the level of recognizing the customer characteristics and embracing customer customization act as significant factor.
- 2) Product perceived delivery: The process to deliver their customer expectations and meet their needs, without dropping customer expectations.
- 3) Confirmation or disconfirmation: A recognition function when the company points out the dissatisfaction or satisfaction result of customer experience, to map the next step of improvement.
- 4) Complaining behavior: A customer feedback experience, also form of end result for improvement in transforming the dissatisfaction into satisfaction.

### **1.5.2 Customer Loyalty**

Loyalty is a deep seated commitment to repurchase or support a favored product or service in the future, even when situational influences and marketing efforts have the potential to make customers switch, consumer loyalty is an effort by consumers to remain faithful with a strong awareness, perceived quality, satisfaction, and pride towards a product, resulting in repeat purchases (Kotler and Keller, 2018). Customer loyalty plays a crucial role in a company as retaining them means improving financial performance and sustaining the company's existence (Prahastusti, 2011). Loyalty reduces attacks from competing companies, not just in terms of product competition but also in terms of perception battles (Vanessa Gaffar, 2007).

#### **A. Maintaining Customer Loyalty**

According to (Aaker, 1997), there are five ways to create and maintain customer loyalty:

1. Respecting customer rights: Customers have the right to be treated with respect. It is crucial for companies to cater to their desires and preferences in order to maintain their loyalty.
2. Staying close to customers: Maintaining a close relationship with customers is highly valuable as it allows companies to stay attuned to changes in consumer desires. This proximity is effective in promptly identifying customer expectations.

3. Customer satisfaction level measurement: to obtain valuable feedback a regular and structured measurement is needed, this helps in understanding consumer attitudes, especially regarding their loyalty.
4. Creating switching costs: This involves offering flexible pricing and discounts, where established prices can be reduced through special considerations for loyal customers, make it more difficult for customers to switch to competitors.
5. Providing extras: Offering rewards or incentives to customers makes them feel valued and appreciated, ultimately fostering loyalty and commitment.

#### B. Customer Loyalty Measurement Indicators

According to ( Dharmmesta, 1999), the four indicators are mentioned below:

1. Brand choice sequence: This indicator refers to the sequence of brands chosen by customers over time. It shows the extent to which customers consistently choose the same brand within a specific timeframe.
2. Proportion of purchase: The higher of the purchase consistency within a customer's total purchases the greater their loyalty to that brand.
3. Brand preference: This indicator measures the level of preference customers have for a particular brand compared to other brands in the same category. If customers have a high preference for a brand and consistently choose it, it indicates a high level of loyalty.
4. Brand commitment: Brand commitment can be measured by positive attitudes, consistent repurchase intentions, and the graduality to give brand recommendation to enhance others. When customers' commitment reach a higher stage, the greater their loyalty.

## 1.6 Previous Research

To conduct this research referral to credible previous research in needed.

The following studies are the research that provide a significant result to support the current study, they are:

**Table 1.1 Previous Research Matrix**

No.	Research Title and Researcher	Variable	Result
1	The Effect of E-Service Quality and Brand Image Toward Netflix Customer Loyalty through Customer Satisfaction (Kurniati, Rivai & Aditya, 2021).	E-service quality, Brand Image, Customer Satisfaction, Customer Loyalty.	E-Service Quality has positive and Insignificant effect on customer loyalty.
2	The Influence of Service Quality, Price, and Customer Satisfaction in Building Customer Loyalty Using Paid Music Service Applications, Case Study on the Spotify Application (Arief, Febrilia, lutfia, 2023).	Customer Loyalty, Customer Satisfaction, Paid music service application, Price Service Quality.	service quality variable has a positive and significant influence on customer satisfaction
3	Influencing Factors of Perceived Value on Customers Netflix Application in Bekasi (Loveanda & Triandewo, 2024).	Perceived Enjoyment, Perceived Usefulness, Perceived Cost, Customer Loyalty, Perceived Value.	Perceived Value has a positive and significant effect on Customer Loyalty.
4	The Influence of Perceived Value, Customer Satisfaction, and Trust on Loyalty in Entertainment Platforms (Yum & Kim, 2024).	Perceived Value (Utilitarian, Hedonic, Social), Customer Satisfaction, Trust, Loyalty.	Perceived Value (Utilitarian & Hedonic) has a positive and significant effect on Customer Loyalty.
5	Relationships between Service Quality, Brand Image, Customer Satisfaction, and Customer Loyalty (Dam & Dam, 2021).	Service Quality, Brand Image, Customer Satisfaction, Customer Loyalty.	Customer Satisfaction has a positive and significant effect on Customer Loyalty.
6	The Effect of E-Service Quality and Brand Image Toward Netflix Customer	E-service quality, Brand Image, Customer	E-Service Quality has positive and significant effect on Customer Loyalty

