

IMPROVING CUSTOMER LOYALTY THROUGH SERVICE QUALITY AND CUSTOMER SATISFACTION (A Study Conducted at Yani Salon, Demak)

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ABSTRACT

This research is conducted due to the presence of business phenomena experienced by Yani Salon regarding to their customers' complaints. The purpose of this research is to analyze the influence of dimensions of service quality on customer loyalty through customer satisfaction. The research samples are 96 respondents obtained using a purposive sampling method then followed with path analysis.

The results show that the physical evidence, reliability, responsiveness, assurance, and empathy have positive and significant influence on customer satisfaction. Physical evidence and assurance do not have significant influence on customer loyalty, while reliability, responsiveness, and empathy have positive and significant influence on customer loyalty.

Keywords: *physical evidence, reliability, responsiveness, assurance, empathy, customer satisfaction, and customer loyalty*

INTRODUCTION

Every company always strives to keep their customers, because the company's survival depends on the existence of these very customers. Company should continue to maintain and preserve their customers to keep them loyal.

Customer loyalty can be earned through customer satisfaction. Yet, it is never easy to achieve customer loyalty through customer satisfaction. Customer satisfaction is a highly important factor for a company to exist, survive and develop. According to Engel *et al.*, in Tjiptono (2002: 146), customer satisfaction is a post-purchase evaluation which results in at least similar outcome or exceeds the customers' expectation. On the other hand, dissatisfaction occurs when the obtained outcome fails to fulfill the customers' expectation.

Customer satisfaction can be figured out from the low level of complaint or even the absence of complaints from the customers. Customer satisfaction can be reached once the company can provide quality goods and services. Goetsh and Davis (in Tjiptono, 1995) define quality as a dynamic condition related to products, services, human, process and environment which meets or exceeds customers' expectation. From time to time, customers' expectation can indeed change, therefore it can be said that quality is a condition of products or services which is always dynamic, for it is constantly changing.

The provision of quality goods and services can also improve a company's competitiveness. It is possible to win a tight business competition when a company can satisfy their customers by

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providing quality goods and services. Hence, service quality improvement can be a strategy a company can use to retain their customers.

Any customer experiencing satisfaction from the goods and services they buy has higher chance of making a re-purchase from the same goods and services providers. This very re-purchase from customers will eventually allow the company to increase its profit and market share.

The tools used to measure the level of customer satisfaction according to Parasuraman, et.al (1988) are the five dimensions of service quality commonly called *Servqual* (Service Quality). The service quality dimensions include *Tangible* (physical evidence), *Empathy*, *Reliability*, *Responsiveness*, and *Assurance*.

Yani Salon is one of salons located in Demak Regency. This salon is quite well-known in the city and it has many customers. Nevertheless, Yani Salon cannot be separated from problems. The problem they are encountering is complaints from their customers regarding their service quality such as too long queueing time, employees who are sometimes less attentive, and the outcome which are sometimes unsatisfactory. When no action is taken about this problem, it can eventually reduce customer satisfaction and furthermore lowers customer loyalty. Therefore, a study needs to be conducted as to how to improve Yani Salon's customer satisfaction and loyalty.

REVIEW OF LITERATURE

Physical Evidence

According to Parasuraman, Zeithaml, and Berry (in Umar, 2003: 8-9), Physical Evidence (Tangibles) is the real evidence of the concern and attention paid by service providers to their customers. Physical evidence includes physical facilities, equipment, employees, and means of communication.

Reliability

According to Lupiyoadi and Hamdani (2006:182), menyatakan bahwa reliability is a company's ability yo provide services as what they promise in an accurate and trusted way. Performance should match the customers's expectation, which means timeliness, equal service for all customers with no error, sympathetic attitude, and at high accuracy.

Responsiveness

According to Lupiyoadi and Hamdani (2006:182), responsiveness can be defined as an employee's fast response or alertnesss to help customers and provide fast service and, including employee's alertness in serving customers, employee's speed in handling transaction, and treatment.

Assurance

Assurance is a company's employees' knowledge, manners, and ability to nurture customers' trust to the company (Lupiyoadi and Hamdani, 2006:182). It includes several components such as employees' communication, credibility, security, competence and manners.

