

THE EFFECT OF SERVICE QUALITY, PRODUCT QUALITY AND PRICE ON CUSTOMER SATISFACTION IN PT KUALITA MEDIA TAMA SURABAYA

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ABSTRACT

Customer satisfaction plays important role in competitive advantage and also a key success of a company. Customer satisfaction should be measured periodically as evaluation and input for a company to make some improvements and developments. Service quality, price and product quality are factors which can influence customer's satisfaction in business enterprise. The aim of this study is to reveal which factors significantly influence customer satisfaction in PT Kualita Media Tama Surabaya. Survey information was collected from 52 customers of PT Kualita Media Tama that spread in all over Indonesia. Multiple linear regression technique was used to test presented hypothesis. The result of this study shows that the factors which significantly influence customer satisfaction were service quality and price. Meanwhile the product quality factor did not significantly influence customer satisfaction of PT Kualita Media Tama.

Key words: service quality, product quality, price and customer satisfaction

Introduction

Customer satisfaction is widely known as a key success of marketing and plays important role of competitive advantage of a company (Oliver, 1997 in Jaiswal dan Kant, 2017). A successful company is a company that provide products and services which meet customer's expectations and have some efforts to create customer satisfaction by making customers to be loyal for long period of time as its foremost goal (Janahi dan Al Mubarak, 2015). Customer satisfaction consists of many activities such as improving product quality and service quality, setting price realistically, developing human resources, and delivering punctually (Hoffman dan Keller 2006).

PT KMT encounters some problems with service quality, product quality and price which influence customer satisfaction. Those problems are late in delivery, out of stock, mismatch of delivered product with customer request, too long of production process, product defect, and uncompetitive price. Moreover, compared to competitors, PT KMT have some weak points in service quality, product quality and price. Those weak points impact on customer satisfaction level and low of customer rebuying rate. Customer satisfaction is fundamental element of customer repeat order (Abdullah *et al.*, 2011; farooq *et al.*, 2016).

A Corporation has to make attempts to measure customer satisfaction periodically regularly not only to get close with the customer but also to identify some factors which influence either customer satisfaction or dissatisfaction, and to be utilized as caution factors of future company's performance and competitive advantages (Argarwal, 2008 in Rajeswari (2017). Moreover, periodic survey is able to explore directly and insert additional questions to assess customer intention to repurchase and desire to recommend the company and its brand to others (Kotler dan Keller, 2012)

The objective of this study is to evaluate customer satisfaction accepted by customers upon service quality, product quality and price delivered by PT KMT. This study also intend to reveal factors which influence customer satisfaction of PT KMT. The observed factors focus on service quality, product quality and price. Then, each of those factors are measured by their own indicators. The service quality indicators are *reliability*, *responsiveness*, and *assurance*. The product quality has four

indicators namely meet customer expectation, well functioned, long lasting, and *free of defects*. While the price also has four indicators namely affordable price, suitable price with its product quality, appropriate price with its benefit and competitive price. Meanwhile loyal, satisfied, rebuying, make few of complaints and recommend product and good name of the company are the factors of customer satisfaction. There are some researcher who has studied about the effect of service quality, product quality on customer satisfaction. They are Miranda et al (2017) in railway industry, Farooq et al (2017) in airline industry, Razak dan Nirwanto (2016) in convenience product, Qalati et al (2019) in telecom sector, Šugrova et al (2017) in retail company and Hoe dan Mansori (2018) in engineering industry. However, this research will focus on education retail sector which is the core business of PT KMT

Service Quality

“SERVQUAL is based on the theory of disconfirmation of expectation and relies on the gap between the customer’s expectations about a given service and the evaluation of the perception about the service”, (Parasuraman, Zeithaml dan Berry in Miranda, 2017). Service quality at the first time was initiated by Parasuram *et al.* (1985,1988) and well known as SERVQUAL that have five dimensions namely tangibility, reliability, assurance, responsiveness, and empathy. Furthermore, Tjiptono (2014) gives clearer explanation about those five dimensions used to measure service quality:

1. Tangible dimension, physical dimension presented by a company included physical facilities, employee equipments and telecommunication facilities
2. Reliability dimension, service delivered by a company in the form of ability to give service as promised promptly (rapidity), precisely and satisfied.
3. Responsiveness dimension, service provided by a company in the form of willingness of employees to assist customers and deliver it responsively.
4. Assurance dimension, dimension of service quality that cover knowledge, capability, politeness, trustworthy of employees, trouble-free, risk and doubt.
5. Empathy dimension, consists of easy to make contact, good communication, personal attention, and understanding customer need

Product Quality

Some experts explain that product quality is conformity with usage or benefit, conformity with product requested and free of divergence or consistency of the quality (Kotler dan Keller, 2012). Furthermore, Kotler and Armstrong (2012) describe that product quality contains two dimensions namely performance quality and conformance quality. Performance quality is the ability of a product to run its function. It is related with level of quality and its positioning. Whereas, conformance quality is defined as free from damage and having consistent quality that is expected by customers.

Price

From customer point of view price is something to give or to sacrifice to get product or service (Zeithaml, 1988 and Bei dan Chiao, 2001). While Kotler dan Armstrong (2012) explain that price is amount of money charged for product or service; amount of money which customer exchange to an advantage of ownership or usage of product or service. Kotler dan Armstrong (2012) describe that there are four indicators of price i.e affordable price, conformity of price with its product quality, suitability of price with its benefit and competitive price.

Customer Satisfaction

Satisfaction is feeling of pleasure or disappointment that come from comparing between expectation and received product (Kotler and Keller, 2012). Evenmore, Kotler and Armstrong (2012) define customer satisfaction as how far the product quality is suitable or meet buyers expectation. Generally the concept of customer satisfaction is based on the idea that a business should satisfy its customer continuously to make some profit (Farooq, 2016; Izogo dan Ogbu, 2015; Radovic-Markovic

et al. 2017). Couple of researchers (e.g Cronin and Taylor,1992; Farooq *et al.* 2009; Seth *et al.*, 2005) agree that willingness to repurchase is very close related with customer satisfaction. In line with that theory, (Abdullah *et al.*, 2011; farooq *et al.*, 2016) state that customer satisfaction is a main elemnt of customer repeat order or retention. Kotler and Keller(2012) state that customer satisfaction consists of several indicators i.e loyalty, satisfasction, desire to repurchase, make few complaints, and recommend product and company’s reputation to others.

Customer satisfaction is determined by quality and price of a producut desired by customers (Bei and Chiao, 2001).. Meanwhile according to Khan dan Ahamed (2012) product quality critically determines customer satisfaction. Furthuremore, Kotler and Keller (2012) states that there is close relation among product and service quality, customer satisfaction, and profitabiliy of a company. The higher of product quality the higher is the customer satisfaction and the lower is the cost. Moreover, Aslam, et al. (2018) explain that price has significant correlation with customer satisfaction. Then, Ehsai dan Ehsani (2015) conclude that price is able to be the source of increasing profitability and also customer satisfasction. Service quality is one of the main determinants of customer satisfasction (Rajeswari,2017). Other studied has convinced that the higher of service quality the higher of customer satisfasction (Dabholkar, Shepherd & Throe, 2000; Kushwana, Mohan & Mandul, 2013). According to Zeithmal, V.A *et al.* (2011) as stated in Jaiswal dan Kant (2017) service quality is refered to the level of perfection of service performance. Based on those theoritical frameworks, this study propose hypothesis as follow:

H1: Service quality significantly effect customer satisfasction in PT Kualita Media Tama

H2: Product quality significantly effect customer satisfasction in PT Kualita Media Tama