No.	Research Title and Researcher	Variable	Result
	Loyalty through Customer Satisfaction ((Kurniati, Rivai & Aditya, 2021).	Satisfaction, Customer Loyalty.	through Customer Satisfaction as full mediation variable.
7	The Influence of Perceived Value, Customer Satisfaction, and Trust on Loyalty in Entertainment Platforms (Yum & Kim, 20240	Perceived Value (Utilitarian, Hedonic, Social), Customer Satisfaction, Trust, Loyalty.	Perceived Value (Utilitarian) has positive and significant effect on Customer Loyalty through Customer Satisfaction as partial mediation variable.

## 1.7 Relationship Between Variables

### 1.7.1 Relationship between E-Service Quality and Customer Loyalty

Loyalty is a form of positive attitude and buying intention for the future, that caused by customer psychological indulment within the website, this advantageous customer behaviour also resulting into repurchasing the product/services (Lin et al, 2018). Furthermore (Kaur & Kiran, 2015) implied that within the sector of banking in India, while customer using the banking website they found that the interactive layout of the website, the easiness of web usage and guranteed security mark a significant role to signify their customer loyalty. nevertheless, other study conducted by (Rizan et al., 2020) present a different result with insignificancy result of e service quality and customer loyalty direct relationship, but significancy on their indirect effect. Looking at the prior description, current hypothesis formulated in this research is:

H1: E-Service Quality has a positive and significant impact on Customer Loyalty

### 1.7.2 Relation between E-Service Quality on Customer Satisfaction

E-service quality has a positive and significant impact on satisfaction. The results of this study indicate that the better the e-service quality offered by an online shop, the higher the user's e-satisfaction in using the e-services on the online shop as an online shopping site. Efficiency mark as the most important

indicator for e service quality, in the form of user ease and speed with which users access and use the site (Purwanto, 2022). Therefore, stimuli provided through e service quality can be reflected on customer satisfaction level (Komara & Ariningrum, 2013). Confirming to research by (Della Prisanti, 2017) presenting a positive relationship between the e service quality and customer satisfaction. Looking at the previous description, the hypothesis formulated in this research is:

H2: E-Service Quality has a positive and significant impact on Customer Satisfaction

### **1.7.3 Relation between Perceived Value on Customer Loyalty**

According to (Suhartanto et al., 2013) within field of Indonesian tourism and hospitality industry, found out that there is a positive relationship between perceived value and customer loyalty, mean that when customers perceiving a value in their experiences, they are more likely to exhibit loyalty towards the service provider. Similarly (Hapsari et al., 2017) based that customer perceived value significantly influences customer loyalty in the Indonesian aviation industry, this suggests that when customers perceive value in the services provided by an airline, they are more likely to remain loyal to that airline. In the telecommunications sector (Lai et al., 2009) discovered a positive relationship between customer perceived value and customer loyalty among users in China, this finding shows that when customers perceive value in their telecommunications services, they are more likely to exhibit loyalty towards their service provider. Overall, the previous researchs indicating a crucial insight of customer loyalty in the hospitality, tourism, and telecommunications sectors, when customers perceive value in the services they receive, it increases their likelihood of becoming loyal customers, continually their purchases, and giving good referral to new customer. In conclusion, customer perceived value plays a fundamental role in marketing activities and has a significant impact on customer loyalty across various

industries. Looking at the previous description, the hypothesis formulated in this research is:

H3: Perceived Value has a positive and significant impact on Customer Loyalty

#### **1.7.4 Relation between Perceived Value on Customer Satisfaction**

When customers perceive they are getting more value better quality, benefits, or emotional reward for what they spend they are more likely to be satisfied with their purchase or experience (Zhou et al., 2017). Perceived customer value refers to the overall assessment or evaluation made by customers regarding the benefits and usefulness of a product, based on their perceptions of what they receive and what is provided, value shapes expectations, if customers believe they're getting a good deal, they often enter the transaction with a more positive mindset. When the experience aligns with or exceeds those expectations, satisfaction follows, this statement aligns with the findings of (Tan et al., 2019), which indicate that perceived value has a significant impact on customer satisfaction. When customers have a high perception of value, it can create an emotional connection with them, leading to increased customer satisfaction. Looking at the previous description, the hypothesis formulated in this research is:

