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CRACKING THE CODE: HOW MALAYSIA'S GEN Z SHAPES E-COMMERCE RETENTION WITH MODERN MARKETING STRATEGIES

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ABSTRACT

This study explores the key factors driving customer retention among Generation Z e-commerce users in Malaysia, especially in the urban area, therefore this study focused on the samples in Kuala Lumpur. It emphasizes the roles of perceived value and customer trust and investigates the interplay of modern marketing strategies and shopping values against actionable insights for businesses targeting this influential demographic of urban residents. A deductive research approach using quantitative methods was employed. Primary data was collected using online survey and a total of 384 were gathered using simple random sampling. Data were analysed using Partial Least Squares Structural Equation Modeling (PLS-SEM) to investigate the relationships between constructs, including utilitarian and hedonic shopping values, brand image, customer satisfaction, perceived value, and customer trust. Customer satisfaction emerged as the strongest driver of retention and perceived value, while utilitarian shopping value and brand image significantly influenced trust and retention. Hedonic shopping value demonstrated limited influenced across key relationships. Perceived value and customer trust played as critical mediators in customer retention

strategies. The results highlight the need for businesses to integrate authenticity, personalization, and seamless experiences to meet the expectations of Gen Z and thus retain them for future purchases. Findings could served as practical insights for e-commerce platforms to enhance customer experiences by aligning marketing strategies with Gen Z's unique expectations. By leveraging the mediating effects of trust and perceived value, businesses could improve customer retention, foster loyalty, and achieve long-term success in the competitive e-commerce landscape.

KEYWORDS: Digital Commerce, PLS-SEM, Technological integration, Hedonic Shopping.

1. INTRODUCTION

The rapid evolution of e-commerce businesses has influenced the transformation of Generation Z (Gen Z) into the digital marketplace. In Malaysia, the e-commerce business growth has been accelerated via technological advancements, strategic government initiatives, and the strengthening adoption of online shopping, particularly during the pandemic, when movement restriction was imposed. Excitingly, Gen Z, born from the mid-1990s to early 2010s, has emerged as a dynamic consumer force, transforming digital commerce with their distinctive behaviors and values (BambooHR 2021). Their impact is truly inspiring and shaping the future. This was further reinforced by Spitznagel (2020), who reported that the Gen Z generation constituted a significant 32% of the global population in 2019. This equated to an impressive 2.47 billion individuals out of a total world population of approximately 7.7 billion. Since Gen Z was born as the digital generation, their liking for sustainability, genuineness, and personalized experiences are prompting many businesses to restructure their traditional strategies, making them a serious factor in designing a new way for e-commerce businesses (Soni & Vohra 2023; Rasiah et al. 2023) in the country. The integration of technology has significantly propelled the remarkable growth of e-commerce, strongly influenced by Generation Z. Initiatives like the Malaysian government's National E-commerce Strategic Roadmap have bolstered digital infrastructure, fostering greater acceptance of online transactions among businesses and consumers (Rasiah et al. 2023). Gen Z's technological fluency and preference for digital shopping align effortlessly with these advancements. Their multiscreen habits and widespread use of online payment systems have played a pivotal role in expanding e-commerce platforms in Malaysia (Fei 2023; Razak 2023). By recognizing the distinct preferences of Gen Z and adapting to the rapidly changing digital landscape, businesses can secure sustainable growth and maintain competitiveness in this evolving market (Marx & Niasin 2023). Customer retention poses an ongoing challenge for businesses, often stemming from a limited understanding of effective marketing strategies to improve client satisfaction (Alayli 2023). Although key factors such as product quality, competitive pricing, accessibility, and excellent customer service are widely acknowledged as crucial for retention, many businesses struggle to foster enduring customer relationships (Alayli 2023; Elvina 2022; Ng et al. 2021; Teo 2024). Moreover, the focus of existing research on specific sectors, including online

shopping and luxury brands, limits the applicability of these findings to diverse retail environments in Malaysia, particularly in contexts involving e-wallet transactions (Lee et al. 2022). Cultural and demographic factors further complicate the landscape of customer retention research. These factors, particularly within the Malaysian context, are often overlooked despite their potential to provide deeper insights into consumer behaviour (Salamah et al. 2022). Likewise, the connection between the construct of brand image and customer retention has always been complex. Although brand image is recognised as an influential factor, its direct impact on retention appears to be mediated by other variables, such as consumer satisfaction and brand trust (Damayanti & Puspita 2023; Hoo 2024; Rahmawati 2024). Previous research has not discussed this well, leaving a huge gap for the study. Addressing these gaps can advance theoretical understanding and offer actionable abilities for most e-commerce businesses that are seeking to improve shopper retention strategies in Malaysia's diverse retail environment. The central objective of this study is to investigate the customer shopping criteria that contribute to enhanced customer retention among Generation Z e-commerce users in Malaysia. The study focuses on integrating and applying the perceived value and customer trust models to comprehensively understand retention practices among the selected generation.

Additionally, the research examines the interplay between perceived value and customer trust, identifying these as critical factors influencing customer retention behaviour among Malaysian e-commerce users. The paper's primary aim is to adopt the customer shopping criteria, leading to positive customer retention among Generation Z e-commerce users in Malaysia with complete enhancement on the perceived value and the customer trust model application. The study attempts to measure the interplay between the central construct of perceived value and customer trust as the two most important criteria influencing the customer retention practice among Gen Z in Malaysia. Specifically, it investigates whether the perceived value elements and customer trust intercede with the connection concerning customer shopping criteria and the customer retaining practice in e-commerce business among Gen Z.

2. REVIEW OF LITERATURE ON GEN Z AND SHOPPING EXPERIENCE

To appeal to Generation Z, online vendors must consistently deliver value in the shopping

experience, which is crucial for maintaining a competitive edge (Ing *et al.* (2019) and Lee *et al.* (2020). They exhibit that even satisfied customers might not return to a brand or share positive word-of-mouth if it fails to provide meaningful shopping value that fulfils their needs and expectations. Added to that, a series of previous studies also agreed that E-commerce platforms prioritising customer satisfaction without addressing perceived shopping value are unlikely to effectively meet Gen Z's high standards (Fairistha *et al.* 2023; Larasati *et al.* 2022; Xiao & Zhuang 2023). Past studies have also constantly confirmed that perceived value significantly impacts customer retention (Gao *et al.* 2021; Othman *et al.* 2021). Conversely, Kim (2019) reviewed the interplay between price, delivery quality, and perceived value, concluding that both elements rather than price alone jointly influence customers' perceived value and, consequently, their repurchase intentions. It is also agreed that faith among e-commerce users also plays a pivotal role as a mediator in e-commerce (Amarullah 2022).

