Effect of Service Quality and Customer Satisfaction on Customer Loyalty in Regional VII Indonesia Telecommunication Company Makassar

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ABSTRACT

The purpose of this study is 1) To determine and analyze the effect of service quality on customer loyalty in the Indonesian Regional VII Makassar Telecommunications company, and 2) To find out and analyze the effect of customer satisfaction on customer loyalty in the Makassar Indonesia Regional VII Makassar company. The analytical method used in this study is a multiple regression analysis method. The research data was obtained from the customers of the Indonesian Regional VII Makassar Telecommunications. The research approach is an explanatory causal approach. The results showed that 1) Based on the results of multiple regression tests, the effect of service quality variables had a positive and significant effect on customer loyalty in the Makassar Indonesia Regional VII Makassar company. This means that the better the quality of services provided, the higher the customer loyalty, and 2) Based on the results of multiple regression tests, the effect of customer satisfaction variables has a positive and significant effect on customer loyalty in the Makassar Indonesia Regional VII Makassar company. This means that the better customer satisfaction is given, the higher the customer loyalty.

Keywords: Service Quality, Customer Satisfaction and Customer Loyalty

INTRODUCTION

Competition in the service industry sector is getting tighter and more competitive, thus demanding companies engaged in this field to continue to create and innovate in offering services to be sold. With this intense and competitive competition, there is a change in business and this change is caused by changes in customer service requests, technological changes and the presence of competitors that require companies to develop defense strategies to avoid losing customers. Loyalty is an important factor in supporting the sustainability of the company and the competitiveness of the company. Kotler and Armstrong (2011: 13) state that loyal customers tend to shop more often and try other
company products and tell others about the good experiences they get when using products or services and bring new customers into company. The influence of customer loyalty is closely related to the sustainability of the company in the future. Lupiyoadi (2013: 232), the significance of customer loyalty is strongly related to the sustainability of the company and to the strong growth of the company in the future.

The concept of service quality has become a very dominant factor in the success of organizations, both profit and non-profit organizations. Because if the customer or consumer feels that the quality of service he receives is good or as expected, then he will feel satisfied, trust and have a commitment to be a loyal customer. Customer satisfaction is the feeling of someone who is satisfied or vice versa after comparing the reality and expectations received from a product or service. Customer satisfaction and customer trust about an expectation will form a memory in the customer's mind. Lupiyoadi (2013: 228) defines customer satisfaction as a level of feeling where a person states the results of a comparison of the performance of a product or service that is received as expected.

PT Telekomunikasi Indonesia Tbk (Persero) is an information and communication company and a complete provider of telecommunications services and networks in Indonesia must be able to and try to retain its customers. For every business entity, in this case PT Telkom, service and satisfaction are important factors in the effort to establish loyalty to its customers. If the customer feels dissatisfied, it can cause the customer to move to another business entity, so that it will harm the business entity.

LITERATURE REVIEW

Definition of Quality

The quality problem in the business world now seems to have been the price that the company must pay so that he can survive in his business. Lupiyoadi (2011: 210) quality is a dynamic condition that relates to products, services, people, processes, and environments that meet or exceed expectations. Quality in the service industry is the presentation of products or services according to the size that applies at the place where the product is held.
and the delivery is at least the same as what is desired and expected by consumers. Quality is called good if the service provider provides services equivalent to what is expected by customers.

Understanding quality according to Heizer and Render (2001: 171) in Assauri, (2014: 171) defines quality as the ability of a product or service to meet customer needs. The concept of quality itself is basically relative, which depends on the perspective used to determine the characteristics and specifications. Basically there are three quality orientations that should be consistent with one another: consumer perceptions, products (services), and processes. For goods that are tangible, these three orientations can almost always be clearly distinguished, but not for services. For services, products and processes may not be clearly differentiated, even the product is the process itself.

Service Quality

1. Definition of Service Quality

Service quality is now needed to achieve customer satisfaction. With quality, the company must meet customer expectations and satisfy their needs. However, even though this definition is customer-oriented, it does not mean that in determining the quality of service the service provider must comply with all customer desires. In other words, in determining the quality of service, companies must consider in addition to meeting customer expectations, also must see the availability of adequate resources within the company.

Service quality is strongly influenced by customer expectations. Customer expectations can vary from one customer to another even though the service provided is consistent. Quality is a weakness if the customer has too high expectations, even with a good service. Lovelock (2010: 284) gives an understanding of service quality as a level of perfection to meet customer desires, whereas according to Parasuraman (1994) in Edyansyah (2014), service quality is a comparison between perceived service (perception) customers and service quality expected by customers. If the quality of service that is perceived to be the same or exceeds the expected quality of
service, then the service is said to be quality and satisfying.