H4: Perceived Value has a positive and significant impact on Customer Satisfaction

#### **1.7.5 Relation between Customer Satisfaction on Customer Loyalty**

The relationship between satisfaction and loyalty lies in the state where customers reach the highest level of satisfaction, which generates strong emotional attachment and ongoing commitment to the company's brand (Kotler & Keller, 2009). Satisfied customers are more likely to develop trust in a brand, over time, this trust builds emotional attachment, which is a key driver of loyalty, various studies support the notion that customer satisfaction positively influences customer loyalty (Winarso & Kukuh, 2010). Furthermore

(Hutomo & Satrio ,2010) and (Wijayanti & Ari , 2009) found a significant link between customer satisfaction and customer loyalty, indicating that satisfied customers are more likely to exhibit loyalty towards the brand, highly satisfied customers often recommend the product or service to others, helping create a loyal customer base through referrals. Customer loyalty doesn't arise from one good experience, it's usually the result of repeated satisfaction across multiple interactions. Looking at the previous description, the hypothesis formulated in this research is:

H5: Customer Satisfaction has a positive and significant impact on Customer Loyalty

#### **1.7.6 Relation between E-Service Quality and Customer Loyalty through Customer Satisfaction**

E-service quality, which embody some dimensions such as efficiency, reliability, responsiveness, security, and fulfillment, shapes the customer's overall experience with an online platform, when customers perceive a high e service quality, they demand it to be convenient to use, able to protect their data privacy, and steadfast, they are more likely to experience satisfaction, this satisfaction, in turn, becomes a key driver of loyalty, as satisfied customers are more inclined to repurchase, resist switching to competitors, and recommend the service to others, thus, while e-service quality can have a direct impact on loyalty, its effect is largely channeled through customer satisfaction. According (Joudeh & Dandis, 2018) their study revealed a positive result of internet service quality on customer satisfaction, this implies that the quality of service provided to customers can impact their satisfaction by meeting their expectations and fulfilling their service needs. Similarly, (Selvakumar, 2015) confirmed the influence of service quality on customer satisfaction, noting that when customers receive the expected level of service, their loyalty increases, and the organization's reputation is significantly affected. (Lenka et al., 2009) also arrived at the same conclusion, stating that satisfactory service delivery leads to customer satisfaction, which contributes to higher levels of customer

loyalty. This finding can be understood logically since when individuals are satisfied with a particular service, their loyalty tends to lean towards that service provider that consistently delivers satisfactory experiences. Customer satisfaction can be achieved by conducting a well rounded service quality, this reaction will create a new level of customer loyalty. Looking at the previous description, the hypothesis formulated in this research is:

H6: Customer Satisfaction has a positive and significant impact in mediating the effect of E-Service Quality on Customer Loyalty.

#### **1.7.7 Relation between Perceived Value and Customer Loyalty through Customer Satisfaction**

The relationship among perceived value, customer satisfaction, and loyalty has been extensively discussed in the field of amenity marketing. Perceived value refers to the customer's evaluation of the benefits they receive from a product or service relative to the costs they incur, including monetary, time, and effort. When customers perceive that they have received high value, whether through product quality, service effectiveness, emotional fulfillment, or price fairness, they are more likely to feel satisfied with their experience. This satisfaction acts as a critical emotional response that reinforces positive attitudes toward the brand or service provider. In turn, satisfied customers are more likely to develop loyalty, demonstrated through repeat purchases, continued engagement, and positive word-of-mouth. According to (Anderson et al., 1994) Perceived Value directly impacts Customer Satisfaction and sheds light on how a satisfied customer responds to the service provider. (Yang & Peterson, 2004), their findings indicated that Customer Satisfaction has a positive and significant impact on the relationship between perceived value and loyalty. Another research by (Ashraf et al., 2018) conducted on the education service sector, they found that in their second model, customer satisfaction acts as a mediating variable between corporate image and loyalty, as well as between perceived value and loyalty. When customers are satisfied with an organization, the relationships between the four variables, become

stronger. Therefore, while perceived value can influence loyalty directly, its strongest and most consistent impact occurs through the positive endorsement of customer satisfaction. Looking at the previous description, the hypothesis formulated in this research is:

H7: Customer Satisfaction has a positive and significant impact in mediating the effect of Perceived Value on Customer Loyalty.

