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by Miah Said

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Determinants of Customer Satisfaction and Customer Loyalty (Case Study of Café Grind & Pull Makassar)

Miah Said[1,*], Piter Tiong[2]

[1]Makassar Bosowa University, South Sulawesi, Indonesia
[2]AMKOP Makassar College of Economics, South Sulawesi, Indonesia
*Correspondence Author

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***Keywords*— quality, price, customer satisfaction, customer loyalty.**

***Abstract*—** *The lifestyle of drinking coffee is currently becoming a trend among people in the millennial era. This is the reason for the growth of the domestic coffee shop industry.The purpose of this study was to determine the effect of service quality, price on customer satisfaction and customer loyalty. In addition to testing the effect of customer satisfaction on customer loyalty and testing the role of customer satisfaction in mediating the effect of service quality, price (price) on customer loyalty. This study uses a quantitative approach with an explanatory method, namely in the research being conducted is to explain the symptoms that arise in a research subject. The data analysis technique of this study used Amos' SEM, where the findings of this study were that service quality and price had a positive and significant effect on customer satisfaction and customer loyalty at Grind & Pull, Makassar.*

I. PRELIMINARY

Cafes or coffee shops are one of the places that have mushroomed in Indonesia in recent years. Factors in the development of lifestyle and necessities of life are balanced with creativity and innovation for cafe business owners(Priawan, 2016). The prospect of coffee shops is currently very bright, where every year coffee shops are mushrooming and increasing by 10-15 percent. It can be seen that the number of coffee shops in Indonesia in the last three years has tripled, from 1,083 outlets in 2016 to 3,000 outlets in 2019.

The problem with the development of coffee shops cannot be separated from how easy it is for the community to open this business, where previously opening a coffee shop required a large investment and is now accessible to the community.(Prasetyo, 2020). Until 2019 the development of coffee shops is expected to increase by 15% - 20% compared to 2018. Meanwhile, the contribution of cafe shops to breakfast coffee has increased by 25% to 30%.(Pradika, 2019).The growth of coffee consumption in Indonesia from year to year has increased in the last 4 years (2015-2018). So it will show the growth of coffee consumption in Indonesia (Figure 1)

Fig.1: Consumption Growth

The growth of coffee consumption in the last 4 years has increased from year to year, an increase in people who consume coffee in Indonesia has caused the café business to experience very rapid development. This is marked by the proliferation of business people involved in the café business, causing the level of competition in the café business to become increasingly stringent. Efforts made by café business people are preparing coffee quality with

different tastes and preparing all café facilities so that they can compete with other cafés. Then another factor in order to maintain sustainability of the café business is paying attention to customer loyalty, which is a manifestation and continuation of consumer satisfaction through the use of facilities and services provided by the business owner.(Lusiah, 2018)

Customer loyalty is very important in maintaining business continuity, because loyal consumers are consumers who are satisfied with the service they get from business owners. Loyalty is a customer's deep commitment to resubscribe or repurchase selected products/services consistently in the future, even though situational influences and marketing efforts have the potential to cause behavior changes (Hurriyati, 2019: 129). The opinion expressed by Hasan (2014: 120) that customer loyalty is the key to success, not only in the long term but also sustainable competitive advantage. One way that is done by business owners to increase loyalty is customer satisfaction (Customer Satisfaction).

According to Wijaya (2018: 153), customer satisfaction is the level of one's feelings after comparing the performance (results) that he feels compared to his expectations. Satisfied customers will increase customer loyalty in making repeat purchases. Findings made by previous researchers found differences or inconsistent. So that there is a research gap found. Then in increasing customer satisfaction and customer loyalty, there are a number of determining factors, namely service quality and price. Service quality according to Tjiptono and Chandra (2017:59) is the quality of service. Service quality is the expected level of excellence and control over that level of excellence to meet consumer desires.

Then price or price according to Sudaryono (2016: 216) is an exchange rate that can be equated with money or other goods for the benefits obtained from an item or service for a person or group at a certain time and a certain place. Affordable prices provide satisfaction for customers so that it has an impact on customer loyalty for the services offered.