2. **Dimensions of Service Quality**

Service quality is something complex. By James A. Fitzsimmons and Mona J. Fitzsimmons in Tjiptono (2014: 35-36) explains that consumers will assess the quality of service through the five principles of service dimensions, namely:

a. **Reliability** is the ability to carry out services that have been promised consistently and reliably (accurately).

b. **Be responsive**, namely the willingness to help customers and service providers / services quickly and precisely.

c. **Guarantees** which include the knowledge and hospitality of the employees and their ability to generate trust and confidence, politeness and trustworthiness that are owned by the staff, free from danger, risk or doubt.

d. **Empathy** which includes understanding the individual giver of attention to the customer, the ease of doing good communication, and understanding the customer

e. **Tangible** includes physical appearance of facilities, equipment, employees and communication tools.

Five dimensions of service quality measurement (SERVQUAL) are a concise item with high reliability and validity, which can be used to understand the perceptions and expectations of service quality from consumers, and as a result can be used to design service quality improvements.

**Customer Satisfaction**

1. **Definition Customer Satisfaction**

Customer satisfaction is the most important factor in various business activities. Customer satisfaction is the customer's response to the evaluation of perceived discrepancies between previous expectations with perceived product performance. With the satisfaction of the wants and needs of customers, this has a positive impact on the company. If the customer feels satisfied with a product, of course the customer will always use or consume the product continuously. That way the products of the company are declared sellable on the market, so that the company
will be able to make a profit and finally the company will survive or survive or possibly even develop.

Lupiyoadi (2011:102), many benefits received by the company with the achievement of high levels of customer satisfaction. A high level of customer satisfaction can increase customer loyalty and prevent customer turnover, reduce customer sensitivity to prices, reduce marketing failure costs, reduce operating costs caused by increasing numbers of customers, increase advertising effectiveness, and improve business reputation. According to Arief (2011:82) stated that customer satisfaction or dissatisfaction is the customer's response to evaluation. perceived discrepancies between prior expectations and actual performance of the product after use.

2. Satisfied Customer Characteristics

Satisfied customer behavior will be different from dissatisfied customer behavior. Kotler (2013: 48) states the characteristics of customers who feel satisfied as follows:

a. Loyal to the product
b. The existence of communication between positive word of mouth
c. The company is the main consideration

In general, there are five main factors of customer satisfaction, namely product quality, price, service quality, emotional factors, and convenience (Kotler, 2013: 55), namely:

a. Dimensions of product quality
   Product quality is the first factor of customer satisfaction. Product quality is a global dimension consisting of 6 elements, namely performance, durability feature, reliability, consistency, and design.

b. Price dimensions
   For sensitive customers, low prices are an important source of satisfaction because customers will get high value for money. The price component becomes unimportant for those who are not price sensitive.

c. Dimensions of service quality
   Service quality depends on three things: system,
technology and human. The human factor holds the biggest contribution so that service quality is more difficult to imitate compared to product quality and price. One popular service quality concept is Servqual. Based on this concept, service quality is believed to have five dimensions: reliability, responsiveness, assurance, empathy and tangible.

d. Emotional dimension
When consumers will make purchases will be found a lot of emotional factors. What is offered by a strong brand is often an emotional actor. Emotional dimension is divided into three factors: aesthetics, self expressive value, and brand personality. Aesthetic aspects related to color and shape. Forms include product size, proportion and symmetry. The aspect of self expressive value is a form of satisfaction that occurs because of the social environment and its surroundings.

e. Dimensions of convenience
Consumers / customers will be more satisfied if they feel easy, comfortable and efficient in getting a product or service.

Customer Loyalty

1. Definition Customer Loyalty
Repurchase behavior is often referred to as brand loyalty or brand loyalty which indicates a psychological bond of a brand. Consumer loyalty is formed by psychological factors, learning processes and experience. Loyal customers will use these factors in the buying process. According to Sheth and Mittal quoted by Tjiptono (2014: 387) loyalty is the customer's commitment to a brand, store, or supplier based on a very positive attitude and reflected in a consistent repeat purchase. Whereas according to Hurriyati (2010: 129) customer loyalty is defined as follows: more loyalty refers to the form of behavior of decision-making units to make purchases continuously infringing on the goods or services of a selected company.

