

Service Quality and Customer Retention in the Online Industry of the Digital Era

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Abstract- This study explored how service quality affects customer retention in today's online industry. As digital platforms continue to grow, many businesses struggle to keep their customers loyal, which makes good service an important factor for long-term success. A total of 150 customers answered a quantitative survey where they shared their experiences and opinions about the service quality of different online platforms. To add more depth to the findings, qualitative insights were also collected through in-depth interviews with five online entrepreneurs. These interviews provided practical views on the strategies they use to maintain customer loyalty, as well as the challenges they face in a highly competitive digital market. The demographic profile of respondents was analyzed using frequency and percentage distributions, while the extent of service quality and customer retention levels were measured using weighted means, interpretations, and rank distributions. Service quality was assessed across three dimensions: reliability, responsiveness, and empathy, to determine their influence on customer loyalty and retention. Findings revealed that higher levels of service quality significantly enhanced customer trust, satisfaction, and long-term loyalty. Inconsistent or delayed service weakened customer relationships and increased the likelihood of attrition. Both customers and entrepreneurs stressed that reliable service, timely responses, and customer-centered practices were essential in building strong, lasting relationships. The study also noted that demographic factors, such as age and employment status, shaped how customers perceived service quality, with younger customers valuing speed and convenience and older customers emphasizing reliability. Overall, the study concluded that improving service quality is a strategic, long-

term commitment that strengthens customer satisfaction, builds trust, and ensures retention in an increasingly competitive digital marketplace.

Index Terms- Service Quality, Customer Retention, Online Industry, Digital Platforms, Customer Loyalty

I. INTRODUCTION

The rapid expansion of the digital world has transformed the way businesses operate, with many shifting to online platforms and intensifying competition in e-commerce. As internet usage and technological advancements increase, consumers have more options, making service quality a crucial factor in attracting and retaining customers. Poor service experiences, such as delayed deliveries, lack of empathetic interaction, and security concerns, often lead to customer dissatisfaction and reduced loyalty. Despite marketing efforts, sustaining long-term customer retention remains a significant challenge for online businesses.

Studies have shown that responsiveness, secure transactions, and fast issue resolution positively influence customer trust and loyalty, while inefficiencies in logistics, website usability, and payment security can drive customers away (Mohamad et al., 2022; Salamah et al., 2022). In the Philippine e-commerce context, unique challenges, such as cash-on-delivery preferences and cultural expectations, further shape customer perceptions and behaviors.

This study aims to examine the relationship between service quality and customer retention in the Philippine online industry during the digital era.

Specifically, it investigates how website usability, customer service responsiveness, and order fulfillment influence customer satisfaction and loyalty. By addressing these service quality factors, online businesses can strengthen customer trust, improve repeat purchases, and gain a competitive advantage. Furthermore, the research contributes to academic discourse and provides practical insights for entrepreneurs, policymakers, and industry stakeholders aiming to enhance e-commerce performance.

II. METHODS

To gain a comprehensive understanding of the relationship between service quality and customer retention in the online industry, this study employed a mixed-methods research design. This approach integrated quantitative and qualitative data to capture numerical trends and personal experiences, enabling a more thorough and robust analysis of the topic. By using this method, the study examined how reliability, responsiveness, and empathy influenced customer satisfaction and loyalty, enhancing the reliability and validity of the findings (Almalki, 2016).

The study was conducted in the Fourth District of Laguna, covering Sta. Cruz, Pagsanjan, Paete, Pakil, and Siniloan. A total of 150 respondents participated, including active online shoppers, while five online entrepreneurs were interviewed to gather qualitative insights. Participants were selected to reflect a diverse range of experiences with online platforms and service quality.

Data collection began with a survey questionnaire that addressed respondents' demographics and perceptions of service quality and customer retention. Service quality was measured across three dimensions: reliability, responsiveness, and empathy using a four-point Likert scale. Semi-structured interviews with entrepreneurs followed, yielding in-depth perspectives on service quality practices, customer engagement strategies, and challenges in maintaining loyalty.

For data analysis, quantitative data were summarized using descriptive statistics, including frequency,

percentage, and weighted mean. Correlation analysis (Spearman's Rank Correlation) was applied to determine relationships between service quality and customer retention. Qualitative interview responses were analyzed thematically to identify patterns and insights that complemented the survey findings, providing a deeper understanding of the factors influencing customer loyalty in the digital era.