### **1.8 Hypothesis**

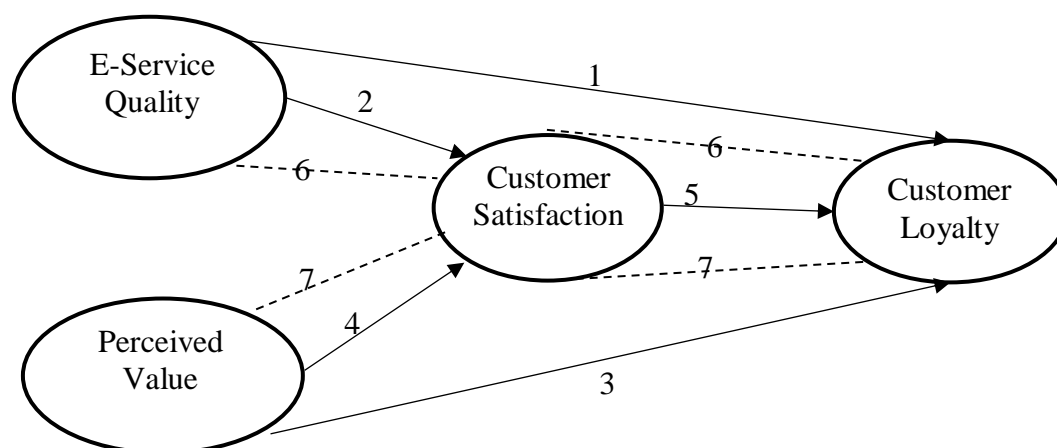
The hypothesis proposed in this study are as follows

- H1 :E-Service quality has a positive and significant direct effect on customer loyalty.
- H2 :E-Service quality has a positive and significant direct effect on customer satisfaction.
- H3 :Perceived value has a positive and significant direct effect on customer loyalty.
- H4 :Perceived value has a positive and significant direct effect on customer satisfaction.
- H5 :Satisfaction has a positive and significant direct effect on customer loyalty.
- H6 :Customer satisfaction can indirectly mediate the effect of E-service quality on customer loyalty.
- H7 :Consumer satisfaction can indirectly mediate the effect of perceived value on customer loyalty.

Hypotheses H1 through H5 are categorized as direct effect hypotheses because they examine the direct relationships among the constructs through single structural paths, thereby establishing the fundamental theoretical connections within the research model. Meanwhile, H6 and H7 are classified as indirect effect hypotheses as they investigate the mediating role of Customer Satisfaction in transmitting the effects of E-Service Quality and Perceived Value on Customer Loyalty. Direct effect testing is conducted prior to mediation analysis to identify

the original relationships among the variables and to determine whether Customer Satisfaction functions as a full or partial mediator. Furthermore, all hypotheses are formulated as one tailed hypotheses because the study is specifically designed to validate the positive relationships proposed by established theories and prior empirical findings. Rather than exploring effects in both directions, the research focuses on confirming whether E-Service Quality, Perceived Value, and Customer Satisfaction perform their intended roles in enhancing Customer Satisfaction and Customer Loyalty among Spotify users. Therefore, a one-tailed approach is considered the most appropriate for supporting the proposed theoretical framework and achieving the study's research objectives.

**Figure 1.8 Research Hypothesis Model**



## 1.9 Concept Definition

The concept definition limits the understanding of the variables studied by definition as follows:

### 1.9.1 E-Service Quality

The definition of e-service quality is the level of website effectiveness and efficiency in order to provide facilities to consumers in shopping which include purchasing process and product delivery (Parasuraman, 2005).

### **1.9.2 Perceived Value**

(Sweeney & Soutar, 2001) stated that perceived value is consumer judgment that determines the decision to buy something product.

### **1.9.3 Customer Satisfaction**

(Lupiyoadi & Hamdani, 2006) customer satisfaction is the level the feeling in which a person states the results of a comparison of product service performance accepted and expected.

### **1.9.4 Customer Loyalty**

According to (Griffin, 2005) states that loyalty is defined as non random purchase expressed over time by some decision making unit.