Based on the theory, the results of previous research and gap research, research questions will be presented, namely:

a) Does service quality affect customer satisfaction
b) Does price affect customer satisfaction
c) Does service quality affect customer loyalty
d) Does the price affect customer loyalty
e) Can customer satisfaction mediate the effect of service quality on customer loyalty
f) Can customer satisfaction mediate the effect of price on customer loyalty

II. RESEARCH METHODS

This research is a quantitative research, which according to Sukunto (2017: 10) is defined as an approach that requires a lot of numbers, starting from data collection, interpretation of the data, as well as the appearance and results. The type of research using the explanatory method is research conducted by explaining the symptoms that arise from the subject of this study. Judging from the objective, it is a causal study that explains the causal relationship regarding the effect of service quality and price on customer loyalty with customer satisfaction as an intervening variable. This research was conducted at grind & pull cafes in Makassar City. The reason for choosing Café in this study is that it is often visited by young and old people.

This study used 187 samples, where the sampling technique used was a purposive sampling technique, which according to Sugiyono (2019: 138) namely determining the sample based on certain criteria or considerations, namely customers who have members and have visited the café more than 2 times. Ferdinand (2014: 109) stated that the sample size that must be met in Amos' SEM modeling is a minimum of 100 and uses a comparison of 5-10 observations for each estimated parameter. In this study using 14 indicators, so the ideal sample size is 140 samples (10 observations x14). However, to obtain a representative sample, researchers determined 187 samples to be used as respondents.

To find out the relationship between service quality and price on customer loyalty through customer satisfaction can be visualized in the form of Figure 2 below:

Fig.2. Framework of Mind

Then the indicators of each latent variable in this study are according to Tjiptono (2017: 159) service quality is measured by 5 indicators namely reliability, responsiveness, assurance, empathy, tangibles.). Kotler & Lane (2009:83) explains that there are 3 indicators in

measuring price (price), namely price affordability, price compatibility with benefits, price according to ability or price competitiveness. Then the endogenous variable in this study is customer satisfaction as measured by 3 research indicators namely price suitability, intention to return, willingness to recommend (Tjiptono, 2017: 101). While Kotler & Lane (2009:101) explains that there are 3 indicators in measuring customer loyalty, namely Repeat Purchase, Retention, Referral.

III. ANALYSIS AND DISCUSSION

Statistical analysis explains the description or description of research variables which may include service quality, price, customer satisfaction, customer loyalty. (Table 1)

Table 1. Descriptive Statistics of Research Variables

Latent variable	Means	Standard Deviation	range actual	range theoretical
Service quality	16,87	4,18	10-24	5-25
Price	10.01	2,41	6-14	3-15
Customer Satisfaction	10,19	2.64	6-15	3-15
Customer Loyalty	11.08	2.35	7-15	3-15

Source: Data processed, 2022

Descriptive statistics on each latent variable, namely service quality, has a score of respondents' answers with an actual range of 10-24 while a theoretical range of 5-25. This shows that the respondents' answers related to the actual range are higher when compared to the theoretical range. This indicates that the service quality at Grind & Pull in Makassar can already be categorized as good. The same goes for prices with an actual range of 6-14 and a theoretical range of 3-15 which indicates that the price set by Grind & Pull Café is competitive, when compared to other cafes.

Then descriptive statistics namely customer satisfaction with respondents' answers having an actual range of 6-15 and a theoretical range of 3-15, so that it can be said that customer satisfaction on grind & pull is already high. Respondents' answer scores on customer loyalty with an actual range of 7-15 and a theoretical range of 3-15, this indicates that customer loyalty is already high, which means that the application of service quality and price has increased customer satisfaction. In the analysis of descriptive statistics, before analyzing the research data using the Amos SEM method, a confirmatory test will be carried out first

Confirmatory factor analysis is a multivariate analysis whose role is to confirm whether the measurement model built is in accordance with the hypothesis. Before conducting a confirmatory test (CFA) on latent variables, a model feasibility test will be presented first which aims to find out whether the confirmatory model to be used can be said to have a fit model or not (Table 2).