Empathy

According to Lupiyoadi and Hamdani (2006:182), another definition of empathy is to pay sincere and individual or personal attention to customers as indicated by the effort made to understand what they want. A company is expected to have sufficient understanding and knowledge about their customers, understand the customer needs specifically as well as operating during a time at which customers feel convenient.

Customer Satisfaction

According to Kotler and Keller (2009:177), customer satisfaction is the someone's happy or disappointed feeling as a result of comparison they make between perceived performance (outcome) of products and the expected performance. Whether or not a buyer is satisfied can be discovered after he/she makes a purchase, depending on the performance of offer in fulfilling this buyer's expectation.

Customer loyalty

Hurriyati (2005: 35) suggests that customer loyalty plays an important role in a company because of the fact that retaining customers means improving the company's financial performance and maintaining the company's continuance. It becomes the main reason for a company to attract and retain customers.

Previous Studies

The previous study conducted by Fikri (2016) finds that physical evidence, reliability, responsiveness, assurance, empathy have positive influence on customer satisfaction and loyalty. It means the better the physical evidence, reliability, responsiveness, assurance, and empathy the greater the customer satisfaction and loyalty would be. Another study is conducted by Wijayanto (2015) which finds that physical evidence, reliability, responsiveness, assurance, empathy, and satisfaction have positive influence on customer loyalty. This finding is confirmed by Amryyanti (2013) and Aryani (2010).

Critical Framework

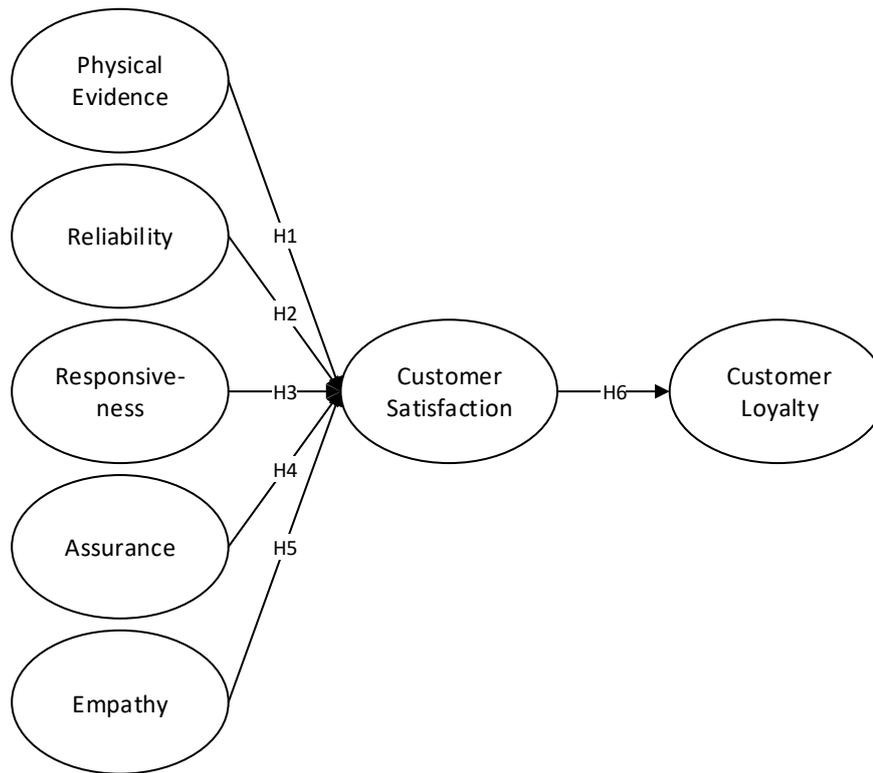


Figure 1

Physical evidence, Reliability, Responsiveness, Assurance and empathy constitute the dimensions of service quality capable of directly influencing Customer Satisfaction and indirectly influencing Customer Loyalty.

RESEARCH METHODOLOGY

Population and Sample Determination

The population in this research is those customers visiting and having themselves treated the number of which is unknown. The sample is taken using purposive sampling technique, i.e. sample is taken from a population based on certain criteria (consideration). The criteria of respondents in this research are: customers 17 years of age and above and having themselves treated at least once.