III. RESULTS AND DISCUSSIONS

Profile of the Respondents

The study involved 150 respondents from the Fourth District of Laguna, specifically from Sta. Cruz, Pagsanjan, Paete, Pakil, and Siniloan. The findings revealed that the majority of respondents were aged 21–28 years, reflecting a younger demographic that is highly engaged with digital platforms and online services. Female participants predominated, suggesting that women were more active in online transactions and interactions within the e-commerce sector.

Most respondents reported a monthly income of less than Php 9,100, indicating that online platforms in the Philippines are accessible to low-income users, highlighting affordability and inclusivity. Regarding employment status, the highest number of respondents were unemployed, while the remaining participants were employed, demonstrating that even those without formal work actively participated in online shopping.

These results align with prior research indicating that younger consumers and women are more digitally proficient and responsive to online service quality factors. Their engagement in online shopping is driven by convenience, variety of products, and reliable service. Income was not a significant barrier to participation, as affordability, flexible payment options, and accessible platforms encouraged continued use. The findings also suggest that unemployed respondents relied on online services due to convenience and accessibility.

Table 1. Extent of Service Quality

Aspect	Mean	SD
Reliability	3.39	0.03
Responsiveness	3.50	0.04
Empathy	3.56	0.07

The extent of service quality, in terms of reliability, responsiveness, and empathy, showed that respondents perceived a high level of service quality on online platforms. Empathy received the highest mean of 3.56, with a standard deviation of 0.07, indicating strong agreement on the importance of attentive listening, respectful communication, and emotional sensitivity. Responsiveness followed with a mean of 3.50 and a standard deviation of 0.04, reflecting consensus on the need for prompt responses and addressing customer concerns. Reliability obtained a mean of 3.39 with a standard deviation of 0.03, showing that technical consistency remained important but was slightly less emphasized. Overall, the results suggest that in the digital era, service quality relies not only on technical performance but also on human-centered communication to enhance customer trust and satisfaction.

The results of the Extent of Service Quality in terms of Reliability are shown in Table 2.

Table 2. Reliability

Statement	Weighted Mean	Interpretation
I...		
1. Provide consistent information through online services.	3.39	Strongly Agree
2. Deliver promised services as stated on the platform.	3.41	Strongly Agree
3. Operate without frequent service interruptions.	3.35	Strongly Agree
4. Consistently delivers a smooth and efficient experience.	3.43	Strongly Agree

5. Perform digital functions without recurring disruptions.	3.39	Strongly Agree
Total:	3.39	To a Great Extent

The results of the extent of service quality in terms of reliability are presented in Table 2. The highest mean score (3.43) was observed for consistently delivering a smooth and efficient experience, highlighting the importance of seamless online service. Providing consistent information (3.39) and performing digital functions without recurring disruptions (3.39) were also rated highly, indicating that respondents value dependable and stable services. Delivering promised services as stated on the platform (3.41) and operating without frequent interruptions (3.35) further emphasize the need for technical reliability. Overall, the total mean of 3.39 suggests that service quality in terms of reliability is perceived to a great extent, reflecting customers' appreciation for consistent and uninterrupted online service experiences.

The results of the Extent of Service Quality in terms of Responsiveness are shown in Table 3.

Table 3. Responsiveness

Statement	Weighted Mean	Interpretation
I...		
1. Respond to inquiries and concerns without unnecessary delay.	3.54	Strongly Agree
2. Offer assistance through service representatives who address concerns properly.	3.51	Strongly Agree
3. Share updates when issues occur within the online service.	3.45	Strongly Agree
4. Act on customer feedback and suggestions.	3.53	Strongly Agree

5. Handle complaints and requests with courtesy and attention.	3.49	Strongly Agree
Total:	3.50	To a Great Extent

The results of the extent of service quality in terms of responsiveness are shown in Table 3. The highest weighted mean of 3.54 indicates that promptly responding to inquiries and concerns is highly valued by respondents. Acting on customer feedback (3.53) and providing proper assistance through service representatives (3.51) also demonstrates the importance of attentive, helpful support. Handling complaints courteously (3.49) and providing updates when issues occur (3.45) were also recognized as essential factors for responsive service. Overall, the total weighted mean of 3.50 suggests that responsiveness is perceived to a great extent, emphasizing that timely and considerate customer support is key in enhancing satisfaction and loyalty.

The results of the Extent of Service Quality in terms of Empathy are shown in Table 4.

