

## Factors Driving Customer Satisfaction for Shopee Malaysia

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### Abstract

The Covid-19 pandemic caused the e-commerce adoption rate to skyrocket. Shopee Malaysia was among the few e-commerce platforms that have managed to ride the wave of the e-commerce boom in Malaysia. This study aimed to examine the factors that drive customer satisfaction for Shopee Malaysia, including customer understanding, customer service, and technology. The study used a quantitative method through an online survey. In total, 164 participants took part in this research. The results indicate that although customer understanding contributes significantly towards customer service, it does not influence customer satisfaction unless through customer service or technology. Customer service and technology are significant predictors of customer satisfaction. Additionally, technology is a strong mediator for the relationships of customer understanding and customer service with customer satisfaction. Therefore, Shopee Malaysia needs to improve the areas of its e-commerce platform technology since it significantly impacts customer satisfaction. It is hoped that Shopee Malaysia and other interested parties can benefit from the results of this study.

**Keywords:** customer satisfaction, customer understanding, customer service, technology, Shopee Malaysia.

**JEL classification:** L81, M31.

## 1. Introduction

The Covid-19 pandemic has spurred the growth of e-commerce as everyone had to quarantine themselves at home during the lockdowns. E-commerce enables people to purchase products or services via the Internet either due to convenience or out of necessity (Lim et al., 2021). During the pandemic, many businesses had to move online to survive. With the advent of the Internet, customers are more demanding because they have access to an infinite amount of information and are now more knowledgeable. In the past, customers had to go to individual stores to obtain the prices of products so they could compare them, but now, all the data are available online. As information is easily accessible, it becomes challenging to please customers. The study context is Shopee, a leading e-commerce company in Malaysia (hereafter known as “Shopee Malaysia”). When the economy reopened in 2022, Shopee Malaysia maintained its top spot as the platform of choice at 79% (Lie, 2022). Amidst solid competition in the e-commerce business landscape, customer satisfaction is vital for any e-commerce platforms to achieve success (Lim et al., 2021). Thus, Shopee Malaysia has to find ways to exceed customer expectations continually. Therefore, this study intends to examine how customer understanding, customer service, and technology drive customer satisfaction for Shopee Malaysia.

## 2. Literature Review and Hypotheses Formulation

### 2.1. Customer Satisfaction

Customer satisfaction allows businesses to assess how effective their products or services can fulfil the needs of their customers (Guo et al., 2012). According to Lim et al. (2021), satisfied customers will likely become loyal customers with repurchase intentions. Moreover, Guo et al. (2012) highlight three main factors influencing customer satisfaction towards online shopping, namely, technology (security, privacy, usability, and site design), shopping (trust,

trustworthiness, convenience, and delivery), and product (product customization, product value, and merchandising). Although there were recent studies on customer satisfaction in Shopee Malaysia (Lim et al., 2021; Yo et al., 2021), other factors that influence customer satisfaction may exist; thus, this study was conducted to fill the research gap.

## **2.2. The Relationship of Customer Understanding, Customer Service and Customer Satisfaction**

Customer understanding involves learning everything about the customer, which includes their needs, wants, pain points, and current experiences. Based on a systematic review of customer management, Dibley et al. (2016) recommend that companies need to enhance their customer engagement and interaction as customers are becoming more demanding. To achieve this, understanding the customer is needed, and the appropriateness of products in customers' lives is equally important. E-commerce platforms that provide a broader selection of products motivate customers to shop online frequently. As a result, their image as a more reliable source increases compared to physical stores that only provide limited product choices (Boardman and McCormick, 2018; Mallapragada et al., 2016; Tata et al., 2021). Customer understanding also means that e-commerce platforms can provide personalized service as they know the customers' purchasing history and payment preferences, thus avoiding information overload (Lv et al., 2017; Tzavlopoulos et al., 2019). Good customer service will improve customer satisfaction and generate new future sales through positive customer recommendations (Lim et al., 2021). With the justification provided on customer understanding, the following hypotheses are proposed:

H1 – Customer understanding significantly influences customer service of Shopee Malaysia

H2 – Customer understanding significantly influences customer satisfaction of Shopee Malaysia.