## **1.10 Operational Definition**

Operational definition is used to adjust opinion with application of research variables in the field. Here are operational understanding that is implemented in each variable in this study, in including:

### **1.10.1 E-Service Quality**

According to (Parasuraman.2005), e-service quality encompasses several indicators, including:

1. Efficiency
2. Fulfillment
3. System Availability
4. Privacy
5. Responsiveness
6. Compensation
7. Contact

### **1.10.2 Perceived Value**

(Sweeney and Soutar, 2014) they added that the value dimension consists of four main aspects:

1. Emotional Value
2. Social Value
3. Quality/Performance Value

## 4. Price/Value for Money

**1.10.3 Customer Satisfaction**

According to (Zeithaml & Berry, 2004), dimensions of customer satisfaction can be divided into 4 categories:

1. Expectations
2. Perceived delivery of product or service
3. Confirmation or disconfirmation.
4. Complaining behavior

**1.10.4 Customer Loyalty**

According to (Dharmmesta, 1999), there are four indicators used to measure customer loyalty, which are:

1. Brand-choice sequence
2. Proportion of purchase
3. Brand preference
4. Brand commitment

**Table 1.2 Concept Matrix**

<b>No</b>	<b>Concept</b>	<b>Variable</b>	<b>Indicator</b>	<b>Item</b>
1	The definition of e-service quality is the level of website effectiveness and efficiency in order to provide facilities to consumers in shopping which include purchasing process and product delivery.	E-Service Quality	1. Efficiency	1. Efficiency: Spotify's website provides a seamless and Intuitive access, with no technical confusion user able to access their favorite music and playlists quickly.



			<p>5. Responsiveness</p> <p>6. Compensation</p> <p>7. Contact</p>	<p>risk and ensuring the data privacy.</p> <p>5. Responsiveness: Spotify promptly addresses user inquiries and issues, providing efficient customer support and actively engaging with user feedback to improve the service.</p> <p>6. Compensation: In cases where users encounter any discrepancies or issues with their Spotify experience, the platform offers appropriate compensation or resolution to ensure customer satisfaction.</p> <p>7. Contact: Spotify provides various channels for users to reach out for support, such as email, social</p>
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				media, and community forums, allowing users to easily communicate and interact with the platform and other users.
2	(Sweeney & Soutar, 2001) stated that perceived value is consumer judgment that determines the decision to buy something product.	Perceived Value	<p>1. Emotional Value</p> <p>2. Social Value</p>	<p>1. Emotional Value: Spotify product evoke positive feelings and comfort such as: Discover Weekly, creating an emotional connection with users by providing a platform for self-expression, mood enhancement, rooting for healing and sense of nostalgia.</p> <p>2. Social Value: Spotify enables users to share and discover music with others such as friends and family, connecting with each other, enhancing the social aspect of music consumption</p>

			<p>3. Quality/Performance Value</p> <p>4. Price/Value for Money</p>	<p>and fostering a sense of community.</p> <p>3. Quality/Performance Value: Spotify provides high-quality audio streaming, curated playlists, and a vast music library, ensuring a superior music listening experience with a wide variety of content and genres.</p> <p>4. Price/Value for Money: With its free ad-supported option and affordable premium subscription, Spotify offers a competitive pricing structure that provides users with a cost-effective music streaming service, delivering value for the money spent.</p>
3	(Zeithaml & Berry, 2003) stated that satisfaction is the customers	Customer Satisfaction	1. Expectations	1. Expectations: Spotify meets users' expectations by providing a comprehensive music

	<p>evaluation of a product or service in terms of whether that product or service has met their needs and expectations</p>		<p>2. Perceived delivery of product or service</p> <p>3. Confirmation or disconfirmation.</p>	<p>streaming platform with a vast library, personalized recommendations, and user-friendly features.</p> <p>2. Perceived delivery of product or service: Users perceive Spotify as delivering a high-quality music streaming service with seamless playback, access to a diverse range of music, and reliable performance across various devices.</p> <p>3. Confirmation or disconfirmation: Users' experiences with Spotify confirm or disconfirm their initial expectations, leading to either a positive confirmation (when the service meets or exceeds expectations) or negative disconfirmation (when the service falls short of expectations).</p>
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			4. Complaining behavior	4. Complaining behavior: Users may engage in complaining behavior if they encounter issues with Spotify, such as playback errors, difficulty in finding specific songs, or technical glitches. However, Spotify's responsive customer support and prompt resolution of issues help mitigate potential dissatisfaction and minimize complaining behavior.
4	Loyalty as an attitude, meaning that loyalty is understood as a customer's psychological commitment to a particular object (Dharmmesta, 1999).	Customer Loyalty	<ol style="list-style-type: none"> <li>1. Brand-choice sequence</li> <li>2. Proportion of purchase</li> </ol>	<ol style="list-style-type: none"> <li>1. Brand-choice sequence: Users consistently choose Spotify as their preferred music streaming service, making it their go-to choice for accessing and enjoying music.</li> <li>2. Proportion of purchase: Spotify captures a significant share of users' music</li> </ol>