2.1. Theoretical Framework

2.1.1. Social Exchange Theory

The study leverages the Social Exchange Theory to explore the dynamics of social relationships, offering insights into their development and progression. This theory suggests that individuals

assess relationships by weighing their benefits against their costs. When the perceived benefits surpass the drawbacks, relationships are likely to thrive and grow stronger. Conversely, if the costs outweigh the benefits, relationships may deteriorate or terminate. The theory serves as a crucial framework for interpreting typical behaviours and interactions, especially within marketing and consumer behaviour contexts (El Khoury *et al.* 2023).

2.1.2. Expectancy-Disconfirmation Theory

The second theory that was adopted as an underpinning theory was from the social psychology theory named expectancy disconfirmation theory. This theory was chosen based on the explanation of how individuals review and critique their own involvements, remarkably in the perspective of customer goods or essential services. The theory also summarises the satisfaction and perceived performance of the services used (Raza & Zaman 2021). The theory highlights that individuals will perceive a certain level of services before their transactions. This will continue until after the customer utilises certain goods and services, and then they will progress individual experiences of the genuine act in either a convinced or refusal disconfirmation. Therefore, the underpinning theory is reflected in Figure 1.

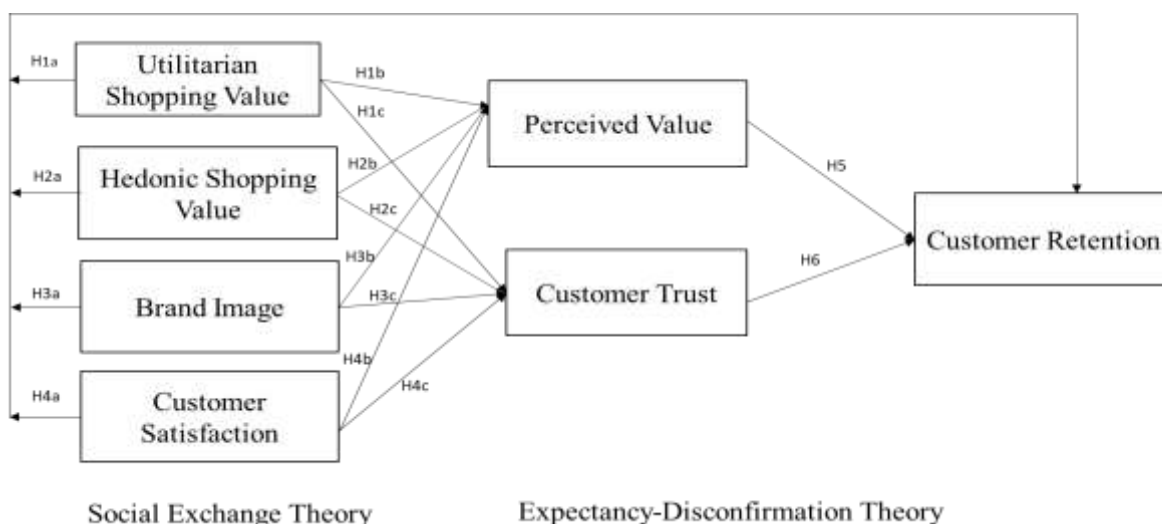


Figure 1: Research Framework on Gen Z and the Retention Model.

2.2. Customer Retention

Customers play a pivotal role as fundamental stakeholders who influence and drive a brand's revenue. According to Rahmawati *et al.* (2024), customer retention has always been reflected in its

brand's ability to convert the customer's behaviour into repeated buyer behaviour and deter them from switching to competitors with the same brand. Retaining customers can also foster long-term, positive relationships by offering more value-added products or packages fitted to the clients' requests

(Bagra et al. 2023). Bankuoru et al. (2021) further emphasised that loyal customers are more inclined to pay full price than seek discounts. To succeed, online vendors must effectively align their strategies with customers' preferences to meet their wants and demands. Previous research on customer retention has regularly proven a strong correlation relating to customer satisfaction with retention (Baxi et al. 2023; Fadhilah & Aruan 2023). Customer satisfaction measures the alignment between a firm's products or services and customer expectations (Hariguna et al. 2020). Hussain et al. (2024) emphasized the consequence of retaining committed buyers due to their critical role in repurchasing transactions. Furthermore, retaining customers can enhance acquisition efforts and significantly reduce advertising expenses. Gulfraz et al. (2022) observed that keeping present buyers is more economical, as gaining a newfound customer can be 5 to 25 times extra costly.

2.3. Significance of Utilitarian Shopping Value in the Perspective of Customer Retention

Research conducted by Andriani et al. (2022) observed that consumer behaviour oriented to utilitarian shopping value will choose products efficiently based on their rational explanations. That reason will influence the possibility of customers returning for a repurchase. This was then supported by Kotler & Armstrong (2012), who indicated that increased customer satisfaction is crucial for the repurchase intention. Thus, utilitarian shopping values are seen as more influenced than hedonic values when customer retention is a concern. This highlights the need for further research on hedonic shopping values and their impact on loyalty and re-patronage intentions through customer satisfaction. In the earlier study conducted by Overby et al. (2006), they also found that utilitarian values have directly affected loyalty and that hedonism promotes customer retention. Thus, the following hypothesis was proposed:

H1a: A significant relationship exists between utilitarian shopping value and customer retention.

2.4. Significance of Perceived Value in the Context of Utilitarian Shopping Value and Customer Retention

Perceived value in the perspective of utilitarian grocery shopping value is significant since customers who show a high perceived value in their purchases are likelier to experience high satisfaction. This satisfaction will then strengthen the trust among the

consumer, as positive experiences build confidence in the brand or provider (Jalil et al. 2019). Elevina et al. (2020) also discovered that utilitarian shopping value positively influences repurchase targets and loyalty. Conversely, Song et al. (2012) have also suggested that a positive perceived value experience can evoke positive emotions and foster satisfaction with a product. When consumers are satisfied, it strengthens their emotional connection to the product, which can serve as a foundation for repeat purchases and ultimately create customer retention (Chaudhuri & Holbrook 2001).

H1b: Perceived Value mediates the relationship between utilitarian shopping value and customer retention.