## **2.3. The Relationship of Customer Service and Customer Satisfaction**

Customer service in e-commerce is the act of assisting new or existing online customers when they encounter doubts or challenges throughout the customer journey. The customer service teams of e-commerce platforms strive hard to provide a smooth digital shopping experience for their customers (Tata et al., 2021). This experience means that e-commerce platforms' customers should be able to shop anytime and anywhere they like (Boardman and McCormick, 2018). Customer service also enables e-commerce platforms to understand their customers' requirements, solve their issues or problems, and anticipate their future needs (Tata et al., 2021; Tong et al., 2020). Good customer service based on understanding customers' requirements and having a responsive feedback system enhances customer satisfaction. Additionally, prompt delivery is a critical value-added service that customers demand (Riley and Klein, 2021). Providing an exceptional delivery service is crucial for e-commerce platforms because customers can easily switch from one platform to another with a single click if they experience late product delivery (Handoko, 2016). As such, the following hypothesis is posited:

H3 – Customer service significantly influences customer satisfaction of Shopee Malaysia.

## **2.4. The Relationship of Technology and Customer Satisfaction**

In the current competitive business landscape, e-commerce platforms primarily depend on technology to achieve customer satisfaction. Past studies have provided evidence that accessibility, easy navigation and fast page loading speed contribute towards the overall

customer satisfaction with e-commerce platforms. For instance, with technology, e-commerce platforms should be able to ensure that their website is easily accessible 24/7 throughout the year (Sanyal, 2019). It should also be easy to navigate with a simple and convenient clicking process (Camilleri, 2021) and with a fast website page loading speed to avoid making customers feel frustrated or impatient while browsing the website (Kiew et al., 2021). As such, technology should provide customers with the convenience of using any of the e-commerce platform. Based on the points mentioned above, the following hypothesis is proposed:

H4 – Technology significantly influences customer satisfaction of Shopee Malaysia.

### 2.5. The Indirect Relationships

Customer understanding has a relationship with customer service (Lim et al., 2021), in which it is through customer service that customer understanding will affect customer satisfaction. With a good understanding of their customers' choices and preferences, e-commerce platforms can personalize their customer service to provide their customers with the convenience, recommendation and prompt delivery of products. To further strengthen customer service, e-commerce platforms need to ensure that their technology enables customers to easily access and navigate the online platforms with quick loading time. In this study, technology focuses on the functionality of the website. Also, through technology, understanding customers' product choices and preferences can lead to better personalization of customers' buying experiences, thus, increasing customer satisfaction (Bastani et al., 2021). As such, the following hypotheses are assumed:

H5 – Customer service mediates the relationship between customer understanding and customer satisfaction of Shopee Malaysia.

H6 – Technology mediates the relationship between customer service and customer satisfaction of Shopee Malaysia.

H7 – Technology mediates the relationship between customer understanding and customer satisfaction of Shopee Malaysia.

### 3. Research Methodology

The study used a quantitative approach via a self-administered online survey. The target population for this study included those who had previously purchased a product/service from Shopee Malaysia. Non-probability sampling method was chosen for this research as it was a more straightforward and cheaper method to collect data due to the time and resource limitations. In total, there were 164 survey respondents. Table 1 shows the characteristics of these respondents. Slightly more females than males responded at 57%; the majority are from the age range of 18 – 30 years old at 60%, with an educational level of degree or higher at 56%, and with a balanced mix of students (45%) and working adults (44%).

*Table 1. Demographic Profile of Respondents*

Demographic Item		Number of Respondent	Percentage of sample (%)
Gender	Male	70	43
	Female	94	57
Age Range	18-20	10	6
	21-30	88	54
	31-40	26	15
	31-50	16	10
	51-60	10	6
	61 and above	14	9
Education Level	SPM/O-Levels	8	5
	STPM/Pre-U	18	11
	Diploma/Adv. Diploma	46	28

	Degree	72	44
	Postgraduate Degree	20	12
Employment Status	Student	74	45
	Employee	54	33
	Self-employed	10	6
	Employer/Owner	8	5
	Unemployed	6	4
	Retiree	12	7

All variables in the research framework were measured in a five-point Likert scale questionnaire (1 = strongly disagree to 5 = strongly agree). Data were analyzed with SmartPLS version 3.3.8, a partial least square structural equation modelling statistical processing software, as it is more appropriate for a small sample size.

#### 4. Results

Table 2 presents the descriptive statistics for all the variables examined in the study. Interpretation of the mean values followed the classification of 1.00 to 2.33 as low, 2.34 to 3.66 as medium and 3.67 to 5.00 as high (Selvanathan et al., 2020). All of the mean values were more than 3.66; thus, respondents seemed satisfied with Shopee Malaysia.

