THE INFLUENCE OF SERVICE QUALITY DIMENSION TOWARDS CUSTOMER SATISFACTION AND CUSTOMER LOYALTY: A CASE STUDY OF JACK RUNNER ROASTERY

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Abstract. Coffee consumption in Indonesia has been increasing in the past few years, thus promoting new coffee shops to open each year. The key factors in building a successful coffee shop is through the continuous improvement of the product and its service. Good product in coffee industry can be defined as a good taste and aroma coffee, from its acidity and its sweetness. Through service, a coffee shop could gain loyal customers whenever they are satisfied and will return as repetitive customers, thus creating a sustainable coffee shop. This research aims to find out service quality, customer satisfaction, and customer loyalty of Jack Runner Roastery. This research is using a quantitative approach by distributing questionnaires to Jack Runner Roastery's customer. The correlation between service quality dimensions and customer satisfaction is analyzed using multiple linear regression, while customer satisfaction towards customer loyalty is analyzed using simple linear regression. Results shows that reliability, tangibles, empathy and responsiveness have a positive significant influence towards customer satisfaction, while assurance has no significant influence. Furthermore, the study shows that customer satisfaction has a significant influence towards customer loyalty. The research provides recommendation for coffee shops to improve their service quality to gain customer satisfaction and customer loyalty.

Keywords: Customer Loyalty, Customer Satisfaction, Service Quality.

1. Introduction

Coffee shops have begun to rise, the amount of coffee shops rising correlates to the rise of the coffee industry in Indonesia as well. The coffee demand has seen an increase in 2010-2014 from 0.80 kg/capita/year which reached 190.000 tons (2010) to 1.03 kg/capita/year that reached 300.000 tons (2014), according to the Association of Indonesian Coffee Exporters and Producers (AEKI), (Raymundus & Prasetyo, 2014). This creates a lot of competition in the industry of coffee shops. According to Ahmad Hidayat, an expert in the coffee industry, there are three important elements to take note on making a coffee shop; the product, the service and also the ambience.

Service quality is a measurement of how well the service level is delivered towards the customer's expectations. Delivering quality services means being able to meet to customer's expectations consistently (Lewis & Booms, 1983). It is important because it has strong connections with the customer satisfaction and in turn to the loyalty of the customers. In order to create this loyalty, the company should build some sort of an emotional bond with their customers. Unfortunately, many coffee shops forgot to pay attention to the service quality of their coffee shop. In this research, the researcher aims to find out the impact of the service quality attributes towards customer satisfaction and customer loyalty in Jack Runner Roastery.

Jack Runner provides great quality products as well as the service. The roastery helps them maintain consistency of the coffee. By having a roastery, they keep their coffees fresh for the customers to enjoy their great quality coffee product. In terms of the service, Jack Runner encourages their baristas to engage with their customers. Jack Runner has a lot of traffic in their shop and that may cause

interference to customer service. Through this study, the researcher aims to identify the service quality of Jack Runner Roastery and how this affect their customer satisfaction and loyalty. Past study suggested that service quality seems to be only one variable that affects towards customers' satisfaction judgement. (Caruana, 2002). Other study also suggested that there is a correlation between customer satisfactions and customer loyalty. The reaction of the customer after evaluating the service, such as repeat purchases, shows the tendency of loyalty of the patrons towards the provider of the service.

2. Company Profile

Jack Runner started from a young man named Stefanus Handy that had finished his studies in Melbourne (Australia) in 2003, that is also supported from his experience by taking part in a barista class at William Angliss Melbourne and his knowledge of roasting that is gained from Hong Kong and Birdien Chiu (Specialty Coffee Association of Europe Instructor). Based on his seriousness in the hobby and love for coffee, which opens up an opportunity in the business which started from the mid-2014 and is now still running. The business currently runs at Jalan Panaitan no. 34.

Jack Runner Roastery provides a variety of coffee and non-coffee beverages for their customers in the shop. They also provide heavy meals and also small snacks in the shop. Other than providing ready to drink and ready to eat products, Jack Runner also provides roasted beans for their customer to enjoy coffee at home. They also provide roasting services for clients and other coffee shops as well. Jack Runner would also make cupping sessions with their customers and also provide barista classes for people to learn more about coffee. In order for the community to know the standards of coffee and know what good coffee would taste like.