Customer loyalty has an important role in a company,
maintaining them means improving financial performance and maintaining the survival of the company, this is the main reason for all companies to attract and retain them. According to Kotler and Keller (2012: 138) states Customer loyalty is a commitment that is held in depth to buy or support a product or service that is preferred in the future even though the influence of the situation and marketing efforts has the potential to cause customers to switch. According to Hasan (2009: 81) loyalty is a concept that seems easy to talk about in everyday context but becomes more difficult when analyzing its meaning. Loyalty is a behavioral or purchasing response that is biased and is expressed continuously by decision makers by paying attention to one or more alternative brands of a number of similar brands and is a psychological process function.

2. Customer Loyalty Characteristics

Loyal customers are important assets for the company, this can be seen from its characteristics, as expressed by Griffin (2010: 31) loyal consumers have the following characteristics:

a. Make regular purchases

Loyalty refers more to the form of behavior of decision-making units to make continuous purchases of goods / services of a selected company. The level of satisfaction with the shop will affect the brand to buy back.

b. Buy outside the product / service line

Buying outside the product and service line means the desire to buy from products and services offered by the company. Customers who have trusted the company in a business will also believe in other matters.

c. Recommend other products

Loyal customers voluntarily recommend companies to friends or colleagues and their families.

d. Demonstrate immunity from the attractiveness of similar products from competitors

Not easily affected by competition from other similar companies.

3. Measurement of Customer Loyalty

Loyalty can be measured through positive word of mouth,
customer satisfaction, brand trust, price sensitivity, and so on. According to Hasan (2009: 91) there are various ways to measure loyalty, namely:

a. Customer loyalty can be traced through measures, such as (defection rate, number and continuity of core customers, longevity of core customers and value for core customers as a result of quality, productivity, cost reduction from short cycle times).

b. The loyalty data is obtained from customer feedback that can be collected through various ways that vary in effectiveness.

c. Lost customers analyst, non-customer analysis, input from employees, input from distributors or retailers, in-depth individual interviews.

d. Analyze feedback from customers, former customers, non-customers, and competitors.

4. Customer Loyalty Stages

Customer loyalty is a behavioral drive to make purchases repeatedly and to build customer loyalty to a product / service produced by a business entity takes a long time through a repetitive purchase process. Hurriyati (2010: 132) customer loyalty consists of six stages, namely:

a. Suspect

Includes all people who are believed to be buying goods / services, but do not yet have information about company goods / services.

b. Prospect

Are people who have a need for certain services, and have the ability to buy them. At this stage, even though they have not made a purchase, they already know the existence of the company and the services offered through other party recommendations.

c. Customer

At this stage, the customer has entered into a transaction relationship with the company, but does not have a positive feeling towards the company, so that loyalty at the stage has not been seen.

d. Clients

Including all customers who have purchased goods /
services that are needed and offered by the company regularly, this relationship lasts a long time and they have retention properties.

e. Advocates
At this stage, Clients actively support the company by giving recommendations to others to want to buy goods / services in the company.

f. Partners
At this stage there has been a strong and mutually beneficial relationship between the company and the customer. At this stage customers also dare to reject products / services from other companies.

5. Customer Loyalty Indicators
A customer is said to be loyal or loyal when the customer conducts buying behavior regularly. Efforts to provide customer satisfaction are done to influence customer attitudes, while the concept of customer loyalty is done to influence customer attitudes, while the concept of customer loyalty is more related to customer behavior than the attitude of the customer. According to Kotler, (2013: 319) there are five indicators that cause consumers to be loyal to the products they use, namely as follows:

a. Brand Value
Is the value of one product offered to the market, if the brand of a product is known to be marketed then the product has a brand value. So that consumers can make the brand of the product as the main choice when they want to buy a product because the product already has value.

b. Consumer Characteristics
Is a characteristic possessed by consumers of various types such as loyal consumers to use a product or consumers who are bored with a product and easily move to other products.

c. Switching Barrier
Is a barrier that will be faced by consumers who want to move from one product to another, can be due to the experience of consumers who directly use the product, such as the use of excellent products so consumers are reluctant to use other products.
d. Customer Satisfaction
Customer satisfaction is a response from the customer which is a post-purchase evaluation carried out by consumers on an item or service that has been obtained (product performance) compared to expectations expected by consumers.

e. Competitive Environment
That is the environment or situation faced by producers where producers compete tightly and healthily to get customers or consumers.

Prior Research
Research on the influence of service quality and customer satisfaction on customer loyalty has been carried out by previous researchers, among others:

1. Afifah (2017)
The results of this study indicate that: 0.847 or 84.7% loyalty variables can be explained by the three independent variables in the study, namely service quality, trust and satisfaction together. While the remaining 15.3% is explained by other variables outside this research which are contributions from independent variables besides the two variables in the study.