*Table 2. Descriptive Statistics*

Variable	Measurement Item	Mean	Standard Deviation	Interpretation of Mean Value
Customer Understanding	CU1 – product variety	4.256	0.921	High
	CU2 – payment method	4.171	1.102	High
	CU3 – purchase history	3.890	1.000	High
Customer Service	CSv1 – convenience	4.232	0.966	High
	CSv2 – enquiry handling	3.805	0.943	High
	CSv3 – delivery speed	3.890	0.937	High
Technology	TG1 – accessibility	4.220	0.937	High
	TG2 – ease of navigation	4.220	1.000	High
	TG3 – loading speed	3.927	1.021	High
Customer Satisfaction	CS1 – recommendation	4.146	1.049	High
	CS2 – satisfaction	4.085	0.953	High
	CS3 – future intention	4.268	0.911	High

The research framework was first assessed for reliability and validity. Table 3 indicates that the measurement items have internal consistency reliability as the composite reliability values are above the recommended value of 0.708 (Hair et al., 2017). There is convergent validity as the factor loadings and average variance extracted are all above the required value of 0.6 and 0.5, respectively (Hair et al., 2017). There is also discriminant validity between the variables as the individual variable's outer loadings are higher than its cross-loadings with the other variables (Hair et al., 2017).

*Table 3. Measurement Model Results*

Variable	Item	Reliability	Convergent Validity		Discriminant Validity (FL)			
		CR	Loading Range	AVE	1	2	3	4
1. Customer Understanding	CU1-CU3	0.782	0.627-0.835	0.548	0.740			
2. Customer Service	CSv1-CSv3	0.880	0.823-0.866	0.711	0.691	0.843		
3. Technology	TG1-TG3	0.916	0.869-0.892	0.784	0.615	0.740	0.886	
4. Customer Satisfaction	CS1-CS3	0.954	0.916-0.961	0.873	0.634	0.717	0.808	0.934

Note: CR – Composite Reliability; AVE – Average Variance Extracted; FL – Fornell-Larcker criterion

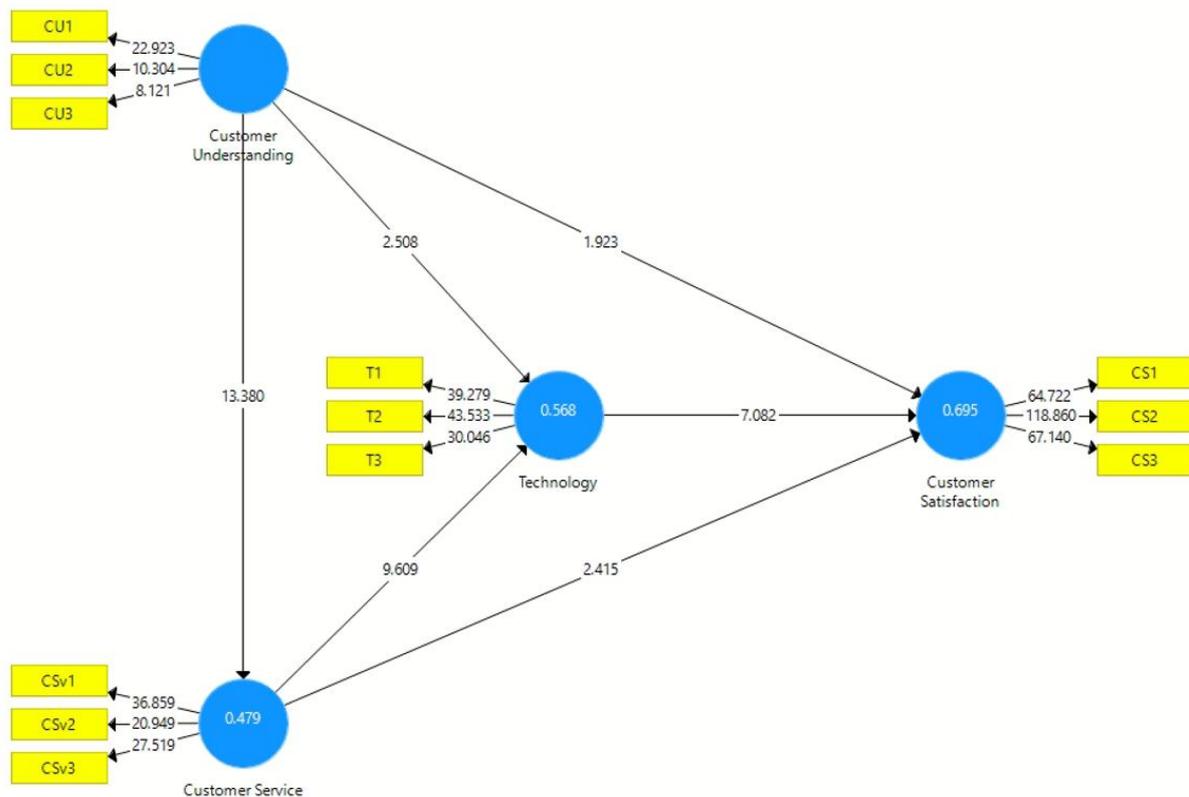
The research framework was then assessed for its predictive capabilities and the relationships of the constructs within the framework. A bootstrapping of 5000 subsamples was used to analyze the path coefficients, loadings and weights following Hair et al. (2017). Table 4 shows that out of seven hypotheses, only one (H2) was rejected as the relationship between customer understanding and customer satisfaction was not significant ( $\beta = 0.148$ ,  $p > 0.05$ ). All other hypotheses (H1, H3, H4, H5, H6, H7) were accepted.