			<p>streaming activities, indicating that a substantial portion of their music consumption is done through the platform.</p> <p>3. Brand preference: Spotify is the preferred choice among music streaming services, with users actively selecting and favoring Spotify over other available options.</p> <p>4. Brand commitment: Users demonstrate a high level of commitment to Spotify, regularly using the platform, engaging with its features, and potentially subscribing to premium memberships, showcasing their loyalty and dedication to the brand.</p>
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## **1.11 Research Methods**

### **1.11.1 Types of Research**

The type of research is quantitative research through an explanatory approach, the definition of explanatory research itself is research with a purpose describe the position between variables and test the hypotheses that have been filed. So that it will determine its purpose as analysis and identification whether the E-Service Quality variable (X1) and Perceived Value variable (X2) affect the variable Customer Loyalty (Y) with the variable Customer Satisfaction (Z) for consumers who ever used the service platform Spotify

### **1.11.2 Population and Sample**

#### **1.11.2.1 Population**

According to (Sugiyono, 2016), the population refers to a specific group of objects or subjects that possess certain qualities and characteristics as determined by researchers for the purpose of study and drawing conclusions. In this particular study, the population is defined as all customers who have made purchases of spotify member plans in spotify application. The reason for selecting this population is based on Spotify's demographic data, which indicates that 54.4% of Spotify users fall within the age range of 18 to 34 years. This data shows that the majority of Spotify users belong to the millennial and Gen Z generations. Considering that there are a lot of people in Semarang temporarily or permanently this age range, they can be classified as millennials and Gen Z individuals who frequently utilize music streaming applications.

#### **1.11.2.2 Sample**

Researchers often use a sample to study a population due to limitations in terms of resources, such as manpower, time, and funds. Sampling involves selecting a subset of individuals from the population to represent the larger group. According to Cooper (1996), a basic formula suggests using a sample size of 100 respondents when the population is unknown. In this particular study, 100 individuals were chosen as respondents to represent the population. It should be noted that the population size, specifically the number of

consumers of Spotify in Semarang is not precisely determined. Therefore, using a sample is a practical approach in this context.

Semarang was selected as the research location because it represents a diverse and relevant urban population for examining consumer behavior toward digital streaming services such as Spotify. As one of the largest metropolitan cities in Central Java, Semarang has a high level of internet penetration and digital adoption, making it an appropriate setting for studying variables related to E-Service Quality, Perceived Value, Customer Satisfaction, and Customer Loyalty. The city is home to numerous universities, attracting students from various regions and ethnic backgrounds across Indonesia, thereby creating a heterogeneous population with diverse lifestyles, preferences, and consumption patterns. In addition, Semarang serves as a major economic and administrative center with a substantial number of offices, businesses, and industrial activities, resulting in a population consisting of individuals with varying occupations, income levels, educational backgrounds, and family statuses, including students, workers, married individuals, unmarried individuals, and other demographic groups.

Furthermore, Semarang exhibits significant geographical diversity, encompassing coastal areas, urban centers, and hilly regions. These varying living environments contribute to differences in socioeconomic conditions and digital consumption behavior, allowing the sample to capture a broader range of consumer perspectives. Given Spotify's primary target market of digitally connected consumers, the combination of demographic diversity, economic activity, urban development, and widespread internet usage makes Semarang a suitable and representative context for investigating customer perceptions and loyalty toward digital entertainment platforms.

### **1.11.3 Sampling Techniques**

Sampling is a process of selecting a portion of the population that will be studied. In this research, a specific number of Spotify customer in Semarang were chosen as the sample from the existing population. The research

employed purposive sampling and accidental sampling as techniques of non-probability sampling (Sugiyono, 2015). Accidental Sampling is a technique where individuals who happen to meet the researcher can be selected as samples. On the other hand, Purposive Sampling is a technique where samples are chosen based on specific considerations and specific characteristics.

While the sampling method or technique uses the help of Google Form, namely the author provides a link containing a related statement questionnaire with research variables and addressed to respondents who meet the criteria. Following are the criteria or characteristics of the respondents to be sampled:

1. Semarang citizens permanently or temporarily.
2. Have used/downloaded the Spotify platform at least 2 times in the last 6 months.
3. aged 17 years old or above.