Type and Source of Data

The data used in this research are the primary ones. Primary data are those data given directly by the source of data to the data collector from the respondents through interview and questionnaire aid (Sugiyono 2004). These primary data are obtained from distributing a list of questions to the customers visiting Yani Salon.

Method of Collecting Data

The method of collecting data to be used in this research is questionnaire. Questionnaire is a technique of collecting data by giving a set of questions or written statements to respondents for their answers/responses (Sugiyono 2004). Respondents' answers to all questions in the questionnaire are then noted or recorded. The answers to these questions are made by the

respondents themselves with no any assistance from the researchers. The questions asked to the respondents should be clear and unbiased for the respondents.

Analysis Method

Path Analysis

The analysis method used is Path Analysis. The equation or model is as follows:

$$Y_1 = a + \beta_1 \cdot X_1 + \beta_2 \cdot X_2 + \beta_3 \cdot X_3 + \beta_4 \cdot X_4 + \beta_5 \cdot X_5 + e$$

$$Y_2 = a + \beta_6 \cdot X_1 + \beta_7 \cdot X_2 + \beta_8 \cdot X_3 + \beta_9 \cdot X_4 + \beta_{10} \cdot X_5 + \beta_{11} \cdot Y_1 + e$$

Description:

a	=	Constant
Y_1	=	Customer satisfaction
Y_2	=	Customer loyalty
X_1	=	Physical evidence variable
X_2	=	Reliability variable
X_3	=	Responsiveness variable
X_4	=	Assurance variable
X_5	=	Empathy variable
$\beta_{1,2,3,4,5}$	=	Regression coefficient
$\beta_{6,7,8,9,10,11}$	=	Regression coefficient
e	=	Error

RESULT AND DISCUSSION

Based on Path Analysis using SPSS program the following result is obtained:

Table 1:
Linear Regression Analysis Stage 1

Variable	Beta	T	Sign.
Physical evidence	.178	2.057	.043
Reliability	.253	3.010	.003
Responsiveness	.173	2.080	.040
Assurance	.227	2.792	.006
Empathy	.183	2.050	.043

Dependent variable: Customer satisfaction

The research result indicates that physical evidence variable has positive and significant influence on customer satisfaction. It means the better the physical evidence, such as the more modern the equipment used, the more complete the existing facilities and the tidier the employee's appearance in providing the service, the greater the customer satisfaction would be. This research result confirms the research conducted by Sirhan Fikri (2016) and Dwi Aryani (2010) which finds that physical evidence has some influence on customer satisfaction.

The reliability variable has positive and significant influence on customer satisfaction. It means the better the employee's reliability, as can be seen in the more dependable employee, employee's better speed and timeliness in finishing their job, the greater the customer satisfaction would be. Reliability is a company's ability to provide services as what they promise in timely manner. Therefore, to satisfy customers the company should serve these

customers punctually, provide the equal services to all customers, employee should behave sympathetically and deliver results as expected by these customers. This result confirms the research conducted by Sirhan Fikri (2016) and Kusuma Wijayanto (2015) which suggests that reliability has some influence on customer satisfaction.

Responsiveness has positive and significant influence on customer satisfaction. It means the better the employee's responsiveness as indicated in their willingness to serve the customers at high speed and to help solve customers' difficulties and to spare some time to respond to customers's request, the greater the customer satisfaction would be. Responsiveness is the willingness to help provide services and being responsive to what customers want. The pressure from this dimension lies on the employee's attention and speed at which this employee is engaged to respond to customers' request, question, and complaint. This result confirms the research conducted by Kusuma Wijayanto (2015) and Ruth Amryyanti (2013) which finds that responsiveness has some influence on customer satisfaction.

Assurance has positive and significant influence on customer satisfaction. It means the better the assurance given as indicated in the company's ability to ensure that their employees have sound knowledge, that their employees' appearance will remain decent and that their employees are skilled, the greater the customer satisfaction would be. This result confirms the research conducted by Dwi Aryani and Febrina Rosinta (2010), and Ginda Pamungkas (2016) which state that assurance has some influence on customer satisfaction.