2.5. Significance of Customer Trust in the Context of Utilitarian Shopping Value and Customer Retention

Trust is essential because it sustains customer loyalty and inspires them to advocate for a particular product (Ryu et al. 2010). Loyalty, conversely, shows the ultimate objective, which ranges from consistent positive experiences with customers, trust among them, and satisfaction indication among the existing customers. It has been agreed that loyal customers will always connect with the brand and actively recommend it to others, aiding the business's long-term success (Dorean et al. 2019). Research suggests that customers are more likely to switch retail stores when their shopping experiences are driven by higher hedonism (Scarpi et al. 2014), making them less inclined to go shopping at a similar shop repetitively. A study among customers in Indonesia found that satisfaction derived from hedonic aspects, such as discovering new or trending products, enjoying shopping processes that enhance their mood, sharing experiences with other consumers about purchased products, and buying discounted items, experiencing increased enjoyment while shopping (Kim et al. 2012).

H1c: Customer trust mediates the relationship between utilitarian shopping value and customer retention.

2.6. Significance of Hedonic Shopping in the Context of Customer Retention

To measure the significance of the hedonic shopping effect on Gen Z, a study was conducted by Carpenter and Moore (2009) to explore the relationship amid spending values and key e-commerce business outcomes, which comprise customer satisfaction, re-patronage purposes, and devotion, drawing upon earlier research (Babin et al.

2005; Gao et al. 2021; Yang et al. 2009). The findings suggest that utilitarian shopping values, which emphasize functionality and efficiency, strongly influence both re-patronage intentions and customer loyalty. In contrast, the construct of hedonic shopping values, centred around pleasure and enjoyment, contribute positively to loyalty but do not significantly affect re-patronage intentions (Jones et al. 2006). This indicates that utilitarian values play a more pivotal role in driving repeat visits compared to hedonic values (Jones et al. 2006). The research highlights the need for further investigation into hedonic shopping values, particularly their potential to shape buyer devotion and re-patronage intentions through the mediating role of buyer satisfaction (Carpenter & Moore 2009). Focusing on these aspects could offer deeper insights into how emotional and experiential factors enhance long-term customer engagement and drive business success.

H2a: A significant relationship exists between hedonic shopping value and customer retention.

2.7. Significance of Perceived Value in the Context of Hedonic Shopping Value and Customer Retention

There have been many studies who had supported that the perceived values in the context of hedonic shopping retain customer (Yum 2023). This includes buyers' happiness, repurchase intention and faithful towards a brand. This was earlier agreed by Pham et al (2018) who had concluded that the customer retention is normally link to a particular label or also known as branding. In the early study conducted by Yang (2009), he had emphasized that a repurchasing behaviour only occurs as a natural extension of a consumer satisfaction. A recent study in 2023 conducted by Sharma et al had highlighted that the shopping experience that was characterized by a hedonic value drive pleasure and enjoyment among the purchaser. This led to an inclination of the repeated purchase among them. Therefore, their study had main a strong conclusion that creating an engaging shopping environment to cater the hedonic purchasing behaviour is crucial in retaining the current customer

H2b: Perceived Value mediates the relationship between hedonic shopping value and customer retention.

2.8. Significance of Customer Trust in the Context of Hedonic Shopping Value and Customer Retention

Trust is also an important element in every operating e-commerce business (Ndubisi 2007). Building customer confidence and delivering quality service strengthens trust, increasing customer

retention. According to Babin et al. (1994), hedonic aspects are associated with consumers' emotions, leading them to experience happiness, anger, or dislike while shopping. This is supported by Hirschman and Holbrook (1982), as, according to them, hedonic spending value, or the emotional encounter of shopping activities, can indicate feeling concerned with factors such as desire, aesthetics, reactions, and pleasure. Carpenter and Moore (2009) identified connections linking trust, values and essential business effects, including satisfaction, re-patronage targets, and devotion (Babin et al. 2005; Chaudhri 2001; Sorce et al. 2005; Yang et al. 2005).

H2c: Customer trust mediates the relationship between hedonic shopping value and customer retention

2.9. Significance of Brand Image in the Context of Customer Retention

Hanaysha (2018) highlighted that customer retention is a fundamental goal for organisations adopting relationship marketing strategies. Customer retention fosters and maintains customer loyalty toward a brand by building strong, lasting relationships. Espinosa et al. (2018) further emphasised the significance of current brand image as a strategic driver in encouraging customers to purchase a company's products consistently. Johansson et al. (2018) defined that the brand image represents the collective observations and relations buyers hold about a brand, shaping their attitudes and behaviours. Ultimately, brand image plays a central character in preserving buyers, as positive perceptions of the brand often lead to duplicate buying and build lasting devotion, reinforcing the strategic significance of cultivating a strong, positive brand identity.

H3a: There is a significant relationship between brand image and customer retention.

2.10. Significance of Perceived Value in the Context of Brand Image and Customer Retention

Discussing perceived value is always rooted in equity theory, which examines the balance between consumer and service provider outcomes (Oliver & DeSarbo 1988). Customer-perceived value emerges from assessing a product or service's relative benefits and sacrifices. When customers perceive that their outcome-to-input ratio is comparable to the company's, they are more likely to feel treated relatively (Oliver & DeSarbo 1988). According to Sirdeshmukh, Singh, and Sabol (2002), customer value will always be the most significant objective of each organization, while customer loyalty is a

subordinate goal representing a specific behavioural intention among customers. It has been reported that a diffident 5% enhancement in customer retaining can lead to a vital upsurge in success, fluctuating from 25% to as much as 85%, depending on the specific characteristics of the industry (Husain & Ismail, 2023; Kerin et al. 2009). This highlights the substantial impact of retaining customers on a company's financial performance, emphasising the importance of strategies to foster long-term buyer devotion.

H3b: Perceived Value mediates the relationship between brand image and customer retention.

2.11. Significance of Customer Trust in the Context of Brand Image and Customer Retention

The construct of trust is widely recognised as a critical factor influencing customer retention, with numerous studies emphasizing its consequence in fostering lasting purchaser connections (Arizal et al. 2024) emphasise that customer loyalty fundamentally depends on trust, as it helps create a foundation for ongoing engagement between a company and its customers. Similarly, Chang and Hung (2018) and Thangavelet al. (2022) have highlighted the paramount function of trust in influencing customer loyalty and mentioned that branding would act as a positive mediating factor affecting customer loyalty. Alternatively, Waworuntu et al. (2022) defined confidence or trust as extending goodwill to another party with the expectation of reciprocation, even without formal guarantees or assurances. This concept of trust they posted highlighted confidence in the other party, built on previous positive experiences or the anticipation of mutual benefit that customers can gain.

H3c: Customer trust mediates the relationship between brand image and customer retention.

