The Effect of Product Quality and Price Fairness on Customer Loyalty with Customer Engagement as Intervening Variable on Local Skincare in Indonesia

Dony Saputra[a], Sheren Lanardi[b], Vanessa Virginia[c]

[abc] Management Department, BINUS Business School Undergraduate Program, Jakarta, Indonesia 11480
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ABSTRACT

Nowadays, the cosmetics industry is developing rapidly. According to Statista, skincare products are ranked number one by holding a 37% majority of the cosmetics industry. Further market research reveals that the global skincare market is expected to reach USD 179 billion by 2022, growing at a CAGR Rate of 4.7% from 2016 to 2022 (Lee et al., 2019). By 2020, Indonesia's National Agency of Drug and Food Control (BPOM) has introduced a new Gradual Fulfilment Certificate for cosmetic companies to enhance local cosmetics product quality and today's skincare users are highly knowledgeable and actively question whether they get a fair price, commensurate on the quality of the product that they obtained. Faced with such a high level of competitive pressure, companies are also increasingly aware of the importance of various customer retention activities. During the 1990s and early 2000s, companies achieved customer loyalty to a large extent by building customer relationships (Bei & Chiao, 2001). However, following current trends, companies are now shifting from traditional customer relationship approaches to evolving customer engagement philosophy (Bei & Chiao, 2001). Research supporting this claim shows that customer engagement can improve user retention, and user retention is, to a certain extent, a reflection of customer loyalty (Hu, Chen & Zhang, 2021). According to Sood, A. (2022, December 4), these days the way to increase customer loyalty can be done with a coordinated, multi-channel approach, underpinned by data-driven strategies, AI analytics and automation which has been proven to increase conversions by up to 25%. Meanwhile, similar research (Noerindah & Bernarto, 2022) only discussed direct effects or didn't have intervening variables to compare the indirect effects on specific local skincare brand. This research will investigate the problems companies experience in maintaining Customer Loyalty from several variables such as Product Quality, Price Fairness, and Customer Engagement that are believed to influence Customer Loyalty and to analyze the indirect effect of Product Quality and Price Fairness to Customer Loyalty through Customer Engagement. Besides, the purpose is to give insights to local skincare companies.

Keywords: Customer Engagement; Customer Loyalty; Price Fairness; Product Quality; Skincare