

The effect of service quality on customer loyalty; role of customer satisfaction as a mediation variable at Hananiah Tanah Abang store

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Abstract

Purpose – This study aims to measure the effect of service quality on customer loyalty at the Hananiah Tanah Abang store.

Method – The sample of this research is 47 respondents at Hananiah shop. Statistical tests were performed using PLS-based Structural Equation Modelling. The validity test uses the loading factor value, while the reliability test uses Cronbach's alpha value, composite reliability and Average Variance Extracted (AVE).

Result – 1) The effect of service quality on employees at the Hananiah Tanah Abang store has a significant effect on customer satisfaction. 2) The effect of customer satisfaction has a significant effect on customer loyalty. 3) Customer satisfaction mediates the effect of service quality at Hananiah stores on customer loyalty.

Implication – This study can assist businesses to improve their service quality.

Originality – This is the first study examining the influence of service quality on customer loyalty with customer satisfaction as a mediation variable.

Keywords: service quality, customer loyalty, customer satisfaction, study case, Indonesia

Introduction

In the era of free trade, every company faces stiff competition. The increasing intensity of competition from competitors requires companies to always pay attention to the needs and desires of consumers and try to meet consumer expectations by providing more satisfying services than competitors. Thus, only quality companies can compete and dominate the market (Atmawati & Wahyuddin, 2007).

Service quality has a close relationship with customer satisfaction. Quality provides an impetus to customers to establish a good relationship with a company. This satisfaction occurs because of the influence of behaviour, attitudes, and providers of facilities.

Customer satisfaction is influenced by perceptions of service quality, product quality, price, and personal factors. One of the factors that determine customer satisfaction is customer perception of service quality which focuses on five dimensions of service quality, namely physical evidence (tangibles), reliability, assurance, and empathy (Atmawati & Wahyuddin, 2007).

Physical evidence is how good the appearance and ability of physical facilities and infrastructure must be reliable. The physical appearance of service, employees and communication will provide colour in customer service. Reliability is an ability to fulfil promises (on time, consistent, speed in service). Responsiveness is a policy to help and provide fast service to customers. Assurance is the knowledge and friendliness of employees as well as the ability to carry out tasks spontaneously which can guarantee good work, thereby creating trust and confidence for customers, friendly attitude, friendly manners are showing concern for customers. Empathy is providing individual or personal guarantees to customers and trying to understand customer desires (Assegaff, 2009).

Quality starts from consumer needs and ends in consumer perceptions (Kotler, 1997). This can be interpreted that good quality is seen from consumer perceptions not from company perceptions. Consumer perception of service quality is a total assessment of the superiority of a product which can be in the form of goods or services.

From the description above, author is motivated to examine the effect of service quality on customer loyalty with customer satisfaction as a mediation variable.

Literature review

The effect of service quality on customer satisfaction

Tjiptono (2007) reveals that service quality is an effort to fulfil consumer needs and desires as well as the accuracy of delivery in balancing consumer expectations. (Utomo & Putri, 2017) say every single-unit service quality improvement will increase customer satisfaction. The relationship between service quality and customer satisfaction is inseparable from service creativity because service quality affects customer satisfaction, (Sembiring, Suharyono, and Kusumawati 2014). Another thing is said by Hidayah and Sumiyarsih (2018) that companies must have standardization and service reliability which greatly affects customer satisfaction. So, based on the above, the author makes a hypothesis:

H1: Service quality has a positive effect on customer satisfaction.

The effect of customer satisfaction on customer loyalty

Customer satisfaction has a positive and significant influence on customer loyalty. This shows the higher customer trust will have an impact on the higher loyalty of the customer (Setiyaningsih, 2012). by Rina Rahmawati (2014) expresses that high satisfaction will increase customer loyalty, the more satisfied customers are with their desires, or satisfied between expectations and reality. It will cause consumers to return to buy the product and become loyal consumers of the seller's product. According to Putu Ayu and Ni Wayan (2017), loyalty is very important in the sustainability of the company because if consumers are satisfied, then consumer loyalty to the products offered makes the company also get benefit from what has been offered to consumers. However, Florensius Pureklolong (2017) said that customer satisfaction had no significant effect on customer loyalty. This is due to differences between individuals and to build customer loyalty must take good empathy from customers. So, the proposed hypothesis is:

H2: Service quality has a positive effect on customer loyalty.

The effect of service quality on customer loyalty

Satisfaction felt by customers can increase the intensity of purchases from these customers. According to Yulia Larasati Putri and Hardi Utomo (2017), service quality is very influential on customer loyalty. This indicates that the quality of service that is considered good in the eyes of consumers can affect the formation of consumer loyalty to a product or service. Consumers who are satisfied with a particular product or service tend to have great potential to be loyal to that product or service. Lusiah, Djatmiko Noviantoro, and Adhitya Akbar (2019) in their research on online transportation services, say customers who have experienced good service from drivers will continue to remember the good experience. So that it will make a loyalty for the online transportation service provider. With polite language, how to hand over a helmet, how to greet with a polite attitude will form a good emotional bond for customers to always use these online transportation services. So, the proposed hypothesis is:

H3: Service quality has a positive effect on customer loyalty.