2.12. Significance of Customer Satisfaction in the Context of Customer Retention

The study by Ikramuddin and Mariyudi (2021) highlights the crucial part of customer satisfaction that acts as a mediator in the journey toward measuring customer devotion, reinforcing the theoretical framework that underscores the standing importance of satisfaction in cultivating long-standing customer relations. This research supports the outcomes of Ghoshet al. (2023) and Polas et al. (2022), who argue that customer satisfaction is essential for fostering loyalty, which can significantly contribute to customer retention. As customer satisfaction increases, so does the probability that

customers will continue to be faithful to a product, reinforcing the need for businesses to prioritise customer satisfaction as a strategic goal (Kučinskas & Pikturienė 2024). In a recent study, Yum and Kim (2024) also discovered that developing a utilitarian and hedonic shopping style worth in amusement platforms as it can lead to elevated customer satisfaction. This underscores the importance of catering to functional needs (for instance user-friendliness and convenience) and responsive desires (such as enjoyment and engagement) to create a holistic and satisfying customer experience.

H4a: There is a significant relationship between customer satisfaction and customer retention.

2.13. Significance of Perceived Value in the Context of Customer Satisfaction and Customer Retention

It is agreed from previous research that a growth of 5% in trust and customer retention may yield a significant profit growth of 25% to 75% meant for a firm (Mendocilla et al., 2021; Nasution et al. 2022). To support the decisions, Wills (2009) further highlights that obtaining additional purchasers is more costly than retaining the existing ones. Consequently, fostering customer trust can enhance corporate revenues and profit margins while reducing costs. Habibi and Rasoolimanesh (2021) also support this positive correlation by stating that noting that customers in service industries are often price-sensitive. As such, their study discovered that 8% of annual sales among premium customers is attributable to customers' trust. Higher customer satisfaction leads to more excellent customer retention (Ghosh et al. 2022; Tuncer et al. 2020) found that customer happiness has a substantial positive influence on repurchasing behaviour within specific service categories (Kusumawati and Sri Rahayu (2020); Celestin et al. (2024) and Singh et al. (2024).

H4b: Perceived Value mediates the relationship between customer satisfaction and customer retention.

2.14. Significance of Customer Trust in the Context of Customer Satisfaction and Customer Retention

In order to measure customer satisfaction, most of the previous studies had referred to the application of Oliver (1980), who introduced the Expectancy-Disconfirmation Theory (EDP) as a foundational model. The theory exhibits the positivity among the purchaser with a higher satisfaction. The theory has also summed up the negative consequences that arise due to shortfalls of dissatisfaction that will weaken the purchaser's retention. Therefore, most of the study had conclude that managing customer

perceptions of value is essential for promoting belief (Rudzewicz and Strychalska-Rudzewicz (2021); Tseng *et al.* 2022)

H4c: Customer trust mediates the relationship between customer satisfaction and customer retention

3. METHODOLOGY

3.1. Collection of Data and Analysis

This research employs a common empirical method utilizing quantitative methods (Aw *et al.* 2022) to derive conclusions. A deductive inquiry usually begins with a usual investigation and progresses to peculiar assumptions through realistic data collection and verification. The study rigorously tested its hypotheses using model fit analysis to quantify the relationships among the independent, moderating, and dependent variables examined (Strunk & Mwavita 2024). The research targeted active online shoppers residing in urban areas who have made at least one online purchase. Primary

information was gathered utilizing a virtual survey, with all the respondents being identified from various residential areas within Kuala Lumpur city Centre (Kim *et al.* 2022). The survey employed a Likert measurement format and confirmatory factor testing to evaluate and quantify the recognized issues.

At the same time, Partial Least Squares Structural Equation Modeling (PLS-SEM) was applied to weigh up the inner dependability (Hair *et al.* 2023). A probability sampling method was used to select respondents from their respective residential areas. A simple random sampling technique was then utilized among the select participants from Kuala Lumpur residents who met the study criteria. The questionnaire gathered primary data on consumers' perceptions of marketing strategies and retention levels. Following the Krejcie & Morgan (1970) stand guidelines, a sample size of 384 was deemed suitable for a large population, and this study adopted a similar approach.

Table 1: Reliability Assessment of Variables.

	No of Item	CA	Composite reliability (rho_a)	Composite reliability (rho_c)	(AVE)
Brand Image	4	0.795	0.802	0.867	0.621
Customer Retention	5	0.892	0.895	0.921	0.700
Customer Satisfaction	4	0.856	0.858	0.903	0.699
Customer Trust	3	0.713	0.713	0.839	0.636
Hedonic Shopping Value	4	0.843	0.843	0.894	0.679
Perceived Value	2	0.692	0.699	0.866	0.764
Utilitarian Shopping Value	4	0.759	0.763	0.847	0.581

3.2. Model Assessment

Results from the study exhibit strong consistency and legitimacy overall on the construct measured. This was done using the Cronbach's Alpha (CA) test. The values for each paradigm used in the study were reported to be beyond the acceptable threshold of 0.7 for all constructs except Perceived Value (0.692), which is slightly lower but still acceptable due to its limited number of items. Composite reliability measures (rho_a and rho_c) for all constructs exceed

0.7, confirming robust internal consistency. As for the average variance extracted (AVE), standard values for the entire variables show a score of above 0.5, demonstrating a strong convergent validity, with Perceived Value having the highest AVE (0.764), followed by Customer Retention (0.700) and Hedonic Shopping Value (0.679). The findings show that the measurement scales effectively captured construct in the study, showing higher reliability and validity for further analysis.

Table 2: Normality vis Skewness and Kurtosis.

Constructs	Skewness	Kurtosis
Brand Image	-0.769	0.085
Customer Retention	-0.955	0.726
Customer Satisfaction	-0.873	0.479
Customer Trust	-0.533	-0.225
Hedonic Shopping Value	-0.472	-0.525
Perceived Value	-0.824	0.214
Utilitarian Shopping Value	-0.536	-0.039

The skewness and kurtosis values in Table 2 present an understanding of the division of the

constructs measured in the study, helping to assess normality. Skewness quantifies the proportion of the distribution, with values close to zero indicating a symmetrical distribution. All constructs show negative skewness, ranging from -0.472 (Hedonic Shopping Value) to -0.955 (Customer Retention). This indicates that the data distributions are slightly skewed to the left, with more responses on the higher end of the scale. Kurtosis measures the "tailedness" of the distribution, with values near zero indicating a normal distribution. Most constructs have kurtosis values close to zero, such as Brand Image (0.085),

Perceived Value (0.214), and Utilitarian Shopping Value (-0.039), suggesting distributions close to normal. However, Customer Retention (0.726) and Customer Satisfaction (0.479) show slightly positive kurtosis, indicating distributions with slightly heavier tails, while Customer Trust (-0.225) and Hedonic Shopping Value (-0.525) exhibit slightly flatter distributions with lighter tails. The skewness and kurtosis values indicate that the data is reasonably close to normal, with minor deviations typical in survey-based studies and unlikely to impact parametric analyses significantly.