H3: Price significantly effect customer satisfasction in PT Kualita Media Tama

Variabel Bebas Variabel Terikat

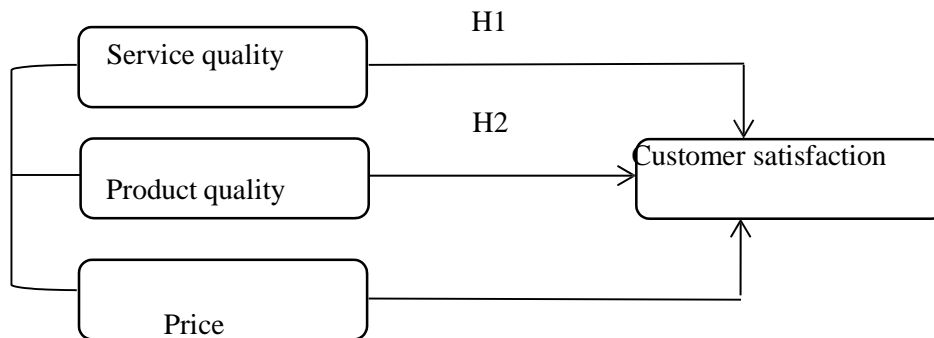


Figure 1 Theoretical Framework

Research Methods

Population of this study is 400 B to B customers of PT KMT. The sample of this study is taken by purposive sampling method. There are 52 sample that are used in this study. They are B to B customers of PT KMT who has ordered their school needs at least and the last order was in 2018. The 52 respondents consist of 24% male and 39 %. The data of this study was collected through questioners filled by the respondent directly or via online during April- May 2019. Then, the collected data was analysed by SPSS program. The program is applied. to run some test i.e validity test, reliability test, linear regression test and classic assumption test.

Results

The result of validity test presents all item of statements of service quality (X1), product quality (X2), price (X3) and customer satisfaction (Y) have significancy score 0,000 which is sig score < 0,05. So, it can be concluded that all of item of statements of all variables are valid. While the result of reliabilty test as shown at table 1 exhibits all variables have Cronbach Alpha score > 0,6, so it can be concluded that all item of statemets of all variables are reliable.

Table 1
Result of Reliability Test

No	Variables	Cronbach's
1.	X	0.921
2.	X	0.893
3.	X	0.876
4.	Y	0.837

The result of hypothesis test as shown at table 2 describes sig score of service quality (X1) is 0,000 which the sig score < 0,05 thus H₀ is rejected and H_a is accepted. It means that the service quality variable (X1) has partial and significant influence on customer satisfaction (Y). Then, sig score of product quality variable is 0,181 which the sig score > 0,05 thus H₀ accepted and H_a is rejected. It means that product quality variable (X2) has no significant effect on customer satisfaction(Y). Meanwhile the sig score of price variable (X3) is 0,03 which < 0,05 so H₀ is rejected and H_a is accepted. It means that price variable (X3) has partial and significant effect on customer satisfaction (Y)

Table 2
Result of Hypothesis Test

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	.945	.454		2.084	.043
1 X1_rata	.448	.118	.499	3.777	.000
X2_rata					
X3_rata	-.188	.138	-.207	-1.359	.181
	.448	.143	.446	3.132	.003

a. Dependent Variable: Y_rata

Discussion

The Effect of Service Quality on Customer Satisfaction

The result of hypothesis test of service quality shows that partially, service quality influences customer satisfaction significantly. Customers of PT KMT realize that service quality is an important factor which can influence their satisfaction. Evenmore, the positive result of hypothesis tes of service quality means the better of service quality the more satisfy of the customer. The aspect of service quality that must be improved can be observed through the indicators of service quality especially reliability, assurance and responsiveness. In reliability indicator what must be improved are precise product as promised, on time delivery, and competency and reliability of employess in serving customers. While in assurance indictor, the service quality that must be enhanced is to give save feeling to the customers that PT KMT will deliver product that meet their expectation. And in responsiveness indicator what have to be develop are speed and readiness of employess in handling customer needs and complaints. By improving service quality through those three indicators hopefully the level of customer satisfaction will also increase. The increasing of customer satisfaction can determine competitive advantage of PT KMT among competotors.