3. Literature Review

3.1. Service Quality

Service quality or SERVQUAL is a tool that is used to measure the quality of services provided, and it involves the perceived quality from consumers (Parasuraman, Zeithaml, & Berry, 1988). The model has been used amongst most industries (Oh, 1999). There are three big characteristics from service quality, which are; outcome quality, interaction quality as well as the physical environment (Brady & Cronin, 2001). Where those featured mentioned previously could be associated to a research conducted by (Parasuraman, Zeithaml, & Berry, 1988) where they studied further about the ten determinants in order to characterize customers' perception of the service, where the researchers then summarized it into five determinants that would be known as the SERVQUAL model. The five dimensions in SERVQUAL model are reliability, assurance, tangibles, empathy and also responsiveness. Reliability relates with service outcome aspect, tangibles would refer to the physical surrounding aspect and the rest correlates towards the interaction quality aspect. The five determinants of the SERVQUAL model are as explained below:

Reliability
This would mean that the firm is capable to conduct the services promised, dependably and also accurately. In the case of Jack Runner Roastery, they provide top quality coffees from Indonesia which they promised to deliver since they started out in 2014. Baristas would test out the coffee first before being served to customers, and if something is not done right the baristas are encouraged to make it again to ensure the quality of the coffee and also the that the company is reliable in what they had promised.

Assurance
Assurance relates to the employee's knowledge also the courtesy as well as both the company and the employee's capability to inspire trust and also confidence. The employee's or barista's knowledge ensures assurance for the customers. Whenever the customers ask for a recommendation according to their preference the barista could give a recommendation and adjust the taste of the coffee according to the customer's likings. Not only that, they could also share their knowledge to customers who are interested in coffee and make them feel

secure that they are going to be served with good quality coffees from knowledgeable barista's that know how to handle their coffee's well.

Tangibles

Tangibles correlates with the appeal towards the physical aspect, such as the facilities in Jack Runner Roastery, the equipment and also the presentation of the service employees. The tangibles in Jack Runner Roastery includes the fancy espresso machine that they have, as well as the coffee grinders, not to forget the roasting machine, the interiors and exteriors, et cetera. Jack Runner also serves their coffee in specific coffee glasses that aligns with the specifications of the Specialty Coffee Association for the hot beverages and a tall glass for their cold beverages. As for the uniform for the baristas to present themselves, they use aprons to give them self an identity that they will be the one who serves and answers any query from the customers.

Empathy

Empathy means to understand customers' problems and would be conducted by giving customers individual personal attention. Through this character, it would indirectly build customer relations and increase the bond between the barista's and also the customers. Though most of the customers come in to have a coffee talk, but there are several coffee entrepreneurs that have problems with their business and likes to consult to some of the baristas there, also baristas could relate to other baristas whenever one comes by and show empathy because of common interests. Whenever an employee addresses and recognize a regular patron, it would be counted as an empathy as well. Empathy in a coffee shop is known as hospitality in the industry, or how the barista communicates and engages with the customers.

Responsiveness

Responsiveness may relate to how the employees are encouraged to help and respond towards customers' desire or enquiry and give immediate services. This condition focuses on the attention and immediate response to respond to the queries, desires, critics and giving solution to problems that customer may face. There are a lot of requests coming from customers to turn on the television so that they could watch their favorite soccer team play and during MotoGP races, and the response from the employees were quick. However, it seems that the employees are less responsive whenever waves of customers come in and because of the short number of baristas the employees may quickly forget about the customer's request, the main cause being overwhelmed by the huge number of customers coming in during peak hours.

3.2. *Customer Satisfaction*

According to (Kotler & Keller, 2006) they define satisfaction as there is a relation between customers' assumption and perceived service performances with consequences that may result in the feeling of convenience or dissatisfaction based on the services that is delivered in a better or worse than what is perceived. However, customer satisfaction is the customers' assessment of the services post purchase compared to what they had anticipated (Oliver, 1997). Based on the definitions provided by other researchers, customer satisfaction is the patron's emotional assessment of a good or service in terms of whether the good or service has met accordingly towards what the patron has expected and needed. The effects can be positive if the services performance goes above what the patrons' assumption and vice versa.