Table 3: Outer Loading Matrix.

	BI	CR	CS	CT	HSV	PV	US
BI1	0.705						
BI2	0.826						
BI3	0.791						
BI4	0.824						
CR1		0.828					
CR2		0.788					
CR3		0.841					
CR4		0.853					
CR5		0.870					
CS1			0.830				
CS2			0.805				
CS3			0.847				
CS4			0.861				
CT1				0.776			
CT2				0.792			
CT3				0.823			
HSV1					0.811		
HSV2					0.811		
HSV3					0.821		
HSV4					0.854		
PV1						0.890	
PV2						0.857	
US1							0.771
US2							0.799
US3							0.714
US4							0.762

The data represents factor loadings for items grouped under seven constructs: Behavioral Intention (BI), Customer Relationship (CR), Customer Satisfaction (CS), Customer Trust (CT),

Hedonic Shopping Value (HSV), Perceived Value (PV), and Utilitarian Shopping (US). Each construct has multiple items, with values varying from 0.705 to 0.890.

Table 4: Fornell- Larker Criterion.

	BI	CR	CS	CT	HSV	PV	US
Brand Image	0.788						
Customer Retention	0.755	0.836					
Customer Satisfaction	0.809	0.836	0.836				
Customer Trust	0.769	0.619	0.698	0.796			
Hedonic Shopping Value	0.745	0.683	0.747	0.660	0.824		
Perceived Value	0.754	0.750	0.920	0.655	0.709	0.874	
Utilitarian Shopping Value	0.688	0.657	0.714	0.872	0.658	0.655	0.762

High factor loadings (typically above 0.7) indicate powerful connections between elements and their

relevant structures. Overall, the data supports the validity of these constructs, with most items exhibiting strong alignment with their intended dimensions.

Another analysis run includes the Fornell-Larcker criterion. This is reported in Table 4 and has shown a strong discriminant validity among the variables used in the study to measure customer retention. For example, the values for Brand Image (0.788), Customer Retention (0.836), and Customer

Satisfaction (0.836) have higher diagonal values than their correlations with other variables. While there are notable inter-construct correlations, such as connecting Customer Retention and Customer Satisfaction (0.836) or Customer Trust and Utilitarian Shopping Value (0.872), none exceed the square root of the AVE for their respective constructs. These results verify that all constructs tested are distinct and valid, ensuring the robustness of the model dimension.

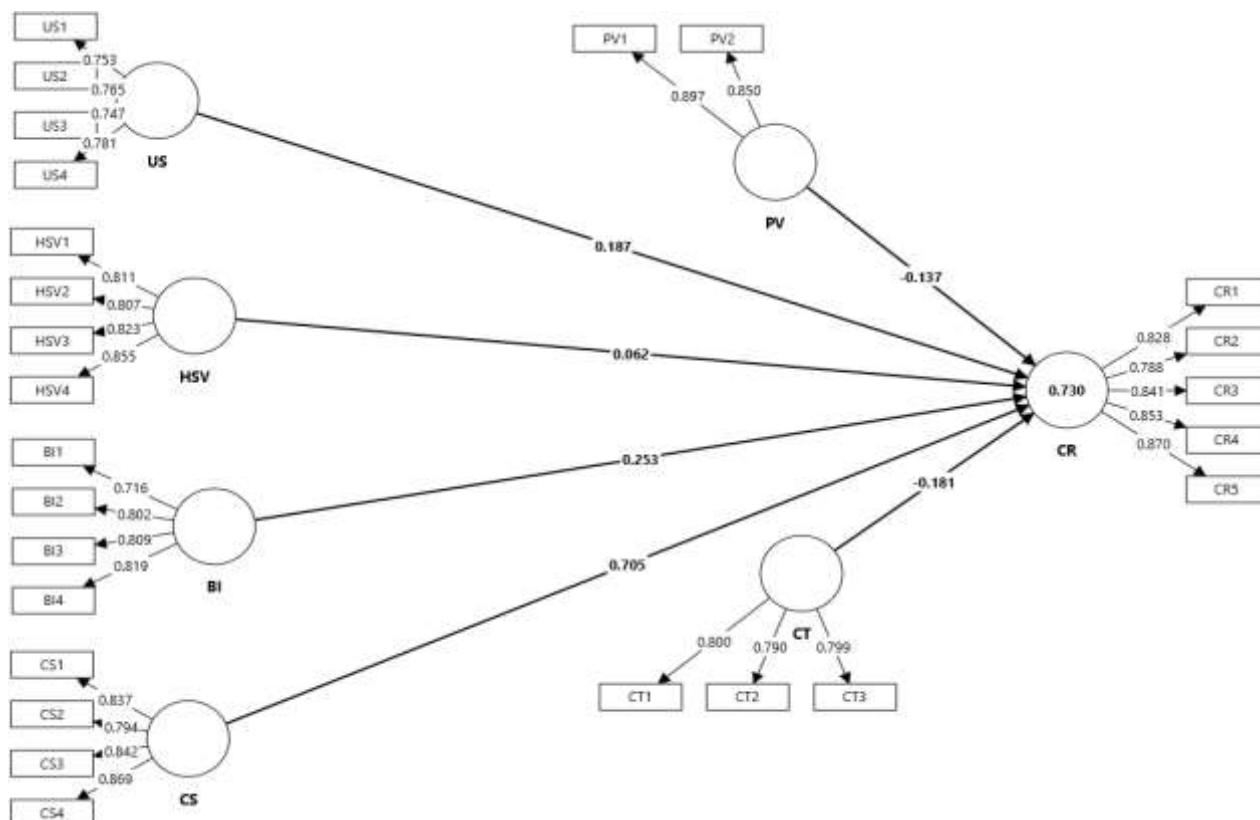


Figure 2: Measurement Model Using PLS Algorithm.

3.3. Structural Modelling

The structural modelling presented in Figure 2 illustrates the associations among the constructs in the study, along with the factor loadings for each indicator and the path coefficients between constructs. All observed variables exhibit high loadings (above 0.7), demonstrating a robust reliability and validity test in measuring respective latent constructs.

The path coefficients result also revealed the intensity and path of connections between independent construct and Customer Retention (CR). For example, Brand Image (BI) strongly affects Customer Retention (CR) with a path coefficient of 0.253. In contrast, Customer Satisfaction (CS) has the highest positive impact on CR, with a path coefficient

of 0.705. Hedonic Shopping Value (HSV) and Utilitarian Shopping Value (US) exhibit weaker but positive influences on CR (0.062 and 0.187, respectively). Conversely, Perceived Value (PV) and Customer Trust (CT) demonstrate negative impacts on CR, with coefficients of -0.137 and -0.181, individually.