The result of this study supports some previous studies. They are the study of silvestri et al. (2017) describe the significant and positive effect of service quality on customer satisfaction in termal tourism to be spesific on spa resort in Viterbo city , and also the study done by Aryani dan Rosinta (2010) about the significant effect of service quality of KFC to its customer, the study about the effect of service quality in Dubai based airline done by Hussain *et al.* (2014), and last the study done by Narteh (2017) that explain the positive and significant effect of service quality on customer satisfaction in Islamic Banking in Ghana.

The Effect of Product Quality on Customer Satisfaction

The result of hypothesis test of product quality shows that partially, product quality does not influence customer satisfaction significantly. The data rationalize that the customersof PT KMT do not look product quality as the main factor of their satisfaction. Fisrt, It is posible because the product of PT KMT are common product produce by factory which can easily found in common market and have national standard of Inonia product (SNI). The product are for example school furniture, like student table and chair, table and chair for teacher, education toys, laptop, LCD, sport equipments, and school stationary. Second, because the respondent of this study is customers of PT KMT who high trustworthy on PT KMT which is part of Kualita Pendidikan Indonesia (KPI) group as an institution that have go along with many schools in Indonesia and have trained thousand of teacher from all over that implemet high standar for training service delivered to its customer. Majority of customer of PT KMT are alsp the customer of KPI so they convince that the products PT KMT have good standard of quality.

The challenge for PTKMT management is to improve the product quality of customized products such as uniforms, hats, belts and printed products. Many customers complain about the quality of these customized products because there is still no standard for each product. The customized products are produced by vendor partners of PT KMT. Many of them are traditional and small enterprises. In order to increase the product quality, PT KMT has to set high standards for the quality of these customized products for its vendor partners.

This study supports some studies done before such as Sulistianto (2016) which explains that product quality does not significantly influence customer satisfaction in restaurants in Solo, Kusumasasti dan Hadiwidjojo (2017) about product quality that product quality does not significantly affect customer satisfaction in *DW coffee shop* in Malang, and the study of Indrawati (2017) that describes product quality does not influence customer satisfaction in *Mukena shop*, Al Kharimah Rejotangan Tulungagung East Java.

The Effect of Price on Customer Satisfaction

The result of hypothesis test of price shows that partially, price influences customer satisfaction significantly. It means that price is an important factor which can influence their satisfaction. The result of hypothesis test of price is positive mark which means that the customer of PT KMT has good perception on the price offered. However, the price of PT KMT product is high enough compared to competitors but the customer of PT KMT thinks that it is not a big deal for them as long as it is equal with value and performance of the product. Therefore the customers still feel satisfied though the price is expensive. Oleh karena itu pada akhirnya pelanggan tersebut tetap merasa puas. It may also be because of market segment of PT KMT which is the school that have medium and upper level of economy. This market is not price sensitive market. For them value and quality of the product are more essential than price.

The significant effect of price on customer satisfaction has to be a serious concern for PT KMT management especially to be specific in the suitability of price and product quality and also with the perceived benefit. The management of PT KMT has to keep the product quality and ensure the products are so beneficial for the customers. Another price indicator that should be noticed is competitive price level. PT KMT has to be able to offer more competitive price through interesting promotions.

The result of this study supports some previous studies. They are the study by Razak et al, (2016) which describes significant influence of toothpaste price on customer satisfaction in Bekasi, Qolati et al. (2019), the study about significant influence of price on customer satisfaction in telecommunication sector in Pakistan, and the study done by Sintya et al. (2018) that find significant influence of gojek price on customer satisfaction of FEB student of Samratulangi University, Manado.

Limitation of Study

This study has some limitations, they are:

1. There are only three independent variables of this study namely service quality, product quality and price that make this study is still very limited.
2. The determination level of independent variables to dependent variable is only

46,6 % which means there are other aspects in amount of 53,4 % excluded the three of independent variables that can influence customer satisfaction in PT KMT. In the next study, it can be inserted other independent variables which can influence customer satisfaction in PT KMT.

3. This study was done only in PT KMT, it may have different result if it is performed in other companies

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