

The Effect of Service Quality and Product Quality on Customer Loyalty through Customer Satisfaction

Candra¹, Parapat Gultom²

¹Universitas Prima Indonesia, Indonesia

²Universitas Sumatera Utara, Indonesia

Corresponding Author: Candra

ABSTRACT

Customer loyalty is an important aspect of business that needs special attention so that business continuity is maintained. This study aims to analyze the effect of service quality and product quality on customer loyalty through scaffolding tenant customer satisfaction at PT. Dutaraya Sejati Medan. This research used quantitative method and type of research is descriptive quantitative. The object of this research is the customers of PT. Dutaraya Sejati Medan. Populations were consumers of PT. Dutaraya Sejati Medan totalling 106 consumers, using incidental sampling techniques. Service quality measurement uses a service quality questionnaire, product quality measurement uses a product quality questionnaire, customer satisfaction measurement uses a customer satisfaction questionnaire, and customer loyalty measurement uses a customer loyalty questionnaire. This study uses path analysis to analyze quantitative data. This study revealed that service quality had a significant effect on customer satisfaction, product quality had a significant effect on customer satisfaction, service quality had a significant effect on customer loyalty, product quality had a significant effect on customer loyalty, customer satisfaction had a significant effect on customer loyalty, service quality had a significant effect on customer loyalty through customer satisfaction, and product quality had a significant effect on customer loyalty through customer satisfaction.

Keywords: Service Quality, Product Quality, Customer Satisfaction, Customer Loyalty

INTRODUCTION

A requirement that a company must meet in order to be successful in competition is to strive to achieve its goals of increasing and retaining customers. Customers will survive with a service if they are satisfied with the service and quality of service products received.

Quality is the most basic thing from customer satisfaction and success in competition. The quality of a product is the physical condition, function and nature of a product concerned that satisfies the tastes and needs of consumers according to the value for money that has been spent. Product quality is synonymous with achieving satisfaction with its consumers, therefore it is only fitting that the producers in implementing the quality of their products are always accompanied by customer satisfaction in order to generate loyalty to products both from the producer and consumer perspective.

PT. Dutaraya Sejati is a company engaged in the construction sector with the scaffolding rental sub-sector. The company is working to increase the number of scaffolding rentals. The intense competition in similar business fields as well as changes in consumer demand caused the company to face obstacles in increasing the number of scaffolding tenants.

The survey results at the beginning of the study show that income from scaffolding rental has decreased. The decrease in income is thought to be caused by factors of service quality and product

quality. The following table describes the decrease in income from leasing scaffolding.

Table 1. Scaffolding Rental Income Data of PT. Dutaraya Sejati in 2014-2018

Year	Number of Scaffolding for Rent (Set)	Rental Price/Set (Rp)	Income (Rp)	Difference (%)
2014	26,558	32,000	849,856,000	-
2015	25,448	32,000	814,336,000	-4.17
2016	24,892	32,000	796,544,000	-2.18
2017	24,466	32,000	782,912,000	-1.71
2018	22,011	32,000	704,352,000	-10.03

Source: PT. Dutaraya Sejati, 2019

Service quality and product quality that are not in accordance with customer expectations result in customer dissatisfaction; customer dissatisfaction can have an impact on decreasing the level of customer loyalty.

LITERATURE REVIEW

Service Quality

According to Abdullah and Tantri (2014:44), "service quality is the overall characteristics and characteristics of a good or service that affects its ability to satisfy expressed and implied needs."

According to Zeithaml, Berry and Parasuraman in Suryani (2008:121-122), there are five dimensions of service quality that customers use in evaluating service quality, including:

1. Tangibles are shown by the ability of a company to show its existence to external parties. The appearance of the office and employees, the ability of the company's physical facilities and infrastructure (including communication facilities), and the surrounding environment are clear evidence of the services provided by the service provider.
2. Reliability is the company's ability to provide services as promised accurately and reliably.
3. Responsiveness is a willingness to help and provide fast (responsive) and precise service to customers through the delivery of clear information, and is supported by the desire of staff and employees to help customers and provide responsive services.
4. Assurance is the knowledge, politeness and ability of company employees to foster customer trust in the company, including

knowledge, ability, politeness and trustworthiness of staff, free from danger, risk or doubt.

5. Empathy is giving sincere attention to individual/personal characteristics given to customers by trying to understand consumer desires, including the ease of making relationships, good communication and understanding customer needs.