2. Fian and Yuniati (2016)
The results of this research test state that customer satisfaction and customer trust have a positive effect on customer loyalty both regression models and partial hypothesis testing. As well as known variables that predominantly influence customer loyalty in this study are Customer Satisfaction.

The results of hypothesis testing show that out of the 6 hypotheses compiled, there is one hypothesis that cannot be accepted. From the test results, overall it can be concluded that to increase customer loyalty in PD BPR Bank Pasar Kendal can be through a direct increase in customer commitment and trust, while service quality can increase customer loyalty directly. Service quality can increase customer loyalty, because service quality has a
significant positive effect on customer trust and commitment, which in turn will have a significant positive effect on customer loyalty.

ANALYSIS METHOD

The data analysis method used in this study is multiple regression, namely the analysis used to determine the effect of independent variables (service quality and customer satisfaction) on the dependent variable (customer loyalty), Ghozali (2011: 29) with the regression equation model, namely:

\[ Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + e \]

Testing of hypotheses is carried out at 95% confidence level or level 5% (\( \alpha = 0.05 \)) in the following manner:

1. Test-t
   To test whether each independent variable (service quality and customer satisfaction) significantly influence the dependent variable (customer loyalty) with \( \alpha = 0.05 \).
2. Test-F
   To test whether the independent variable has a significant effect on the dependent variable together with \( \alpha = 0.05 \)

3. Determination Coefficient (R Square)
   The coefficient of determination (R2) essentially measures how far the ability of the model (service quality and customer satisfaction) is to explain the variation of the dependent variable (customer loyalty). The coefficient of determination is between zero (0) and one (1) or (0 < R2 < 1). A small R2 value means that the ability of independent (free) variables to explain the variation of the dependent variable is very limited. A value close to one means that the independent variables provide almost all the information needed to predict the variation of the dependent variable.

RESEARCH RESULT

1. Multiple Regression Analysis
   The analysis model used in this study is multiple regression analysis. This analysis is used to determine the direction
and magnitude of the effect of service quality and customer satisfaction on customer loyalty of the Indonesian Telecommunications Regional VII Makassar company. Based on the results of the data processing, the multiple regression equation in the table is obtained as follows:

Table 1. Multiple Regression Coefficient

<table>
<thead>
<tr>
<th>Coefficient</th>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>t Val</td>
<td>Beta</td>
</tr>
<tr>
<td>3 (Constant)</td>
<td>0.431</td>
<td>1.677</td>
<td>0.301</td>
</tr>
<tr>
<td>Service Quality</td>
<td>0.590</td>
<td>0.001</td>
<td>0.001</td>
</tr>
<tr>
<td>Customer Satisfaction</td>
<td>0.303</td>
<td>0.000</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Based on the unstandardized coefficients B value in the table it is known that each variable can be entered into multiple regression models with the equation, as follows:

\[ Y = 0.431 + 0.590X_1 + 0.303X_2 \]

These multiple regression equations can be interpreted as follows:

1. \( b_0 = 0.431 \) is a constant number which indicates that customer loyalty in the Makassar Indonesia Regional VII Makassar company is not determined by the variable service quality and customer satisfaction.
2. \( b_1 = 0.590 \) indicates that if the service quality variable is increased by 1% then customer loyalty in the Indonesian Regional VII Makassar telecommunications company will increase by 59%.
3. \( b_2 = 0.303 \) indicates that if the customer satisfaction variable is increased by 1% then customer loyalty will increase by 30.3%.

2. Hypothesis Test

To test the hypothesis in this study, multiple regression analysis was used, consisting of:

a. Simultaneous Test (F Test)

F test is to test whether each independent variable has a significant effect on the dependent variable together with \( \alpha = 0.05 \) and accept or reject the hypothesis.
Based on the table above, it can be seen that the F ratio is 127.037 with a significant value = 0.000 <0.05 (α = 5%). This means that service quality and customer satisfaction variables together have a positive and significant effect on customer loyalty variables in the company Telekomunikasi Indonesia Regional VII Makassar.

b. Determination Coefficient Test

The determination coefficient is used to determine the closeness of the relationship between independent variables (service quality and customer satisfaction) with the dependent variable (customer loyalty). R2 values are located between 0 and 1 (0 ≤ R2 ≤ 1). From the results of the analysis, the correlation coefficient (R) shows that there is a relationship between variable X and variable Y.