3.3. Customer Loyalty

Loyalty is defined considered whenever a patron is highly committed to repurchase the goods/services on a regular basis in the time to come, which causes the same brand repurchases on a continued basis consistently (Oliver R. L., 1999). Whereas a study by, (Chaudhuri & Holbrook, 2001) customer loyalty is based on behavioral loyalty meaning repurchase of the same brand and also attitudinal loyalty where there is a committed tendency towards the value that the brand offers. Customer loyalty has four guides to it, that could be used to measure the extent of customer loyalty, according to Gronholdt, Martensen and Kristensen (2000), which are customers' repurchase intention, tolerance to the rates offered, the urge to recommend the firm or brand and the initiative to make a cross purchase. It could be concluded that customer loyalty is the response of the clients' conduct towards a firm where they have been involved with the product or service related.

3.4. Research Hypotheses

H1: There is a positive significant relation between reliability and customer satisfaction in Jack Runner Roastery.

H2: There is a positive significant relation between assurance and customer satisfaction in Jack Runner Roastery.

H3: There is no significant relation between tangibles and customer satisfaction in Jack Runner Roastery.

H4: There is a positive significant relation between empathy and customer satisfaction in Jack Runner Roastery.

H5: There is a positive significant relation between responsiveness and customer satisfaction in Jack Runner Roastery.

H6: The greater the satisfaction of Jack Runner Roastery's Customer the more loyal they will be, as satisfied customers have a positive and important impact towards their loyalty.

3.5. Research Framework

The researcher adopts a conceptual framework from a study done by Jana (2014), which shows correlation between the dimensions of service quality towards customer satisfaction and customer satisfaction to customer loyalty.
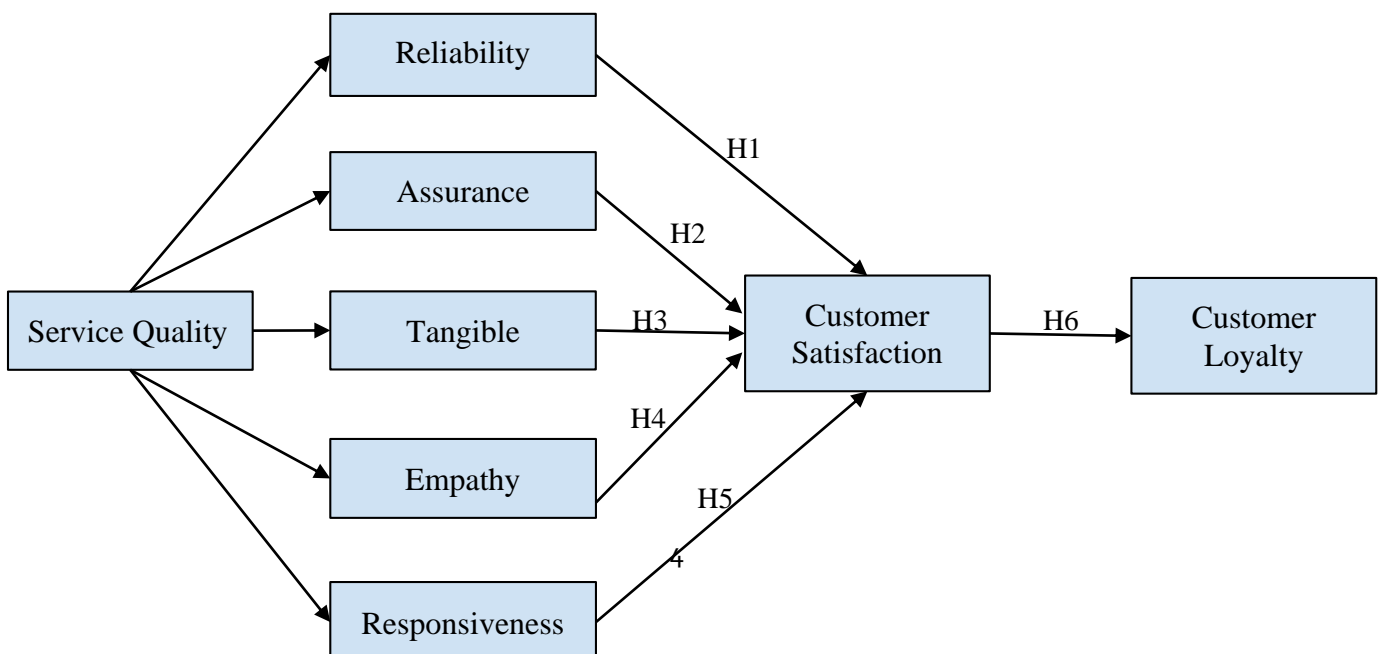
Figure 3.1 Research Framework