Product Quality

According to Sangadji and Sopiah (2013:188), "product quality is defined as a comprehensive evaluation of customers for the good performance of goods or services." Indicators of product quality according to Tjiptono (2015:25), include:

1. Performance, the main operating characteristics of the core product purchased, such as speed, fuel consumers, the number of passengers that can be transported, ease and comfort in driving, and so on.
2. The characteristics or features of a feature, namely secondary or complementary characteristics, such as interior and exterior fittings such as dash boards, air conditioners, sound systems, door lock systems, power steering, and so on.
3. Reliability, namely the possibility of experiencing damage or failure to use, for example the car does not often stall/jam/fuss/break down.
4. Conformance to specification, namely the extent to which design and operating characteristics meet predetermined standards. For example, safety standards and emissions are met, such as the size of the axle for a truck, of course it must be bigger than a sedan.

5. Durability relates to how long the product can continue to be used. This dimension includes both the technical age and the economic age of using the car. Generally, cars made in America or Europe has better durability than cars made in Japan.

6. Service ability, including speed, competence, comfort, easy repair and satisfying complaint handling. The services provided are not limited to just before sales, but also during the sales process to after sales, which also includes repair services and the availability of the required components.

7. Esthetics, namely the product's appeal to the five senses, for example, the physical form of a car that is attractive, artistic models/designs, colors and so on.

8. Perceived quality, namely the image and reputation of the product and the company's responsibility for it. Usually due to the buyers' lack of knowledge of the attributes/characteristics of the product to be purchased, the buyer perceives its quality from the aspects of price, brand name, company reputation advertisement, and the country of manufacture. Generally, people will consider Mercedes, Roll Royce, Porsche, and BMW brands to be a guarantee of quality.

Customer Satisfaction

According to Arianty (2015:21), customer satisfaction is. Customers will feel satisfied if the value provided by the product or service satisfies the customer for a long time.

According to Hasan (2014:106), the most important dimensions in assessing customer satisfaction are:

1. Confirm Expectations
2. Repurchase Interest
3. Willingness to Recommend
4. Customer Dissatisfaction

Customer Loyalty

According to Hasan (2014:121), customer loyalty behavior associated with the brand of a product, including the possibility of customers changing their support for the

brand, what is the possibility of customer desires to increase the positive image of a product.

RESEARCH METHODS

The research was conducted at PT. Dutaraya Sejati Medan. This research uses quantitative methods. The population in this study were customers who rented a scaffold at PT. Dutaraya Sejati, amounting to 144 people in 2018. The sampling technique used incidental sampling or by chance. The number of samples in this study were 106 people. Data collection techniques used interviews, questionnaires and documentation studies. The research data analysis model used path analysis.

RESULT AND DISCUSSION

Based on the research hypothesis, the following results were obtained:

Table 2. Results of Significance

Variable	Coefficient	Sig.	Information
Service Quality ->Customer Satisfaction	0.238	0.030	Significant
Product Quality ->Customer Satisfaction	0.285	0.004	Significant
Service Quality ->Customer Loyalty	0.140	0.007	Significant
Product Quality ->Customer Loyalty	0.094	0.047	Significant
Customer Satisfaction ->Customer Loyalty	0.773	0.000	Significant

Source: Research Results (Processed Data)

Service quality variable has a positive and significant effect on customer satisfaction of scaffolding tenants at PT. Dutaraya Sejati Medan. The service quality variable has a regression coefficient value of 0.238 with a significant value of 0.030 and has a unidirectional effect, which means that each addition or increase in the value of one unit score of the service quality variable will add to the value of scaffolding tenant customer satisfaction PT. Dutaraya Sejati Medan of 0.238 per one score unit. Based on the results of testing the first hypothesis, it is known that Service quality has a significant influence on customer satisfaction of scaffolding tenants at PT. Dutaraya Sejati Medan. The better the company in carrying out its service quality

functions, the better the scaffolding renter's customer satisfaction PT. Dutaraya Sejati Medan. The findings of this study prove that service quality is a factor that can affect customer satisfaction of scaffolding tenants because service quality can affect customer satisfaction of scaffolding tenants in a business field. The better the service quality in carrying out its function in a business will certainly increase the scaffolding tenant customer satisfaction. If the quality of service at PT. Dutaraya Sejati Medan can run well, it will make scaffolding tenant customer satisfaction better too. Thus it is known that service quality is an important part in marketing management, which is inherent in management and business actors in the form of the ability to influence consumers, so that consumers want to rent their products. The findings of this study are supported by research conducted by Fitri, *et al.* (2019); Ramadhan (2016); and Familiar and Maftukhan (2015), which state that service quality has a positive and significant effect on customer satisfaction of scaffolding tenants.