#### **1.11.4 Data Types and Sources**

##### **1.11.4.1 Data Types**

The research incorporates both quantitative data. Quantitative data is information restricted to numerical values, making it quantifiable and amenable to statistical analysis, such as the responses obtained from a questionnaire distributed to 100 students of Semarang citizens who are subscribers of Spotify. encompasses written or descriptive explanations, including an overview of the Spotify platform and explanations of the phenomena observed within each variable, namely E-Service Quality, Perceived Value, Customer Satisfaction, and Customer Loyalty. Quantitative data gathered via questionnaire responses are combined with qualitative, descriptive insights to analyze the subject and theories related to the variables under study.

##### **1.11.4.2 Data Sources**

1. Primary Data:

by distributing online questionnaire form to Semarang citizens who have personally used the Spotify application. The data is obtained through a specific questionnaire designed for this purpose.

## 2. Secondary Data:

Secondary data is commonly collected from previous literature sources such as books, articles, journals, and the official website of Spotify. These sources provide relevant information and content that supports the research study.

### **1.11.5 Measurement Scale**

The term "Likert scale" is utilized in this study to determine the interval length on the measuring instrument, enabling the collection of quantitative data (Sugiyono, 2016). To understand sentiments toward a specific topic, Likert scales provide a structured method for collecting data on the intensity of attitudes and opinions held by individuals or groups. It assesses variables by converting them into indicator variables, which form the basis for constructing instrument items in the form of statements and questions (Sugiyono, 2016).

For the purpose of quantitative analysis in this study, a Likert scale with a score category of 1-5 was employed, where:

1. The category "5" represents a strong agreement with the question.
2. The category "4" indicates agreement with the question.
3. The category "3" signifies a neutral or satisfactory response to the question.
4. The category "2" implies disagreement with the question.
5. The category "1" represents a strong disagreement with the question.

The research instruments, employing the Likert scale, can be designed as checklists or multiple-choice options. Once the responses are scored, the data is organized into tabulations, which are then processed and analyzed statistically using software such as SPSS. The questionnaire responses are recorded for each question, and the frequencies of occurrence are compiled

into a tabular form to gain understanding and pattern regarding the respondents and the data across different categories of variables.

#### **1.11.6 Data Collection Techniques**

##### 1. Questionnaire:

According to Sugiyono (2016), a questionnaire is a method of collecting data where respondents are provided with a set of questions or written statements to gather their responses. In this study, an online questionnaire was created using the Google Forms and dispersed to gather responses from Semarang citizens. The questionnaire included statements with alternative answer choices and a section for respondents to provide reasons for their answers. Distribution of the questionnaire was conducted through social media platforms, specifically in the batch groups targeting the intended participants.

##### 2. Literature Study:

A literature study involves reviewing relevant articles, theoretical books, and journals that address the research topic. It serves as a source of references and existing knowledge used to support the research problem.

##### 3. Interview

in the form of a survey of some data by asking questions directly to Spotify Customer in Semarang who use the Spotify application.

#### **1.11.7 Data Processing Techniques**

The following are some of the data processing steps:

##### 1. Editing

Editing process to ensure the answers to each questionnaire are filled out correctly.

Editing was done to get the correct and weighted answer in writing the conclusion gives the right answer.

##### 2. Coding

Giving codes to various answers from the questionnaire that has been given

to respondents to be grouped in the same category, aims to simplify the answers from respondents so that they can easily processed into SPSS and make it easier to analyze the results.

### 3. Scoring

Give a score or value by using the weight of the value in the answers to the questionnaire.

### 4. Tabulating

Presenting data in tabular form to facilitate researchers in the process analyze data and facilitate presentation.

#### **1.11.8 Research Instruments**

A research instrument refers to a tool utilized to measure natural and social phenomena that are observed. In this particular study, the instrument takes the form of a questionnaire comprising various questions that are intended to be answered by the research participants. According to (Sugiyono, 2010), the Likert Scale is employed to gauge the attitudes, opinions, and perceptions of individuals or groups pertaining to social phenomena. The Likert Scale allows for the description of variables to be measured as indicators, which serve as the basis for formulating statement items or questions. Each item in the instrument employing the Likert Scale provides a range of responses that span from highly positive to highly negative.