Empathy has positive and significant influence on customer satisfaction. It means the better the employee's empathy as indicated in the employee's good work discipline, the employee's great concern for their customers and the employee's performance of their duties as instructed, then the greater the customer satisfaction would be. This dimension constitutes the way to obtain input from customers and to discover and understand customers' needs and desires in making their purchasing decision. This result confirms the research conducted by Sirhan Fikri (2016) and Inka Janita Sembiring (2014) which suggests that empathy has some influence on customer satisfaction.

Table 2:
Linear Regression Analysis Stage 2

Variable	Beta	T	Sign.
Physical evidence	.030	.328	.744
Reliability	.257	2.819	.006
Responsiveness	.194	2.205	.030
Assurance	.005	.057	.955
Empathy	.215	2.277	.025
Customer satisfaction	.261	2.389	.019

Dependent variable: Customer loyalty

The physical evidence variable is found to have no influence on customer loyalty. Thus, despite the efforts the company make to take care of and improve the physical evidence, it does not make customers loyal. Physical evidence for each salon has more or less similar state of affairs, hence customers think that it is not something special and it is just like any other salon. This research result rejects the finding of the research conducted by Kusuma Wijayanto (2015) and

Ruth Amryyanti (2013) which suggests that physical evidence has some influence on customer loyalty.

The research result shows that variable reliability has positive and significant influence on customer loyalty. It means the better the employee's reliability, as can be seen in the more dependable employee, employee's better speed and timeliness in finishing their job, the greater the customer loyalty would be. This result confirms the research conducted by Kusuma Wijayanto (2015) and Sirhan Fikri (2016) which suggests that reliability has some influence on loyalitas.

Responsiveness has positive and significant influence on customer loyalty. It means the better the employee's responsiveness as indicated in their willingness to serve the customers at high speed and to help solve customers' difficulties and to spare some time to respond to customers's request, the greater the customer loyalty would be. This result confirms the research conducted by Sirhan Fikri (2016) and Inka Janita Sembiring (2014) which states that responsiveness has some influence on customer loyalty.

Assurance variable does not have significant influence on customer loyalty. Assurance shows that employee's behavior can nurture customers' trust to the company, enabling the company to create safe atmosphere for customers to make the purchase. In Yani Salon, it turns out that their employee's knowledge, appearance and skills do not influence customer loyalty. This is because Yani Salon has had some place in their customers' heart, where these customers have so far had faith in Yani Salon. This result also rejects the finding of the research conducted by Sirhan Fikri (2016) and Kusuma Wijayanto (2015) which states that assurance has some influence on customer loyalty.

Empathy has positive and significant influence on customer loyalty. It means the better the employee's empathy as indicated in the employee's good work discipline and the employee's great concern for their customers and the employee's performance of their duties as instructed, the greater the customer loyalty would be. According to Tjiptono (2006:70) empathy is how easy customers can connect with, to communicate well with, to receive personalized attention from, and to have their needs understood by the company. This is where the company is expected to have some understanding and knowledge about what their customers expect. This result confirms the research conducted by Kusuma Wijayanto (2015) and Inka Janita Sembiring (2014) which finds that empathy has some influence on customer loyalty.

The research result also shows that satisfaction has positive and significant influence on customer loyalty. It means the higher the customer satisfaction as indicated by the customers feeling impressed upon their use of such services, the customers having no complaint and the customers thinking that the cost they paid worth the benefit they received, then the greater the customer loyalty would be.

This is consistent with the theory proposed by Reynolds and Beatty in Fikri (2016), which says that, in general the ultimate goal of customer satisfaction is customer loyalty. Any customer who is satisfied is highly likely to have an intention of recommending it to other parties or of re-purchasing. This research result also confirms the research conducted by Ruth Amryyanti

(2013) and Inka Janita Sembiring (2014) which finds that satisfaction has some influence on customer loyalty.

Testing the Mediating Effect of Customer Satisfaction

The direct relationship between physical evidence and customer loyalty has a value of 0.030. Meanwhile, their indirect relationship has a value of 0.046 (0.178×0.261). It means customer satisfaction is found capable of mediating the relationship between physical evidence and customer loyalty.