Variable product quality has a positive and significant effect on customer satisfaction of scaffolding tenants at PT. Dutaraya Sejati Medan. The product quality variable has a regression coefficient value of 0.285 with a significant value of 0.004 and has a unidirectional effect, which means that each addition or increase in the value of one unit score of the product quality variable will add to the value of scaffolding tenant customer satisfaction at PT. Dutaraya Sejati Medan of 0.285 per one score unit. Based on the results of testing the second hypothesis, it is known that product quality has a significant effect on customer satisfaction of scaffolding tenants at PT. Dutaraya Sejati Medan. The more comfortable and the better the product quality, of course, will be able to increase customer satisfaction of scaffolding tenants at PT. Dutaraya Sejati Medan. The findings of this study prove that product quality is something that consumers feel when making a rental according to their needs at PT.

Dutaraya Sejati Medan. Every business actor has a different scaffolding tenant customer satisfaction. Of course, all business actors have a strategy in managing their products. Customer satisfaction scaffolding tenants are open to consumers to express their desires and dissatisfaction with the management of business actors to get more attention. Consumer dissatisfaction with such product quality conditions should be handled in a positive and wise manner by the management of business actors, so that customer satisfaction of scaffolding tenants can be further increased. The findings of this study are supported by research by Fitri, *et al.* (2019); Ramadhan (2016); and Familiar and Maftukhan (2015), which state that product quality has a positive and significant effect on customer satisfaction of scaffolding tenants.

Service quality variable has a positive and significant effect on customer loyalty at PT. Dutaraya Sejati Medan. The service quality variable has a regression coefficient value of 0.140 with a significant value of 0.007 and has a unidirectional effect, which means that each addition or increase in the value of one unit score of the service quality variable will add to the value of customer loyalty at PT. Dutaraya Sejati Medan at 0.140 per one score unit. Based on the results of testing the third hypothesis it is known that service quality has a significant influence on customer loyalty at PT. Dutaraya Sejati Medan. The better the quality of service provided, of course, will be able to increase customer loyalty in making rentals. The findings of this study prove that service quality is a marketing activity carried out by management and business actors in influencing consumers to rent their products. The better the quality of service in a business field, of course, will be able to increase customer loyalty in making rentals. If the quality of service provided by PT. Dutaraya Sejati Medan is getting better, the customer loyalty will increase. The findings of this study are supported by the results of research by Fitri, *et al.* (2019); Ramadhan (2016); and Familiar and

Maftukhan (2015) which state that service quality has a positive and significant effect on customer loyalty.

Product quality Variable has a positive and significant effect on customer loyalty at PT. Dutaraya Sejati Medan. The product quality variable has a regression coefficient value of 0.094 with a significant value of 0.047 and has a unidirectional effect, which means that each addition or increase in the value of one unit score of the product quality variable will add to the value of customer loyalty at PT. Dutaraya Sejati Medan of 0.094 per one score unit. Based on the results of testing the fourth hypothesis, it is known that product quality has a significant effect on customer loyalty at PT. Dutaraya Sejati Medan. The better the product quality, the more customer loyalty will be in making the rental. The findings of this study prove that product quality is a factor that influences customer loyalty because product quality is something that is felt directly by consumers, so that if the product quality felt by consumers is adequate, it will be able to increase rents so that it is expected that customer loyalty will also increase. The findings of this study are supported by research conducted by Fitri, *et al.* (2019); Ramadhan (2016); and Familiar and Maftukhan (2015), which state that product quality has a positive and significant effect on customer loyalty.

The scaffolding tenants customer satisfaction variable has a positive and significant effect on customer loyalty at PT. Dutaraya Sejati Medan. The scaffolding tenant customer satisfaction variable has a regression coefficient value of 0.773 with a significant value of 0.000 and has a unidirectional effect, which means that each addition or increase in the value of one unit score of the scaffolding tenant customer satisfaction variable will add to the value of customer loyalty at PT. Dutaraya Sejati Medan of 0.773 per one score unit. Based on the results of testing the fifth hypothesis, it is known that customer satisfaction of scaffolding tenants has a significant influence on customer loyalty at PT.