Table 4. Empathy

Statement	Weighted Mean	Interpretation
I...		
1. Acknowledge the emotions behind customer concerns.	3.53	Strongly Agree
2. Show compassion when customers express dissatisfaction.	3.46	Strongly Agree
3. Listen attentively to customer complaints.	3.60	Strongly Agree
4. Use respectful and considerate language during communication.	3.63	Strongly Agree
5. Treat each customer situation with emotional sensitivity.	3.56	Strongly Agree

Total:	3.39	To a Great Extent
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The results of the extent of service quality in terms of empathy are shown in Table 4. The highest weighted mean of 3.63 indicates that respondents highly value respectful, considerate language in communication. Listening attentively to customer complaints (3.60) and treating each customer situation with emotional sensitivity (3.56) also highlight the importance of understanding and addressing customer concerns. Acknowledging the emotions behind customer issues (3.53) and showing compassion when customers express dissatisfaction (3.46) were similarly recognized as essential aspects of empathetic service. Overall, the weighted mean of 3.56 suggests that empathy is perceived as strong, underscoring that emotional attentiveness and care are key to providing high-quality online service.

The responses of Online Entrepreneurs (OE) regarding the scope of service quality strategies and practices are summarized as follows:

OE1: Ensures that products or services are delivered consistently as promised, builds customer trust, and strengthens satisfaction.

OE2: Maintains quality despite challenges, shows dependability, and helps keep customers confident in the service provider.

OE3: Answers customer inquiries clearly and promptly, creates smoother transactions and better experiences.

OE4: Responds quickly to customer needs and concerns, strengthens relationships, and ensures better service delivery.

OE5: Understands customer concerns with patience and attention, creating a sense of care that enhances loyalty.

The responses from Online Entrepreneurs 1 to 5 revealed that service quality was perceived as a combination of reliability, responsiveness, and empathy. OE1 and OE2 emphasized consistency and

dependability, OE3 and OE4 focused on promptness and responsiveness, while OE5 highlighted attentiveness and emotional care. Collectively, these responses indicated that service quality is both technical and relational, as entrepreneurs aimed to ensure trust through reliable delivery while promoting satisfaction via responsive and empathetic interactions.

Overall, the results suggested that Online Entrepreneurs viewed service quality holistically, balancing dependable operations with relational attentiveness. The highest weighted emphasis was on

empathy, reflecting the value placed on respectful communication, attentive listening, and emotionally sensitive service. Reliability and responsiveness were also important, reinforcing confidence in transactions and timely support. These findings support previous studies, which emphasize that reliability, responsiveness, and empathy are critical for sustaining customer satisfaction and loyalty in the online industry.

The results of the Level of Customer Retention are shown in Table 5

Table 5. Level of Customer Retention in the Online Industry.

Statement	Weighted Mean	Interpretation
Continue using an online service based on how consistent and reliable the service quality appears.	3.55	Strongly Agree
Strengthen customer loyalty through online services that show consistency and clarity.	3.45	Strongly Agree
Build customer retention by showing steady and trustworthy service performance.	3.51	Strongly Agree
Contribute to continuous usage of online services by responding to concerns without delay.	3.56	Strongly Agree
Support stronger customer retention by resolving service issues clearly and effectively.	3.56	Strongly Agree
Maintain customer loyalty by sharing regular updates and service-related communication.	3.56	Strongly Agree
Understand customer frustration when service expectations are not met	3.42	Strongly Agree
Respond calmly to emotionally charged situations during service interactions.	3.56	Strongly Agree
Recognize the individual needs of each customer during communication.	3.57	Strongly Agree
Create a service atmosphere that makes customers feel emotionally supported.	3.47	Strongly Agree
General Weighted Mean	3.52	Strongly Agree

The level of customer retention in the online industry showed that customers were highly likely to continue using online services. The highest-rated factor emphasized the importance of recognizing each customer’s individual needs during communication, indicating that personalization played a significant role in encouraging continued usage. This was supported by customers’ belief that prompt

responses, clear issue resolution, regular service updates, and calm handling of emotionally sensitive situations strengthened their loyalty. Meanwhile, the lowest-rated aspect involved understanding customer frustration when service expectations were not met.

The statements below were collected from the interviews, focusing on the level of implementation of customer retention strategies and practices:

OE1: Offers incentives, encourages repeat purchases by giving customers a sense of reward, and motivates them to stay loyal to the brand.

OE2: Personalizes offers and recommendations for repeat customers, making them feel valued and strengthens their loyalty over time.