The effect of customer satisfaction as a mediation variable between service quality and customer loyalty

According to Kukuh Familiar (2015), indirectly customer satisfaction has an influence on the relationship between service quality and customer loyalty. This shows that to increase customer satisfaction and good service quality can be done by increasing customer satisfaction and good service quality. Sembiring; & Kusumawati Andriani (2014) on research at McDonald's MT. Haryono Malang, which must always improve customer satisfaction in an effort to create loyal customers. This is because satisfaction is the company's key to forming customer loyalty, besides satisfying service quality can also create customer loyalty. So based on this, the author makes a hypothesis:

H4: Customer satisfaction mediates between service quality and customer loyalty.

Methodology

This research is survey research with the help of a questionnaire instrument which is carried out cross sectional or at a

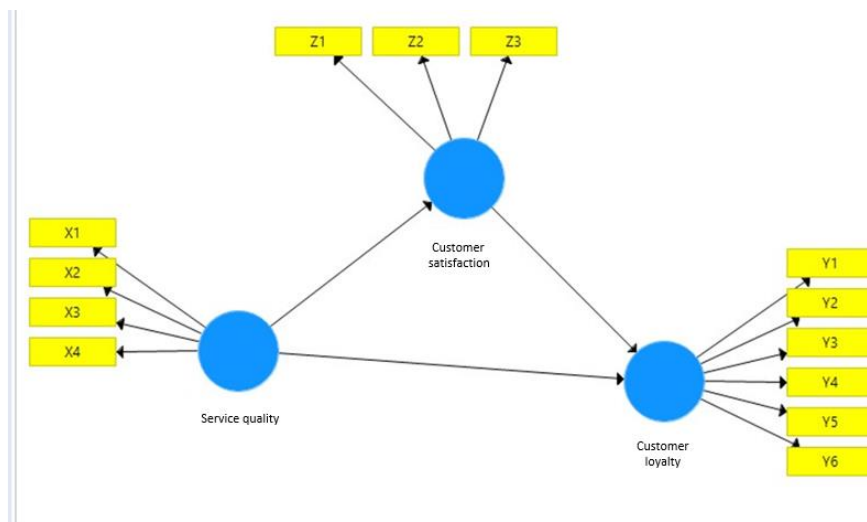


Figure 1. Framework of research

certain time. The level of this research is individuals with various ages ranging from the younger generation to adults. Respondents are consumers who have bought directly and believe in the quality of service at the Hananiah Tanah Abang store. Test the validity of the research instrument using face validity by conducting discussions with experts. The next validity test is convergent validity by looking at the factor loading value of each questionnaire item. Convergent validity is measured by looking at the minimum factor loading value of each indicator item ≥ 0.6 (Hair et al., 2010). Reliability testing is carried out with internal consistency by looking at the Cronbach's alpha value of at least 0.6 (Cooper & Schindler, 2014)

Results and discussion

Based on the results of tests that have been carried out with the number of samples tested in this study amounted to 47 respondents. The results of the tests carried out have several results including. First, there are several questionnaire items that fail because they do not meet the standard factor loading limits. In the