The R² value for CR (0.730) implies that the standalone variables describe 73% of the alteration in Customer Retention, signifying a strong model fit. Overall, the model effectively captures the dynamics of the associations between the constructs and highlights the critical factors influencing Customer Retention.

Table 5: Lateral Collinearity Assessment test (VIF).

Constructs	VIF
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US1	1.463
US2	1.598
US3	1.369
US4	1.522
HSV1	1.740
HSV2	1.768
HSV3	1.903
HSV4	2.158
BI1	1.366
BI2	1.778
BI3	1.605
BI4	1.819
CS1	1.996
CS2	1.835
CS3	2.060
CS4	2.285
PV1	1.388
PV2	1.388
CT1	1.330
CT2	1.401
CT3	1.501
CR1	2.186
CR2	1.852
CR3	2.179
CR4	2.407
CR5	2.655

The VIF (Variance Inflation Factor) estimates provided in Table 5 assess lateral collinearity among variables, which occurs when predictor constructs in a model are favorably associated. Typically, VIF values below 3.0 suggest no significant collinearity concerns, while values above 5.0 indicate potential issues that require attention. In this data, most variables have VIF values below 3.0, indicating acceptable collinearity levels.

However, CR4 (2.407) and CR5 (2.655) are closer to the upper threshold, suggesting they contribute to some degree of collinearity in the model. Constructs like Customer Satisfaction (CS) and Hedonic Shopping Value (HSV) have slightly higher VIF values within their respective items, but these remain below critical thresholds, supporting the model's stability. Overall, the lateral collinearity appears manageable, with no severe multicollinearity detected.

Table 6: R2 Summary.

	R-square	R-square adjusted
CR	0.729	0.725
CT	0.856	0.855
PV	0.863	0.861

Table 6 presents the R-square (coefficient of determination) and adjusted R-squared values, which measure the descriptive strength of the model for the constructs of Customer Relationship (CR),

Customer Trust (CT), and Perceived Value (PV). The R-square values indicate that the independent variables in the model explain 72.9% of the variance in CR, 85.6% in CT, and 86.3% in PV. The adjusted R-square, which reports the number of predictors relative to the sample size, remains very close to the R-square values, suggesting that the model is robust and not overfitted. These high values indicate a substantial predictive accuracy for the constructs in the model.

The findings from the structural equation model offer practical strategies for addressing key industrial challenges related to customer retention. Brand Image emerges as the most impactful factor influencing Perceived Value (0.601), which suggests that businesses must prioritize building and maintaining a positive brand perception. This can be succeeded via consistent messaging, excellent products or services, and strong customer engagement. Investments in marketing campaigns, corporate social responsibility initiatives, and user-generated content that enhances brand credibility will significantly improve how customers perceive the value of their relationship with the brand. Utilitarian Shopping Value (0.398) and Hedonic Shopping Value (0.304) also influence Perceived Value, highlighting the need to balance functional efficiency and emotional appeal. Retailers and service providers can enhance utilitarian value by optimizing convenience, offering competitive pricing, and ensuring product availability. At the same time, enhancing hedonic value through personalized experiences, aesthetic appeal, and engaging store or platform environments can enrich the customer journey and reinforce their perceived value.

Customer Satisfaction is a fundamental driver of Purchaser Trust (0.856), underscoring the significance of distributing excellent experiences that exceed customer beliefs. This can be achieved by providing reliable customer support, resolving complaints efficiently, and consistently meeting promises.

Trust-building measures like transparent policies, secure transactions, and consistent delivery of promises will further strengthen relationships. While Perceived Value and Customer Trust contribute to Customer Retention ($R^2 = 0.729$), their direct effects are weak (0.041 and 0.009, respectively), indicating that their impact may be mediated by other factors such as satisfaction or engagement.

To address this, businesses should develop loyalty programs, personalized rewards, and ongoing engagement strategies reinforcing trust and

perceived value over time.

