

SERVICE QUALITY INFLUENCES TOWARD CONSUMER SATISFACTION AND CONSUMER LOYALTY IN UM TRADING BUSINESS (UD. UM) IN CENTRAL CELEBES

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ABSTRACT

This research aims to examine service quality that influences toward consumer satisfaction of UD. UM in Central Celebes and to examine consumer satisfaction and service quality that influences toward consumer loyalty of UD. UM in Central Celebes. This research uses Partial Least Square (PLS) method. In this research, the population used consists of UD. UM consumers in Central Celebes who purchase during period of January 2014 to May 2015 as 72 consumers by using sample-taking technique of non probability sampling. The analysis technique chosen for analyzing data and examining hypothesis in this research is The Structural Equation Model (SEM) by software of Partial Least Square (PLS). This research results show that (1) Service Quality influences toward Consumer Satisfaction of UD. UM in Central Celebes by value of T-Statistic as $10.68 > 1.65$; (2) Consumer Satisfaction influences toward Consumer Loyalty of UD. UM in Central Celebes by value of T-Statistic as $8.4145 > 1.65$; (3) Service Quality influences toward Consumer Loyalty of UD. UM in Central Celebes by value of T-Statistic as $3.942 > 1.65$.

Keywords: service quality, consumer satisfaction, consumer loyalty

INTRODUCTION

Indonesia is one of developing countries in ASEAN, Indonesia which the economical growth is more and more rapid and has experienced many advances very rapid compared with the previous eras. This case can be seen from more and more tight competitions and the total producers who involve in fulfilling consumer wills so it causes each company should place orientation in consumer as the main purpose. The company should be able to give satisfaction toward goods or service consumers that has higher values with better qualities, cheaper prices, adequate facilities and better service than the competitors.

UD. UM is one of distributors and shops that is active in Building Material field in Palu city, that is led by Merry Umega as the *Owner*, and Hans as the director in the company. UD. UM is active in building material field that began the business in 2010, in which UD. UM is a branch of UD. UJ that is active in building material field and housing developer. In business activities,

UD. UM has a role as ceramics/tiles distributor and retail store that distributes products to consumers directly.

Review toward service quality and relationship to consumer satisfaction and consumer loyalty needs doing because so far, there are still consumer complains against services given by UD. UM. The data in Table 1 shows that there are still the total consumer complains during beginning of 2015. The data of consumer complains are obtained from the complains delivered directly to the business owner of UD. UM.

Table 1. Consumer Complains Data in January to March 2015

No.	Complain	Percentage (%)
1	The delayed goods delivery qualities	10
2	Service/Product explanation/The alternatives	25
3	Goods/product Variation	20
4	The place less wide	35
5	Others	10

Source : Secondary Data (2015)

From consumer complains in Table 1 noted, so it can be seen that there are four problems that show the highest percentages or they are often complained by consumers. Based on the definition, it can be explained that loyalty considerably refers to attitude forms from consumers who make decisions for doing purchases continually towards goods or services from some company chosen. Based on the results can be seen above, UD. UM experiences problems in service quality, in which consumer loyalty will increase if consumer satisfaction is fulfilled, and consumer satisfaction is fulfilled if service quality given by the company gives one satisfaction to the consumers, so herewith, the researcher is interested to conduct the research with title "Service Quality Influences Toward Consumer Satisfaction and Consumer Loyalty in UD. UM in Central Celebes".

LITERATURE REVIEW

According to Griffin (2005) he states that "loyalty is defined as non random purchase expressed over time by some decision making unit". Service quality is an important factor in fulfilling consumer satisfaction, so retailers should care and improve their service quality aspects. Consumer satisfaction can happen if there are appropriateness's among available service qualities toward consumer hopes or needs as consumers. By good service qualities that are more than consumer hopes, so it will make consumer satisfaction, because principally, the benefits accepted by consumers should be bigger than their hopes (Zeithaml in Umar, 2010:234-237). The research results conducted by *et al.* (2010) found that there are positive and meaningful influences among five service quality dimensions toward consumer satisfaction. Then, the research conducted by Saleem and Raja (2014) proved that high service quality can increase consumer satisfaction. Likewise by the research results of Aryani and Rosinta (2010) who found that there are strong and positive influences among service quality variables toward consumer satisfaction in the students of FISIP UI (Social and Political Sciences Faculty of Indonesia University). So, it can be proposed the first hypothesis:

H1 : Service quality influences toward consumer satisfaction of UD. UM in Central Celebes.