**Table 4. Structural Model Results**

Relationship	Std. $\beta$	t-value	Result
H1: Customer Understanding $\rightarrow$ Customer Service	0.692	13.38**	Accepted
H2: Customer Understanding $\rightarrow$ Customer Satisfaction	0.148	1.923	Rejected
H3: Customer Service $\rightarrow$ Customer Satisfaction	0.185	2.415*	Accepted
H4: Technology $\rightarrow$ Customer Satisfaction	0.580	7.082**	Accepted
H5: Customer Understanding $\rightarrow$ Customer Service $\rightarrow$ Customer Satisfaction	0.128	2.393* [CI: 0.029, 0.242]	Accepted
H6: Customer Service $\rightarrow$ Technology $\rightarrow$ Customer Satisfaction	0.349	4.967** [CI: 0.223, 0.500]	Accepted
H7: Customer Understanding $\rightarrow$ Technology $\rightarrow$ Customer Satisfaction	0.116	2.661** [CI: 0.033, 0.208]	Accepted

Note: \*\* $p < 0.01$ ; \* $p < 0.05$

The findings provided evidence that customer understanding is a significant predictor of customer service; customer service and technology are significant predictors of customer satisfaction; and customer understanding and customer service are significant predictors of technology, explaining 47.9%, 69.5%, and 56.8% of the variances respectively (see Figure 1).



**Figure 1. Structural Model Results**

## 5. Conclusion

The study aimed to examine the factors driving customer satisfaction for Shopee Malaysia. Unlike customer service and technology, customer understanding did not have a significant relationship with customer satisfaction. It means that customer understanding on its own does not have any effect on customer satisfaction. However, as acknowledged by Lim et al. (2021), customer understanding is critical for any e-commerce platform to provide good service to its customers. Good customer service, in turn, will strengthen customer relationships and satisfaction (Boardman and McCormick, 2018; Tata et al., 2021).

In the case of Shopee Malaysia, it is only through customer service or technology that customer understanding can significantly influence customer satisfaction. This finding indicates that customer understanding plays an important role. By understanding their customers' preferences of product choice, payment method, and purchase history, Shopee Malaysia's customer service and the technology used for their e-commerce platform can become more effective (Bastani et al., 2021). It means that when Shopee Malaysia focuses on its customers' specific needs, Shopee Malaysia can increase customer satisfaction.

The study's finding also highlights that technology will further strengthen the influence of customer understanding and customer service on customer satisfaction. Similar to past studies of Sanyal (2019), Camilleri (2021), and Kiew et al. (2021), technology is crucial for e-commerce platforms.

Shopee Malaysia should ensure that its e-commerce platform performs well, not only from the functionality of its website but also in how it enables Shopee Malaysia to understand its customers and provide better service for them. Shopee Malaysia should also adopt data analytics. Amazon is an excellent example of data analytics technology to provide spot-on product recommendations for its customers (Camilleri, 2021). Customer data such as previous searches, buying habits, and total expenditure can be easily obtained and tracked.

Lastly, Shopee Malaysia should further improve their enquiry handling and delivery speed. Their e-commerce platform could leverage technology to feature product information that is timely and accurate regarding prices, delivery costs, and approximate shipping and delivery dates/times (Camilleri, 2021; Sanyal, 2019). Also, Shopee Malaysia should invest in technology to ensure the fast-loading speed of their e-commerce platform to attain continual customer satisfaction and future repurchase intention (Kiew et al., 2021).

## 7. Limitations and Future Research

There are several limitations to this study. Firstly, although the number of respondents met the required sampling size, it was skewed towards students within the age range of 18 – 30 years old, which may not represent the entire population well. Since this study targeted Shopee Malaysia's customers, future research could consider people from other places. Secondly, not all customer satisfaction factors could be examined for Shopee Malaysia due to time constraint. Future research could look into studying other factors that may affect the customer satisfaction of Shopee Malaysia. Other factors may include privacy/security, loyalty, social media influence, and post-purchase behavior.

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