Table 2: Confirmatory model feasibility in Amos's SEM

Information	*cut off Value*	Model Test Results		Conclusion
		Beginning	After repair	
λ2	88.25	102.60	84,220	Fit Models
CMIN/DF	≤ 2.0	1.445	1,239	Fit Models
ρ	0.05	0.008	0.089	Fit Models
GFI	≤ 0.90	0.927	0.940	Fit Models
AGFI	≤ 0.90	0.893	0.907	Fit Models
IFI	≥ 0.95	0.983	0.991	Fit Models
CFI	≥ 0.95	0.978	0.988	Fit Models

Source: Data processed, 2022

The results of the feasibility of the confirmatory model in Amos' SEM analysis, that the confirmatory model has a goodness fit of index is in accordance with the requirements in Amos's SEM analysis. For more details, the value of loading factor (λ) and construct reliability, average variance extracted (AVE) will be presented (Table 3).

Table 3 : Analysis of loading factor values, Construct reliability and average variance extracted

Latent variable	Indicator	*loading factor*(λ)	*construct reliability*	*AVE*
Service Quality	X1.1	0.904	0.911	0.672
	X1.2	0.742		
	X1.3	0.862		
	X1.4	0.720		
	X1.5	0.856		
Price	X2.1	0.666	0.781	0.548
	X2.2	0.885		
	X2.3	0.647		
customers Satisfaction	Z. 1	0.853	0.864	0.680
	Z. 2	0.837		
	Z. 3	0.782		
customers Loyalty	Y. 1	0.878	0.906	0.763
	Y.2	0.885		
	Y.3	0.878		

Source: Data processed, 2022

The results of the convergent validity test on indicators on latent variables, namely for service quality have a value of the loading factor range of 0.742-0.904 which is greater than 0.50, so that it can be said that the five indicators of service quality already have good convergent validity. Then the price variable with 3 indicators, which has a loading factor value of 0.647-0.837 which is greater than 0.50 so that it can be said that the three indicators already have good convergent validity. In addition, the customer satisfaction variable has 3 indicators with a loading factor value of 0.782-0.853, as well with customer loyalty there are 3 indicators with a loading range of 0.878-0.885 which is greater than 0. Then seen from the results of the construct reliability test, where all construct reliability, namely service quality, price, customer satisfaction and customer loyalty, is greater than 0.70, besides that the AVE value is already greater than 0.50. So that it can be said that all the indicators used in testing the research hypothesis are reliable. Before testing the hypothesis in this study, a normality test will be carried out in Amos' SEM first, where the results of the normality test show that multivariate normality has a critical ratio (CR) of 0.018 which is smaller than 2.58. This shows that the data in the SEM analysis Amos is normally distributed. Then the results of the outlier test from SEM Amos (Table 4) are as follows:

Table 4: Outlier Test Results in Amos' SEM

Observations number	*Mahalanobis d squared*	p1	p2
35	34,245	,002	,299
50	30,288	,007	,374
48	26,657	,021	,763
174	25,375	.031	,835
55	25.104	.034	,755
170	24,925	.035	,650
26	24,303	.042	,676
1	24,006	.046	,626
169	23,684	.050	,594
63	23,605	.051	,487
158	23,216	,057	,498
173	22,376	,071	,686

Source: Data processed, 2022

The highest d-squared mahalanobis value is at observation number 34 with a d-squared mahalanobis value of 34,295 which is smaller than the chisquare table (p=0.001; df 14) of 36,125 which means that the data in Amos' SEM did not find any outlier data.