Consumer satisfaction is a key in creating consumer loyalty. According to Fornell, many benefits accepted by company by achieved high consumer satisfaction level, one of them can increase consumer loyalty (Aryani and Rosinta, 2010:114). Furthermore, Fornell also explains that many benefits accepted by company by achieved high consumer satisfaction level, i.e. besides being able to increase consumer loyalty but also being able to prevent the happening customer rotation, decreasing consumer sensitivity toward prices, decreasing marketing failure costs, decreasing operational costs resulted by increasing the total consumers, improving advertisement affectivities, and improving business reputation (Aryani and Rosinta, 2010). The research results of Aryani and Rosinta (2010) found that consumer satisfaction variables have positive and significant influences directly toward loyalty variables. Likewise by Japutra research that proves that positive and significant satisfaction influences loyalty. Based on the case, so it can be concluded that consumer satisfaction influences directly toward loyalty. The higher the satisfaction level owned by customers, so it will be also higher and higher consumer loyalty level. So, it can be proposed the second hypothesis:

H2 : Consumer satisfaction influences toward consumer loyalty of UD. UM in Central Celebes.

One of efforts in creating consumer loyalty is by giving qualified services consistently to consumers. Service qualities given by company in fulfilling consumer hopes in physical appearance owned, reliability, care, responsiveness, and consumer guarantee, will be able to give satisfaction that will impact in consumer loyalty furthermore. It means that the better service quality given by company, so consumers will be more and more satisfied toward the service then they will do re-purchase. The better service quality given, it will cause re-purchase that will be done by consumers. Zeithaml, Parasuraman and Berry in Aryani and Rosinta (2010:124) have shown that service quality as some variable can form loyalty. So, it can be proposed the third hypothesis:

H3 : Service quality influences toward consumer loyalty of UD. UM in Central Celebes.

Based on the literature review above, so the analysis model in this research is as follows:

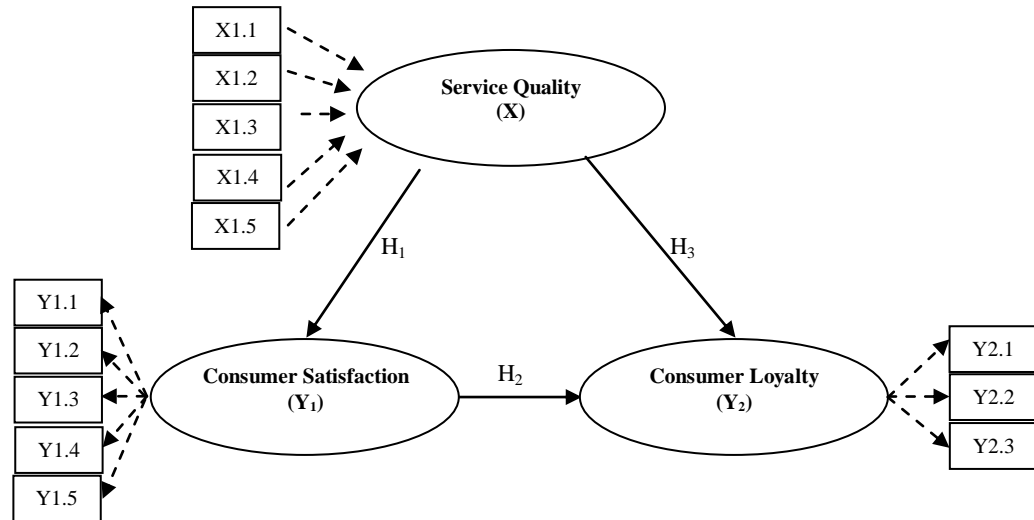


Figure 1. Analysis Model
Source: Data processed, 2015

- = Latent Variable
- = Measured variable: indicator variable; *observed variable*
- = Influence
- ▶ = Dimension

Note:

X : **Service Quality** (Parasuraman et al. in Tjiptono, 2011:198)

X₁ : *Reliability*

X₂ : *Responsiveness*

X₃ : *Assurance*

X₄ : *Empathy*

X₅ : *Tangible*

Y₁ : **Consumer Satisfaction** (Lupiyoadi, 2009:158)

Y_{1.1} : *Product Quality.*

Y_{1.2} : *Service Quality.*

Y_{1.3} : *Emotional Factor.*

Y_{1.4} : *Price.*

Y_{1.5} : *Costs and facilities.*

Y₂ : **Consumer Loyalty** (Zeithaml et al., 1996:38)

Y_{2.1} : *Recommending products to other people who ask for suggestions.*

Y_{2.2} : *Considering that the company is the first choice in doing service purchases.*

Y_{2.3} : *Doing more businesses or purchases with the company several years in the future.*

RESEARCH METHODS

This research uses quantitative research, quantitative research according to Silalahi (2012:76) is some research that characterizes as objective, involving data collection and analysis, and using statistical examination method. This research execution is conducted in UD. UM located in JL. Kimaja no. 61, Central Celebes, centered in UD. UM consumers who ever purchase. The technique used for taking sample is technique of *purposive sampling*. The total population ones calculated are consumers who have done purchases twice or more, i.e. as 256 consumers. From

the calculation results of Slovin formula, $\frac{N}{1 + Ne^2}$, so it is obtained samples as 72 samples from