OE3: Provides consistent product quality, honesty, and friendly service, which builds trust and long-term relationships

OE4: Engages existing customers through online advertisements and interactive posts, keeping them interested and aware of new products or promotions.

OE5: Uses social media engagement to allow quick communication and foster a sense of community among customers

The responses of the Online Entrepreneurs showed that customer retention centered on three key strategies: adding value, being dependable, and staying engaged. OE1 and OE2 focused on incentives and personalized offers; OE3 highlighted trust through consistent quality; and OE4 and OE5 emphasized digital engagement through promotions and social media. Together, these showed that loyalty was strengthened through value, reliability, and continuous interaction.

The results indicated that maintaining customer loyalty required consistent service and active attention to customer needs. Customers stayed loyal when they felt valued, received personalized offers, and experienced dependable support. Engagement through online platforms also helped keep them connected and interested.

The Relationship between the profile of the respondents and the Extent of Service Quality is shown in Table 6.

Table 6. Responsiveness

Variable	p-value	Relationship
Sex	0.047	Significant
Age	0.467	Not Significant
Monthly Income	0.057	Not Significant

The profile of the respondents showed that sex was significantly associated with their ratings of service quality in terms of reliability, responsiveness, and empathy. Meanwhile, age, income, and employment status did not affect their perceptions. This meant that expectations of service quality were broadly similar across groups, except for sex.

The findings showed that female respondents were more sensitive to empathy and responsiveness. They tended to value attentiveness, care, and timely assistance more than male respondents, who focused more on efficiency and convenience. These results were supported the study, also found that female online shoppers responded more strongly to empathy and timely support. This aligned with the present study’s findings, showing that gender influenced how customers perceived human-centered aspects of service, while other demographic factors had little impact.

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The Relationship between the profile of the respondents and the Level of Customer Retention in the Online Industry of the Digital Era is shown in Table 7.

Table 7. Relationship between the profile of the respondents and the Level of Customer Retention in the Online Industry of the Digital Era

Variable	p-value	Relationship
Sex	0.049	Significant
Age	0.225	Not Significant
Monthly Income	0.136	Not Significant
Employment Status	0.027	Significant

The profile of the respondents revealed a significant association of sex and employment status with the level of customer retention in the online industry, while age and monthly income showed no significant relationship. This indicated that demographic factors, such as gender and work situation, influenced how customers maintain loyalty to online services. Despite differences in age and income, customer retention strategies were generally consistent across respondents.

The results suggested that loyalty depended more on service quality, responsiveness, and engagement rather than on age or income. The relationship between the profile of the respondents and the level of customer retention in the online industry during the digital era can be seen in Table 7

The results in the relationship between the Extent of Service Quality and the Level of Customer Retention in the Online Industry of the Digital Era are shown in Table 8.

Table 8. Relationship between the Extent of Service Quality and the Level of Customer Retention in the Online Industry of the Digital Era

Variable	p-value	Relationship
Reliability	<.001	Highly Significant
Responsiveness	0.052	Significant
Empathy	0.002	Significant

The results showed that reliability was the most important factor of service quality affecting customer retention, while empathy and responsiveness were also significant. Customers stayed loyal when services were consistent, accurate, and dependable. Respondents highlighted that timely responses and caring interactions encouraged them to continue using online services.

These findings align with Situmorang et al. (2025), who reported that reliability, responsiveness, and empathy strongly influence customer loyalty, with reliability being the strongest. This shows that good service quality builds trust and long-term support, not just satisfaction.

IV. CONCLUSION

Based on the findings and analysis of the study, the following conclusions were drawn:

1. Based on the findings of the study, most of the respondents were female, within the age group of 21–28 years old. The majority were unemployed and had a monthly income of less than Php 9,100. Despite this profile, only sex demonstrated a significant relationship with the extent of service quality, specifically reliability, responsiveness, and empathy, whereas age, income, and employment status did not. This indicated that gender had a more substantial influence on shaping customer perceptions of service quality compared to other demographic factors.
2. The respondents’ profiles in terms of sex and employment status revealed a significant relationship with the level of customer retention in the online industry. In contrast, neither age nor monthly income showed a significant effect on retention. This suggested that gender and employment status played a more critical role in influencing loyalty, while other demographic variables had a lesser impact.
3. The extent of service quality showed a highly significant relationship with the level of customer retention in the online industry of the digital era. This implied that service quality extended beyond the provision of products or services, encompassing the trust and confidence that motivated customers to remain loyal and continue patronizing online platforms.

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