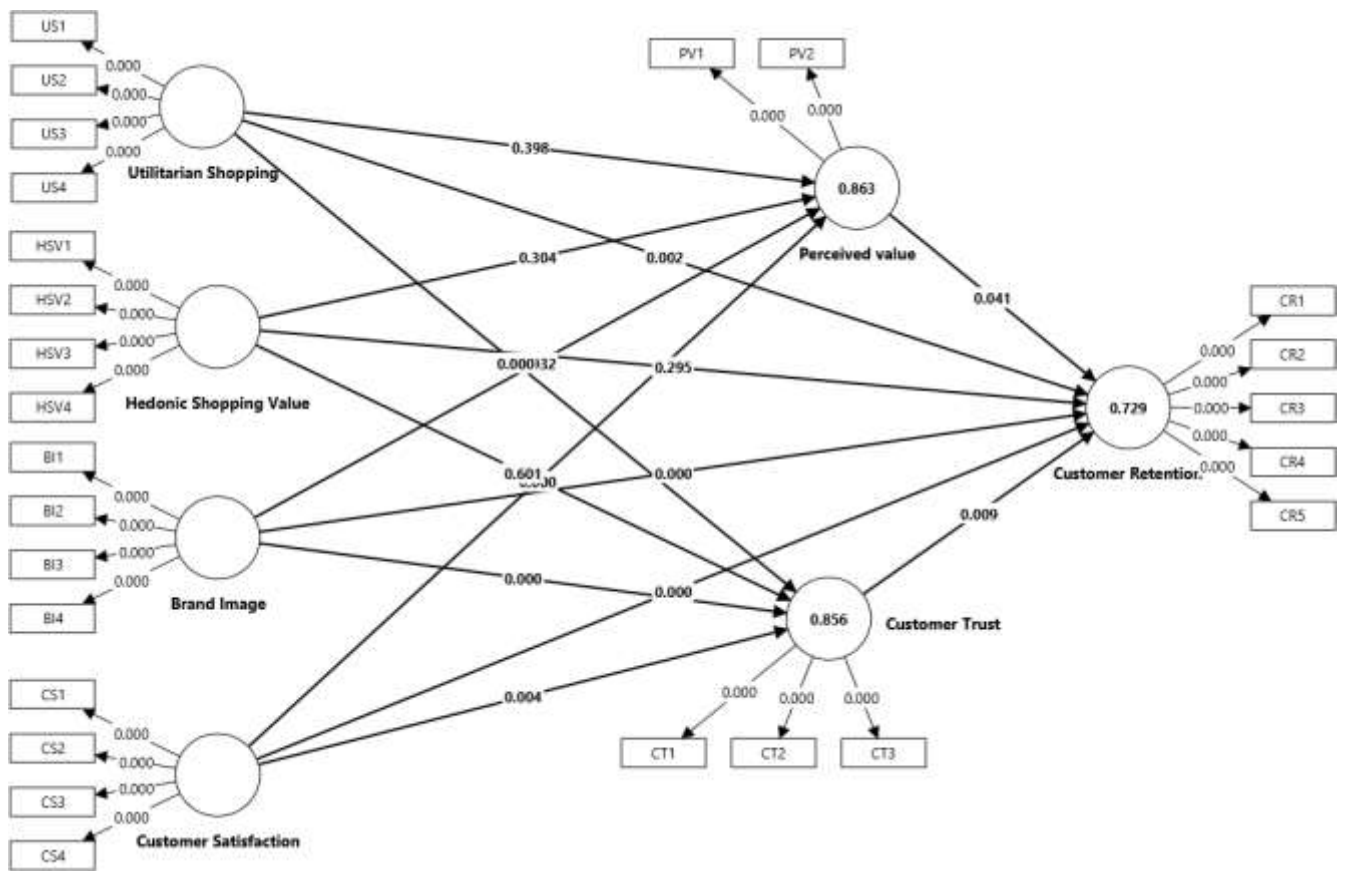


Figure 3: Structural Equation (Bootstrapping).

The model’s strong predictive capability for Customer Retention ($R^2 = 0.729$) provides a robust foundation for actionable strategies. By enhancing brand image, aligning shopping values with

customer expectations, and improving satisfaction and trust, businesses can tackle industrial challenges related to customer loyalty, reduce churn, and ensure long-term profitability.

Table 7: Path Coefficient Assessment.

Hypo	Relationship	Mean	SD	t value	p Values	Findings
H _{1a}	Utilitarian Shopping Value -> Customer Retention	0.225	0.071	3.157	0.002	*Supported
H _{1b}	Utilitarian Shopping Value -> Perceived Value	-0.027	0.032	0.848	0.396	Not Supported
H _{1c}	Utilitarian Shopping Value -> Customer Trust	0.742	0.026	28.797	0.000	*Supported
H _{2a}	Hedonic Shopping Value -> Customer Retention	0.062	0.062	1.050	0.294	Not Supported
H _{2b}	Hedonic Shopping Value -> Perceived Value	0.041	0.039	1.029	0.304	Not Supported
H _{2c}	Hedonic Shopping Value -> Customer Trust	-0.019	0.035	0.517	0.605	Not Supported
H _{3a}	Brand Image -> Customer Retention	0.256	0.069	3.692	0.000	*Supported
H _{3b}	Brand Image -> Perceived Value	0.005	0.048	0.086	0.931	Not Supported
H _{3c}	Brand Image -> Customer Trust	0.361	0.039	9.201	0.000	*Supported
H _{4a}	Customer Satisfaction -> Customer Retention	0.746	0.102	7.347	0.000	*Supported
H _{4b}	Customer Satisfaction -> Perceived Value	0.913	0.038	23.885	0.000	*Supported
H _{4c}	Customer Satisfaction -> Customer Trust	-0.109	0.039	2.800	0.005	*Supported
H ₅	Perceived value -> Customer Retention	-0.180	0.090	2.011	0.044	*Supported
H ₆	Customer Trust -> Customer Retention	-0.227	0.086	2.622	0.009	*Supported

The hypothesis testing outcomes specify practical insights for businesses aiming to enhance customer retention. Utilitarian Shopping Value emerges as a

strong driver of Customer Retention ($\beta = 0.225$) and Customer Trust ($\beta = 0.742$), suggesting that businesses should deliver practical, goal-oriented

shopping experiences that effectively fulfil customer needs. In contrast, Hedonic Shopping Value, which represents enjoyment and entertainment, does not significantly impact retention, trust, or perceived value, indicating that emotional shopping experiences may not be a priority for retaining customers in this context. Brand Image strongly impacts Customer Retention ($\beta = 0.256$) and Customer Trust ($\beta = 0.361$), underlining the importance of building a positive and credible brand reputation to strengthen trust and loyalty. However, its lack of influence on Perceived Value suggests that brand efforts may not directly enhance how customers evaluate the worth of their purchases, necessitating complementary strategies like pricing or quality improvements. Customer Satisfaction shows an essential function, significantly inspiring Customer Retention ($\beta = 0.746$), Perceived Value ($\beta = 0.913$), and Customer Trust ($\beta = -0.109$). This indicates that top priorities should be improving satisfaction through excellent service, product quality, and meeting expectations. The negative relationships between Perceived Value ($\beta = -0.180$) and Customer Trust ($\beta = -0.227$) with Customer Retention suggest that while these factors are essential, their roles may be complex and mediated by satisfaction or other variables. From the result, it can be reflected that practically all businesses need to focus on improving customer satisfaction and faith towards a product or brand to maintain the current purchaser.

4. DISCUSSION AND CONCLUSION

The above analysis has summed up that the constructs tested in his study, which include utilitarian shopping values, showed a significant relationship with the customer retention practice among Generation Z in the e-commerce business. Results found have indicated a meaningful relationship between utilitarian shopping value and customer retention (H1a, $p = 0.003$). Similar findings were discovered by Duarte et al. (2024), who found the same benefit in the e-commerce business. Also, previous studies have investigated efficient navigation (Pal et al. 2024) and price competitiveness (Chetioui & Bouzidi 2023; Koksalmis & Gozudok 2021), which appeared to become a goal-oriented behaviour of Gen-Z.