256. So, the samples used in this research are as 72 consumers.

Research instrument is some instrument used for measuring natural and social phenomena observed (Sugiyono, 2014:102). The instrument used in this research consists of questionnaires contain the total questions about research variables. Research variables measurement uses Likert scale, For variables of Service Quality (X), Consumer Satisfaction (Y₁) and Consumer Loyalty (Y₂). Category used in Likert scale, according to Istijanto (2009:90), is a scale that measures agreement or disagreement level of respondents toward a set of questions that measures some object. The determinations of five-point Likert scale are:

- 1 = Very Disagreed (VD).
- 2 = Disagreed (D).
- 3 = Quite Agreed (QA).
- 4 = Agreed (A).
- 5 = Very Agreed (VA).

Hypothesis examination is seen from how high is value of t-statistic. Parameter significance estimated gives very useful information about relationship between service quality and Consumer Satisfaction and Consumer Loyalty.

Table 2. Rule of Thumb of Hypothesis Examination

Criteria	Rule of Thumb
Significance (2-tailed)	t-value of 1.65 (level significance = 10%), 1.96 (level significance = 5%), and 2.58 (level significance = 1%)

Source: Partial Least Square (Ghozali, 2012:85)

- Hypothesis Examination for outer model by reflective indicator is conducted by looking at value of t-statistic of outer loading and compared with value of t-table = 1.65. If t-statistic > t- table, so reflective indicator is valid and reliable as construct measurer.
- Hypothesis Examination for outer model by formative indicator is conducted by looking at value of T-statistic of outer weight and compared with value of t-table = 1.65. If t-statistic > t- table, so formative indicator is valid.
- Hypothesis Examination for inner model is conducted by looking at value of t-statistic, if t-statistic > t- table, so it can be concluded that exogenous variables have significant influences toward endogenous variables.

RESEARCH FINDINGS

For answering research hypothesis, it can be seen t-statistic in Table 3 as follows:

Table 3. Hypothesis Examination of Coefficient Path

Path	original sample estimation	T-Statistic	Note
Service Quality (X) -> Loyalty (Y2)	0.306	3.942	Significant
Satisfaction (Y1) -> Loyalty (Y2)	0.619	8.145	Significant
Service Quality (X) -> Satisfaction (Y1)	0.514	10.688	Significant

Source: Attachment 4, PLS Data Process

Based on Table 3, it can be explained as follows:

1. Examination results show that Service Quality has positive influences toward Consumer Satisfaction because value of T-statistic is as 10.688 that means it is bigger than 1.65, so hypothesis H1 can be stated as accepted. The results in this research are parallel with opinion of Tjiptono, (2011:435) that stated that service quality can be formed through fulfilling consumer needs and wills and delivery accuracies for equaling consumer hopes. One of factors that can create consumer satisfaction is service quality. Consumers feel satisfied if they get good services, or proper with they hope. By good service quality that is more than consumer hopes, so it can make consumer satisfaction, because principally, the benefits accepted by consumers should be bigger than their hopes (Zeithaml in Umar, 2010:234-237).
2. Consumer Satisfaction has positive influences toward loyalty because value of T-statistic is as 8.145 that means that it is bigger than 1.65, so hypothesis H2 can be stated as accepted. The results in this research are parallel with Fornell, he also explains that many benefits accepted by the company by achieved high consumer satisfaction level, i.e. besides being able to increase consumer loyalty but also being able to prevent the happening consumer rotation, decreasing consumer sensitivity toward prices, decreasing marketing failure costs, decreasing operational costs resulted by increasing the total consumers, improving advertisement effectivities, and improving business reputation (Aryani and Rosinta, 2010).
3. Service Quality has positive influences toward loyalty because value of T-statistic is as 3.942 that means it is bigger than 1.65, so hypothesis H3 can be stated as accepted. Zeithaml, Parasuraman and Berry in Aryani and Rosinta (2010:124) have shown that service quality as some variable can form loyalty.

CONCLUSIONS

From results from conducting analysis of Service Quality Influences Toward Consumer Satisfaction and Consumer Loyalty of UD. UM in Central Celebes, so it can be taken conclusions as follows:

1. Service quality variables influence toward Consumer Satisfaction of UD. UM in Central Celebes
2. Consumer satisfaction variables influence toward consumer loyalty of UD. UM in Central Celebes
3. Service quality variables influence toward consumer loyalty of UD. UM in Central Celebes

By looking at the research results that show that service quality influences toward consumer satisfaction, so it is better that UD. UM in Central Celebes continues caring service quality and remains to compete with competitors. Besides that, for considerably caring aftersales service offered to consumers more maximally by evaluating available consumer responses so that service features conducted are right on targets so it can raise consumer loyalty.

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