4. Methodology

This research is categorized as a quantitative research. The data are collected using an online questionnaire. The population is taken from Jack Runner Roastery's customer. In order for the research to be conducted the researcher needs to go through 5 steps. First the researcher would search for a problem that exists in Jack Runner Roastery. After identifying the problems, the researcher needs to construct several research questions as well as the research objectives. Secondly, the researcher needs to search for literature to provide background prove and validity of the research being done. Gathering theories, journals of other studies would be useful would be useful for this research. After going through the previous 2 steps, the researcher needs to collect data for the research from collecting primary data and from interview and questionnaires to the samples. For the fourth step, the data that has been gathered needs to be analyzed. Lastly the researcher would need to make conclusion and recommendation for Jack Runner Roastery, based on the data that has been analyzed.

5. Results and Discussion

5.1. Validity and Reliability

The researcher has collected 208 samples for the research to be done. Before going further into analyzing the data the researcher conducted a validity and reliability test. The research runs the sample through SPSS software version 16.0 to get the validity of the samples. The validity test uses Pearson's Correlation score as an indicator to whether or not the question measures what it claims to measure. The instrument is declared valid when the counted value is more than the r-table product moment. When the research instrument has been declared valid, a reliability test is then performed using the Cronbach's Alpha value. for the data to be considered reliable it needs to meet Cronbach's alpha minimum of 0.7. The results show that all 208 data are valid and reliable with a value of Cronbach's Alpha, 0.957.

5.2. Multiple Linear Regression Result

There are 5 dimensions in Service Quality; reliability, assurance, tangibles, empathy and responsiveness. Through the multiple linear regression the researcher is able to determine which dimensions correlates with customer satisfaction. For the hypothesis to be accepted the significant value needs to be above 0.05. The analysis results show that reliability (X1), tangible (X3), empathy (X4) and responsiveness (X5) have a significant value below 0.05; meanwhile assurance (X2) has a significant value above 0.05. This shows that, in Jack Runner Roastery, the employees knowledge and ability to inspire trust and confidence, have no significant relation towards the customer's satisfaction.

5.3. Simple Linear Regression Result

The simple linear regression is to determine the causal relationship between Customer satisfaction (X_6) and Customer Loyalty (Y). The results show that X_6 has a significant value of less than 0.05. This result means that whenever the customers are satisfied, they tend to be more loyal. Previous studies show similar results as well, when the customer are satisfied customers would be more loyal (Caruana, 2002; Jana, 2014).

5.4. Hypothesis Testing

Hypothesis testing is done based on the calculation of multiple linear regression and simple linear regression. The first stage will test hypothesis 1 to 5 and the second stage will test

hypotheses 6. Based on the result of the analysis results above, the following conclusion is obtained:

- With a significance value of 0.004 < 0.05, X1 is found to have a significant effect on X6; therefore, H1 is accepted.
- With a significance value of 0.188 > 0.05, X2 is found to have an insignificant effect on X6; therefore, H2 is rejected.
- With a significance value of 0.000 < 0.05, X3 is found to have a significant effect on X6; therefore, H3 is accepted.
- With a significance value of 0.000 < 0.05, X4 is found to have a significant effect on X6; therefore, H4 is accepted.
- With a significance value of 0.000 < 0.05, X5 is found to have a significant effect on X6; therefore, H5 is accepted.
- With a significance value of 0.000 < 0.05, X6 is found to have a significant effect on Y; therefore, H6 is accepted.

6. Conclusion

Based on the study that have been conducted, it can be concluded that 4 service quality dimensions (reliability, tangibles, empathy and responsiveness) in Jack Runner Roastery have a positive significant influence towards customer satisfaction, but not the assurance. Assurance in Jack Runner Roastery would not have a very significant impact towards the satisfaction of Jack Runner's Customers. In the meantime, Jack Runner's satisfied customers have a positive relation to being a loyal customer. In order for Jack Runner to increase their customer loyalty is is recommended that they improve their reliability, tangibles, empathy and responsiveness aspects in order to increase the amount of satisfied customers and therefore increasing their loyal customers.

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