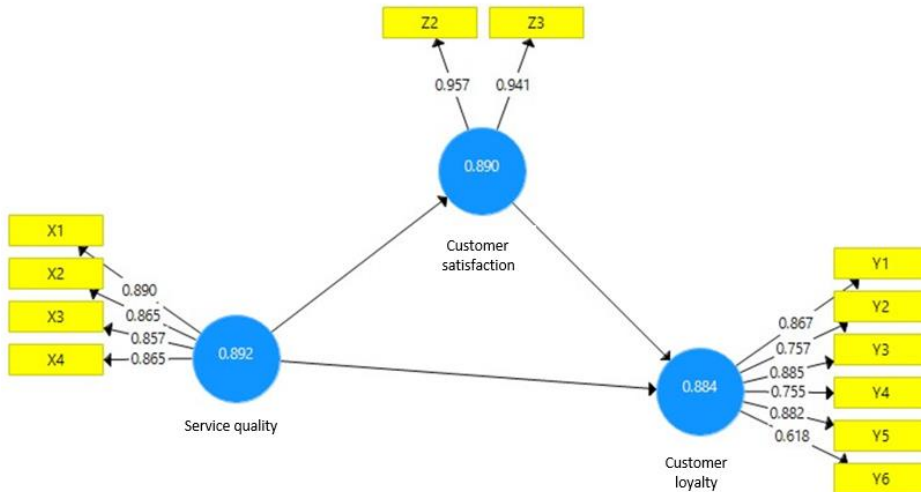


Figure 2. Factor loading item of each indicator

Service Quality construct (X) from 7 items to the remaining 4 items. Customer Satisfaction Construct (Z) from 4 items to the remaining 2 items. Then the Customer Loyalty Construct (Y) from 7 items becomes the remaining 6 items. Subsequently, the construct validity was retested so that all indicator items were above the standard loading factor value above > 0.6 so that based on (Hair et al., 2010) all items were considered valid. Tests on reliability have Cronbach's alpha, composite reliability and Average Variance Extracted (AVE) values > 0.6 . So that the instrument is considered reliable and meets the requirements for hypothesis testing. Testing is carried out using PLS-based Structural Equation Modelling.

Table 1. Validity test result

Items	Service quality (X)	Customer satisfaction (Z)	Customer loyalty (Y)
X1	0.890		
X2	0.865		
X3	0.857		
X4	0.865		
Z2		0.957	
Z3		0.941	
Y1			0.867
Y2			0.757
Y3			0.885
Y4			0.755
Y5			0.882
Y6			0.618

Table 2. Reliability test result

Items	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Customer Satisfaction (Z)	0.890	0.948	0.900
Service Quality (X)	0.892	0.925	0.756
Customer Loyalty (Y)	0.884	0.913	0.640

Hypothesis test result

Based on the results of the tests that have been carried out, the results show that the Service Quality of the Hananiah Store has a significant positive effect on customer satisfaction with a P-Value value ($0.000 < 0.05$) with a t value of 4.320 which is greater than t Table 2.011, so that hypothesis 1 is supported. This is in accordance with the previous reference, providing quality service will be able to meet customer satisfaction (Need & Want) (Khakim et al., 2015). Another statement from previous research, quality improvement is a unit that will increase customer satisfaction (Putri & Utomo, 2017).

Based on the results of the tests that have been carried out, the P-value ($0.001 < 0.05$) with a t-count value of 3.522 is greater than t-table 2.011, so it can be concluded that Hypothesis 2 is supported. Trisnadewi & Ekawati,(2017) stated that loyalty is very important in the company's operations because if consumers are satisfied, then consumer loyalty to the products offered makes the company benefit from what has been offered to consumers.

Based on the results of the tests that have been carried out, the P-value ($0.000 < 0.05$) is obtained with a t-count value of 4.747 which is greater than t-table 2.011, so it can be concluded that Hypothesis 3 is supported. This result is accepted because the service quality of Hananiah's shop is considered better. This can affect customer loyalty to the products sold at the Hananiah store. A previous researcher, Adhitya Akbar, (2019) argues in the same vein that service quality has a significant effect on customer loyalty in online transportation services, partially service quality has a positive and significant effect on customer loyalty. Customers who have experienced good service from drivers will continue to remember the good experience. So that it will form a loyalty for the online transportation service provider.

Based on the results of the tests that have been carried out, the P-Value value ($0.020 < 0.05$) with a t-count value of 2.334 is greater than t-table 2.011, so it can be concluded that Hypothesis 4 is supported. The results of the research are driven or changed by the quality of service at the Hananiah store which gets a good response and provides customer satisfaction so that there is reciprocal customer loyalty at the Hananiah Tanah Abang store. Similarly, research by Mustofa et al., (2016) states that customer loyalty can be realized if satisfaction is formed which is used as the main thing or first thing. If the quality of service provided is higher, the customer loyalty will also be higher, this will make it easier to make it happen.

Conclusion

Based on the results of the tests that have been carried out above, it can be concluded that the influence of service quality at the Hananiah store on customer loyalty with customer satisfaction as the mediating variable has a positive and significant influence. Customer satisfaction can mediate service quality in creating customer loyalty. This means that the higher the level of service quality provided, it will increase customer satisfaction which indirectly also increases customer loyalty. We can conclude that it is very important for shop owners to maintain the quality of services provided so that customers feel satisfied and can increase loyalty to business owners.

In the results of the research and discussion hypothesis testing, several conclusions can be drawn:

1. Service quality has a positive and significant effect on customer satisfaction. This is evidenced by the P-Value ($0.000 < 0.05$) with a t-count value of 4.320 which is greater than t-table 2.011.
2. Customer satisfaction has a positive effect on customer loyalty. This is evidenced by the P-value ($0.001 < 0.05$) with a t-count value of 3.522 which is greater than t-table 2.011
3. Service quality has a positive effect on customer loyalty. This is evidenced by the P-value ($0.000 < 0.05$) with a t-count value of 4.747 which is greater than t-table 2.011

4. Service quality has a positive effect on customer loyalty which is mediated by customer satisfaction at the Hananiah Store. This is evidenced by the obtained P-Value ($0.020 < 0.05$) with a t-count value of 2.334 which is greater than t-table 2.011

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