After the Amos SEM test, the research hypothesis will be tested, but previously the feasibility test of the model will be presented in testing the hypothesis based on the value of the goodness of fit index (Table 5), namely:

Table 5: The results of testing the feasibility of the testing model research hypothesis

Information	*Cut of Value*	Test results Model	Conclusion
λ^2	88.25	0.089	Fit Models
CMIN/DF	≤ 2.0	1,239	Fit Models
ρ	0.05	0.089	Fit Models
GFI	≤ 0.90	0.940	Fit Models
AGFI	≤ 0.90	0.907	Fit Models
IFI	≥ 0.95	0.991	Fit Models
CFI	≥ 0.95	0.991	Fit Models

Source: Data processed, 2022

The results of the model feasibility test in testing the research hypothesis show that all goodness of fit index values are in accordance with the requirements in Amos' SEM. This indicates that the model used in testing the research hypothesis already has a fit model, so that the regression weight will be presented in Amos's SEM for testing the research hypothesis, namely:

a) The effect of service quality on customer satisfaction, with a standardized regression weights coefficient of 0.374 and a pvalue = 0.005 <0.05. This shows that service quality has a positive and significant impact on customer satisfaction. This indicates that providing good service to café customers will make customers feel satisfied, so as to increase customer interest in visiting the Grind & Pull Makassar café again.

b) The effect of price on customer satisfaction shows that with a standardized regression weight coefficient value of 0.359 with a value $\rho value$ of 0.001 < 0.05, indicating that the price (price) can have a positive and significant influence on café customer satisfaction (customer satisfaction)

c) The influence of service quality on customer loyalty, which obtained a standardized regression weight value of 0.428 with a value of $\rho value$= 0.000 <0.05, this shows that service quality has a positive and significant influence on customer loyalty. This indicates that service quality has a real influence in increasing customer loyalty.

d) The effect of price on customer loyalty, with a standardized regression weight value of 0.310, and besides that a pvalue = 0.002 <0.05, this shows that

price has a positive and significant influence on customer loyalty. These findings indicate that price can significantly increase customer loyalty.

e) The effect of customer satisfaction on customer loyalty obtained by a standardized regression weight value of 0.262 besides that with a pvalue = 0.000 <0.05, it can be said that customer satisfaction has a significant influence on customer loyalty. These findings may indicate that customer satisfaction can significantly increase customer loyalty.

Then seen from the indirect effect of service quality and price on customer loyalty mediated by customer satisfaction and customer loyalty which shows that the magnitude of the indirect effect of service quality on customer loyalty through customer satisfaction is 0.098 or 9.80%. While valueρvalue = 0.016 <0.05, can be said that customer satisfaction can mediate the effect of service quality on customer loyalty. In addition, the indirect effect of price on customer loyalty through customer satisfaction 0.094 or 9.40%, whereas a pvalue = 0.016 <0.05 indicates that customer satisfaction can mediate the effect of price on customer loyalty at Grind & Pull in Makassar.

IV. CONCLUSION

The results of this study indicate that the direct effect of service quality and price has a positive and significant effect on customer satisfaction and customer loyalty at Grind & Pull in Makassar. These findings indicate that empirically service quality will be able to increase customer satisfaction and customer loyalty at Grind & Pull. Then seen from the results of the mediation test through the bootstrapping process in SEM Amos which shows that customer satisfaction can mediate the effect of service quality on customer loyalty at the Grind & Pull café in Makassar. This can be indicated that d service quality can increase customer satisfaction so that it has an impact on customer satisfaction. The results of the mediation test, namely the effect of price on customer satisfaction on customer loyalty, indicate that competitive prices when compared to other cafes will increase customer satisfaction. So that it has an impact on customer loyalty.

The implications of this study show that the practical implications of this research are that this research can be used as input for the owners of Café Grind & Pull, Makassar in increasing customer satisfaction and customer loyalty through improving service quality. satisfying and set competitive prices when compared to other cafes. Then the theoretical implication of this research is that it can provide the development of marketing knowledge such as service quality, price, customer satisfaction and customer loyalty to those who will conduct research in the same field in the future.

Limitations in the study, where the researcher only chose one café and did not examine other cafes as a comparison. This is due to limited time and costs of researchers. Apart from that, another limitation is that the researcher only distributed questionnaires to customers who have members and besides that, choosing customers to be respondents were customers who visited the Grind & Pull café 2 times. So it is necessary for future research to make observations of more than 1 café and increase the number of research samples, in order to provide representative information.

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