#### **1.11.9 Analytical Techniques**

Data analysis with quantitative data, namely analysis using the numbers presented with tables and calculations with the help of statistical software called SmartPLS. The structural equation modeling (SEM) model utilized in current research adheres to component-based structural equation modeling, or variance, which is frequently used in technical analysis in conjunction with the partial least squares (PLS) technique. When examining the cause-and-effect relationships between latent constructs, structural equation modeling, or SEM, has come to be considered a quasi-standard in the field of marketing and management research. For most researchers, doing covariance-based SEM (CB-SEM) is equivalent to using

SEM. Although most marketing researchers are only vaguely familiar with partial least squares SEM (PLS-SEM), another helpful kind of SEM, they do possess a rudimentary understanding of CB-SEM. In this study, two levels of PLS-SEM analysis were performed: First-Order Confirmatory Factor analysis (also known as Second-Order CFA). This action was taken as a result of indicators that were not valid constructs at the initial stage of analysis. Thus, these indicators need to be taken out of the model and reexamined using second-order CFA.

To ascertain the correlation between latent variables, PLS-SEM was used. In this study, the PLS method makes use of SmartPLS. Random multiplication or bootstrapping techniques are used by SmartPLS-SEM, the normality assumption is approached and not be ignored. Small sample sizes can be used in research using SmartPLS-SEM by using bootstrapping, as SmartPLS-SEM does not need to identify the lowest total sample. Thus, the two types of test resistance that SmartPLS-SEM offers are the Inner Model (Evaluation of Structural Model) and the Outer Model (Evaluation of Measurement Model).

## **1.12 PLS Model Specification**

A measuring model (outer model) and a structural model (inner model) make up the PLS model.

### **1.12.1 Evaluation of Measurement Model (Outer Model)**

The relationship that exists between each indicator and its latent variable is displayed by the measurement model or external relationship. Both convergent and discriminant validity tests were used to evaluate the measurement model in the validity test. Cronbach's Alpha and Composite Reliability both display the reliability test (Ghozali, 2015).

#### **a. Convergent Validity**

Convergent validity uses the standardized loading factor and AVE values (Average Variance Extracted) to assess the strength of the link between constructs and latent variables. The individual value may be regarded as greater than the construct you wish to compute if it is over 0.70. For scale development studies, a loading factor of 0.50 to 0.60 is still appropriate (Ghozali, 2015)

**b. Discriminant Validity**

When there is cross loading between the indicators and the construct, discriminant validity is evident. The latent construct is thought to be an indicator in one block better than indicators in other blocks, as evidenced by the construct's higher correlation with its indicators than the other correlations. Comparing the square root of the AVE for each concept with its link to other constructs and models is another way to assess discriminant validity. The model is said to have excellent discriminating validity if the AVE roots for each construct are greater than the relationship between the construct and other constructs (Fornell & Larcker, 1981). The test was discussed by (Ghozali & Latan, 2015) using the AVE score as a means of gauging a construct's validity. When each construct's AVE score is more than 0.50,

**c. Reliability**

The purpose of a reliability test is to demonstrate the instrument's strong consistency, precision, and usefulness in calculating constructs. Cronbach's Alpha and Composite dependability are two techniques you

can use in SEM-PLS to evaluate the dependability of a construct with indicators. The construct is deemed reliable if the composite reliability or Cronbach alpha value is more than 0.70 (Ghozali & Latan, 2015).

### **1.12.2 Evaluation of Structural Model (Inner Model)**

The latent variable structure model, which is centered on this model, has a clause relationship and a linear correlation between latent variables. There are two steps in the inner model, specifically:

#### **a. R-Square**

Using the R-square score as a goodness-of-fit model test, the structural model was tested. The relationship between exogenous and endogenous latent variables can be explained using the R-square score.

#### **b. Path Coefficient**

The significance of the influence between the variables is ascertained by this test using the bootstrapping method via coefficient scores and statistical significance figures (Ghozali & Latan, 2015).

### **1.12.3 Direct Effect Test**

The degree of direct influence between variables is ascertained using the direct influence test. SmartPLS 3.0 software was used to conduct this test using the bootstrapping technique. E-Service Quality and Perceived Value are the independent variables in this study. If the P value is less than the sig level and the

T statistic score is more than the T score, the independent (exogenous) variable is thought to have an impact on the dependent (endogenous) variable. (important), specifically 5%.

#### **1.12.4 Indirect Effect Test**

The method of calculating the indirect effect between variables by using the indirect effect test. In this test, the smartPLS 3.0 software's bootstrapping technique was applied. Customer satisfaction serves as the study's intervening variable. Table T scores must be less than the significance level, and statistical T-scores must be higher. (5%) in order to say that the mediating variable can moderate the impact of the independent variable on the dependent variable.