Dutaraya Sejati Medan. The better customer satisfaction of the scaffolding tenants, of course, will increase customer loyalty in leasing. This means that the level of customer loyalty in leasing will be determined by the good and the badness of the scaffolding tenant customer satisfaction that is felt by consumers. The findings of this study prove that customer satisfaction of scaffolding tenants affects the level of customer loyalty in scaffolding leasing. Scaffolding tenant customer satisfaction is a factor that influences customer loyalty. The better the customer satisfaction of the scaffolding tenants, of course, will be able to increase customer loyalty at PT. Dutaraya Sejati Medan in making rental. The findings of this study are supported by research conducted by Fitri, *et al.* (2019); Ramadhan (2016); and Familiar and Maftukhan (2015), which state that customer satisfaction of scaffolding tenants has a positive and significant effect on customer loyalty.

Based on the results of path analysis, it is known that the influence of service quality (X_1) on customer loyalty (Y) at PT. Dutaraya Sejati Medan is 33.1%, which consists of a direct effect of 14.5% and an indirect effect of service quality (X_1) on customer loyalty (Y) through 18.6% of scaffolding tenant customer satisfaction (Z). The results of this calculation indicate that the direct effect of service quality (X_1) on customer loyalty (Y) is smaller than the indirect effect of service quality (X_1) through scaffolding tenant customer satisfaction (Z) as an intervening variable. Thus it can be said that the influence of service quality (X_1) will be greater if it is done through the scaffolding tenant customer satisfaction (Z). The results showed that the scaffolding tenant customer satisfaction has a role in mediating the influence of service quality on customer loyalty. These results indicate that good service quality can encourage customer satisfaction of scaffold tenants to lease scaffolding, so that customer loyalty will increase. The findings of this study are supported by research by Fitri, *et al.* (2019);

Ramadhan (2016); and Familiar and Maftukhan (2015), which state that customer satisfaction has a mediating role in the relationship between service quality and customer loyalty.

Based on the results of path analysis, it is known that the influence of product quality (X_2) on customer loyalty (Y) at PT. Dutaraya Sejati Medan amounted to 36.4%, which consists of a direct influence of 10.9%, an indirect effect of product quality (X_2) on customer loyalty (Y) through customer satisfaction of scaffolding tenants (Z) of 25.5%. The results of this calculation indicate that the direct effect of product quality (X_2) on customer loyalty (Y) is smaller than the indirect effect. Thus it can be said that product quality (X_2) is effective in increasing customer loyalty (Y) through customer satisfaction of scaffolding tenants (Z), in other words it can be emphasized that product quality (X_2) has increased if customer satisfaction of scaffolding tenants (Z) is getting better, of course. will be able to increase customer loyalty (Y) in carrying out tasks. The direct influence of product quality (X_2) on customer loyalty (Y) at PT. Dutaraya Sejati Medan is smaller than the indirect effect of product quality (X_2) on customer loyalty (Y) through customer satisfaction of scaffolding tenants (Z). The results of this calculation indicate that the indirect effect of product quality (X_2) on customer loyalty (Y) is greater than the direct effect. The results showed that the scaffolding tenant customer satisfaction has a role in mediating the influence of product quality on customer loyalty. The findings of this study are supported by Fitri, *et al.* (2019); Ramadhan (2016); and Familiar and Maftukhan (2015), which state that customer satisfaction has a mediating role in the relationship between product quality and customer loyalty.

CONCLUSION

Based on the research results it can be concluded that:

1. Service quality has a significant positive effect on customer satisfaction of

scaffolding tenants at PT. Dutaraya Sejati Medan.

2. Product quality has a significant positive effect on customer satisfaction of scaffolding tenants at PT. Dutaraya Sejati Medan.

3. Service quality has a significant positive effect on customer loyalty at PT. Dutaraya Sejati Medan.

4. Product quality has a significant positive effect on customer loyalty at PT. Dutaraya Sejati Medan.

5. Customer satisfaction of scaffolding tenants has a significant positive effect on customer loyalty at PT. Dutaraya Sejati Medan.

6. Service quality has a significant positive effect on customer loyalty through customer satisfaction at PT. Dutaraya Sejati Medan.

7. Product quality has a significant positive effect on customer loyalty through customer satisfaction at PT. Dutaraya Sejati Medan.

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