The direct relationship between reliability and customer loyalty has a value of 0,257. Meanwhile, the indirect relationship between reliability and customer loyalty has a value of 0.066 (0.253×0.261). It means customer satisfaction is found capable of mediating the relationship between reliability and customer loyalty.

The direct relationship between responsiveness and customer loyalty has a value of 0.194. Meanwhile, the indirect relationship between responsiveness and customer loyalty has a value of 0.045 (0.173×0.261). It means customer satisfaction is found capable of mediating the relationship between responsiveness terhadap customer loyalty.

The direct relationship between Assurance and customer loyalty has a value of 0.005. Meanwhile, the indirect relationship between assurance and customer loyalty has a value of 0.059 ($0,227 \times 0,261$). It means customer satisfaction is found capable of mediating the relationship between assurance terhadap customer loyalty.

The direct relationship between Empathy and customer loyalty has a value of 0.215. Meanwhile, the indirect relationship between Empathy and customer loyalty has a value of 0.047 (0.183×0.261). It means customer satisfaction is found capable of mediating the relationship between empathy terhadap customer loyalty.

CONCLUSION

Based on the results of analysis this research has done, it can be concluded that from the results of regression analysis stage 1, physical evidence, reliability, responsiveness, assurance, and empathy variables has positive and significant influence on customer satisfaction. It means when physical evidence, reliability, responsiveness, assurance and empathy get better, the customer satisfaction will increase as well.

From the results of regression analysis stage 2, it can be concluded that reliability, responsiveness, empathy, and customer satisfaction variable have positive and significant influence on customer loyalty. It means the better the reliability, responsiveness, empathy, and customer satisfaction the greater the customer loyalty would be. As for physical evidence and assurance variables, they have insignificant influence on customer loyalty.

From the results of mediating effect test, it is found that customer satisfaction can mediate the relationship between physical evidence and customer loyalty and the relationship between assurance and customer loyalty. However, customer satisfaction fails to mediate the relationship between reliability and customer loyalty, the relationship between reliability and customer loyalty, and the relationship between empathy and customer loyalty.

RECOMMENDATIONS

Based on the explained conclusions above, the the researchers propose the following recommendations to further advance Yani Salon, Demak. To improve their customer satisfaction, it is recommended for Yani Salon to improve their service quality at all dimensions. To improve their reliability, Yani Salon is expected to evaluate their performance periodically to keep improving their employees' ability to meet their customers needs. As for improving their responsiveness, Yani Salon ought to keep reminding their employees immediately respond to their customers' complaints. Furthermore, to improve their empathy, Yani Salon is expected to keep reminding every one of their employees to pay more attention to their customers; for example they could suggest the haircut model they think suitable for their customers.

In order to improve their customer loyalty, Yani Salon should first pay attention to reliability, responsiveness, empathy, and customer satisfaction dimensions. Customers will be loyal when the services Yani Salon provides are adjusted to the customers need and Yani Salon is willing to respond to customers' complaints, and keeps on improving their services in such a way that their customers will be satisfied and in turn these customers will always return for routine treatment.

LIMITATION

The determination coefficient as can be seen from the Adjusted R Square of physical evidence, reliability, responsiveness, assurance and empathy to customer satisfaction has a value of 0.682. It can be interpreted that the ability of physical evidence, reliability, responsiveness, assurance and empathy to explain customer satisfaction has a value of 68.2%. The remaining 31.8% of customer satisfaction variable is explained by other variables beyond this research. This result shows that there are still many variables which influence customer satisfaction other than the five service quality dimensions.

The determination coefficient (Adjusted R Square) of physical evidence, reliability, responsiveness, assurance, and empathy to customer satisfaction has a value of 0.659, meaning that physical evidence, reliability, responsiveness, assurance, empathy and customer satisfaction can explain customer loyalty at 65.9 %. The remaining 34.1% of variable customer loyalty is explained by other variables beyond the research model. It means there are still many variables which influence customer loyalty other than service quality and customer satisfaction.

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