On the other hand, Hedonic shopping values, which focus on pleasure and emotional satisfaction, showed mixed significance over customer retention. Despite previous findings that demonstrated meaningful connection involving hedonic shopping experiences with customer loyalty (Carpenter &

Moore 2009; Suyanto et al. 2024), this study unearths no significant association between hedonic shopping attractions and customer retention (H2a, $p = 0.286$). The contradiction may stem from generational preferences. Gen Z tends to balance functionality with enjoyment but may not perceive hedonic experiences as a direct reason for loyalty to e-commerce platforms. The brand image has also significantly influenced customer retention (H3a, $p = 0.000$), underscoring its role in shaping positive consumer perceptions. The same was supported by Johansson et al. (2018), who concluded that a favourable brand image enhances trust among consumers and engages with emotional attachment (Choi et al., 2024) that can foster repeated purchases (Babić-Hodović et al. 2022). From all the constructs tested in the study, the construct of customer satisfaction was found as the strongest predictor of customer retention (H4a, $p = 0.000$). This finding has shown some consistency with a study by Mittal et al. (2023), who indicated a strong connection between the happiness of customer and their retention practice. While utilitarian values impact customer retention, perceived value plays a nuanced mediating role. The results show that perceived value does not significantly mediate this relationship (H1b, $p = 0.371$) and it is in contrasts with Kotler et al. (2012) and Patel et al. (2023), who emphasized that perceived value strengthens emotional connections, driving repeat purchases. Thus, this finding interprets that the weak mediation may reflect Gen Z's prioritization of concrete benefits over subjective assessments in their shopping decisions. Similarly, recognized value mediates the relationship between hedonic shopping value and customer retention significantly (H2b, $p = 0.280$). The findings, however, align with findings that hedonic experiences while enhancing immediate satisfaction, may lack the depth to directly influence perceived value or loyalty (Evelina 2022; Fairistha et al. 2023). Contrary to expectations, perceived value does not mediate the relationship between brand image and retention (H3b, $p = 0.935$). This finding suggests a similar finding from Kim and Yoo (2018) that brand image directly influences retention through trust and satisfaction, but its translation into perceived value is less significant. This may reflect Gen Z's tendency to associate brand loyalty more with trust and experience than perceived value. On the other hand, perceived value shows significantly mediating relationship between customer satisfaction and retention (H4b, $p = 0.000$). Studies have proven high satisfaction creates perceived value, strengthening repurchase intentions (Miao et al., 2021). Moreover,

customer trust significantly mediates the relationship between utilitarian shopping value and retention (H1c, $p = 0.000$), highlighting its crucial role as a linking mechanism between various factors and customer retention in e-commerce (Pal *et al.*, 2024). This finding corroborates studies by Ryu *et al.* (2010), who emphasized that trust sustains loyalty by ensuring consistency in functional benefits. Several studies suggest that hedonic shopping value can influence trust; however, the nature and significance of this relationship are inconsistent (Khoa, 2023). While previous research demonstrates that hedonic value positively impacts trust in online shopping contexts (Nghia *et al.*, 2020), the results of this study reveal that hedonic shopping value does not significantly mediate customer trust (H2c, $p = 0.663$). The findings reinforce that emotional satisfaction alone does not build trust, especially among pragmatic Gen Z shoppers prioritizing security and reliability over transient pleasures. The result was supported by a previous study conducted by Huang *et al.* (2020) and Arizal *et al.* (2024). Similar findings were found to be in the current study that confirms the relationship between brand image and retention practices among customers (H3c, $p = 0.000$). Apart from that, the study also found that trust mediates the link between customer satisfaction and retention (H4c $p = -0.094$).

This study is in line with Chu *et al.* (2012), who highlighted that the trust elements positively affect brand image. In addition to that, much research has also shown a positive influence of customer trust in enhancing retention and loyalty among customers (Al-Dmour *et al.* 2019; Hidayat & Idrus 2023). Overall, the findings address the differences over perceptions from Gen Z in comparison to previous generations, on all constructs investigated in the study. It explains cultural differences from the perspective of generation gap does exist and may suggest different marketing strategy for different generations, which compose different market segmentation.

4.1. Theoretical Implication

The research selects two theories as underpinning the theoretical perspective for the research framework, which examine the relevancy of the construct through the lens of Social Exchange Theory (SET) and Expectancy -Disconfirmation Theory (EDT). The interdependence of the construct used in the study, which includes Customer Satisfaction, Perceived Value, and Customer Trust, underscores the core premise for an individual to evaluate their retention towards their purchase. The theory is

relevant to the discussion of the customer experience and perceived trust that shows some engagement with the business to remain loyal. From the perspective of EDT theory, it is also strongly suggested that there is a strong connection between customer satisfaction and perceived value that could shape the degree of satisfaction.

4.2. Practical Implication

A proper understanding of the factors that influence customer retention will easily enable businesses to target their efforts and resources accordingly to create a longer retention value among customers, especially Gen Z. From the finding, businesses can now focus on prioritizing strategies like improving product quality, enhancing customer service and addressing on the customer complaint effectively to boost the satisfaction. On the other hand, customer trust also plays a role in the retention value of the purchase. By knowing this, the organization might want to focus more on building long-term relationships through transparency, consistency of service and fulfilling promises to create a loyal customer among Gen Z. The perceived value, on the other hand, could assist the organisation in better understanding of the value-added service in enhancing customer perceived benefit in relative to the cost that they have paid. By understanding each construct and the roles they play, the company can design a more targeted intervention, thus improving customer experience and ultimately increasing retention rates, which can foster long-term loyalty.

4.3. Conclusion

Through a partial least squares equation model, the study examined the retention practices of customers among Generation Z. The two underpinning theories used, which include Social Exchange Theory and Expectancy Disconfirmation Theory, reveal the relevance of the customer retention model and the construct used to measure the loyalty factor among Generation Z customers. Brand image, utilitarian shopping value, and customer satisfaction were indicated as strong influential factors in shaping perceived values, trust, and customer retention. Meanwhile, it is also important to note that the elements of customer satisfaction have significantly contributed to driving customer trust, which focuses on reliable service and high-quality offerings.

Although the hedonic shopping value has a limited influence on customer retention, its inclusion in business operations has shown some

improvement in both the emotional and functional aspects of the shopping experience. The combination of the two theories has indicated a higher contribution, showing that understanding the benefits of trust and value evolution that can influence the retention decision and create a higher satisfaction and loyalty among Gen Z. The model's strong predictive capability (Customer Retention $R^2 = 0.729$) indicates that combining these theoretical frameworks offers a robust understanding of customer retention dynamics.

Businesses can leverage these findings by enhancing brand image, delivering utilitarian value, and fostering customer satisfaction through personalized experiences and transparent communication. These strategies will drive customer retention and create a sustainable competitive advantage.

Future research should explore additional mediating factors and longitudinal designs to capture the vigorous nature of customer connections and further validate these findings.

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4.4. Limitations and Suggestions for Future Research

The cross-sectional method used in this study had limited its ability to draw causal conclusions and track behavioural changes over time. Future investigations should use experimental or longitudinal methods to improve causal inferences and capture dynamic behavioural shifts. Moreover, this research only focuses on urban area research and issues with limited construct being measured on the Gen Z retention culture. Different new constructs might shape Gen Z purchase retention in rural areas, which is excluded from the study. Also, other generations should be included in the research as the answer for each generation might vary and act differently towards the customer retention model for the online purchase decision among e-commerce users. The cultural and geographical perspective should also be part of the construct being tested in future research to form a holistic model for e-commerce purchases.

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