Correlation coefficient (R) of 0.890 means that there is a positive and unidirectional relationship between variable X and variable Y of 89%. Value of R2 = 0.791. This means, the effect of variable X (service quality and customer satisfaction) on variable Y (customer loyalty) is 79.1% and the influence of other variables is 20.9% which is not included in the model. This influence is considered very good because the value obtained is above 50%.

c. Partial Test (t Test)

The t-test is to test whether each independent variable has a significant effect on the dependent variable partially with α = 0.05. Partially, the analysis
variables have different effects and probability values as follows:

1. Service quality variable (X1) with t count value of 10.481 with a significant level of 0.000 (sig <0.05) means that there is a positive and significant effect between service quality (X1) on customer loyalty (Y) on Telekomunikasi Indonesia Regional VII Makassar. Service quality variable is the dominant variable that has an effect on customer satisfaction, it can be seen that the t-value is greater than the t-value of the customer satisfaction variable.

2. Customer satisfaction variable (X2) with t count value of 4.906 with a significant level of 0.000 (sig <0.05) means that there is a positive and significant influence between customer satisfaction (X2) on customer loyalty (Y) in Telekomunikasi

DISCUSSION

1. Effect of Service Quality on Customer Loyalty

Service quality is the expected level of excellence and control over the level of excellence to meet customer desires. Service is a form of gift given by the producer both to the service of goods produced and to the services offered in order to obtain consumer interest, thus the service influences consumer interest in an item or service from a company offering a product or service. If the services offered by the company are in accordance with the wishes of consumers, the products / services offered will be purchased. Whereas if there is a service that is not in accordance with the wishes of the consumer then it can be ascertained that the product / service is less attractive to consumers. Based on the results of multiple regression tests, the effect of service quality variables has a positive and significant effect on customer
loyalty in Telekomunikasi Indonesia Regional VII Makassar. This means that the better the quality of services provided, the higher the customer loyalty.

Service quality is determined by the level of suitability between the services provided and those expected by customers. The higher the perceived quality of service, the higher the level of user/customer satisfaction, then the more positive the behavior of one's intention in addressing the service. Service quality is a measure of how well the level of service provided is in line with customer expectations. The main factors that influence the quality of service are the expected services and perceived services. If the perceived service can match the expected service, then the quality of the service will be perceived as good or positive.

The opposite is true if the perceived service is worse than the expected service, the service quality is perceived as negative or bad. So that whether or not service quality is good depends on the ability of service providers to consistently meet their customers' expectations. Service quality is an important part in conducting business management in Telekomunikasi Indonesia Regional VII Makassar. The services provided must be in accordance with the needs and desires of the customer. The service that customers have felt will certainly affect customer satisfaction. With good quality of service, it can create customer loyalty.

2. Effect of Customer Satisfaction on Customer Loyalty

Customer satisfaction is an evaluation of customer awareness and love of goods or services that have been delivered to them by certain manufacturers. Customer satisfaction as a result of the comparison between product or service expectations and the reality received by a person raises the first two possibilities if the seller gives excessive information to the customer, the customer will have too high expectations, resulting in dissatisfaction if the seller cannot fulfill the information.
The second possibility is that if the seller cannot fulfill the information to the customer, then the customer will be less interested (low expectations) on the product or service, so the transaction will not occur. Based on the results of multiple regression tests, the effect of customer satisfaction variables has a positive and significant effect on customer loyalty in Telekomunikasi Indonesia Regional VII Makassar. This means that the better customer satisfaction is given, the higher the customer loyalty.

Satisfaction is often seen as the basis for the emergence of loyalty. Customer satisfaction has a positive influence on loyalty. A customer who feels satisfied after using the services provided, will cause the customer's desire to use the service in the future. This study proves the existence of a positive and significant influence between customer satisfaction and customer loyalty. Satisfaction is the result of evaluation of previous transaction experience. Satisfaction will arise if the customer positively assesses the transaction experience. With the positive impression or assessment, the customer will be willing to remain loyal to the company. The implementation of this research is the customer who assesses the company so as to generate satisfaction in accordance with the wishes of the customer, thus a positive image of Telekomunikasi Indonesia Regional VII Makassar is created and becomes a loyal customer with the company.

CONCLUSION

From the results of the research and discussion that has been raised, the conclusions that can be drawn by the researcher are as follows:

1. Service quality has a positive and significant effect on customer loyalty in Telekomunikasi Indonesia Regional VII Makassar, so that the proposed hypothesis can be accepted.

2. Customer satisfaction has a positive and significant effect on customer loyalty in Telekomunikasi Indonesia
Regional VII Makassar company, so that the proposed hypothesis can be accepted.

BIBLIOGRAPHY


