

# Building Customer Loyalty Through Product Quality and Customer Satisfaction

Roby Sambung<sup>1\*</sup>, Aloysius Ray Julian Kusdiantoro<sup>2</sup>

<sup>1</sup>Department of Management, Universitas Palangka Raya, Indonesia

<sup>2</sup>Postgraduate Program of Management, Universitas Widyagama Malang, Indonesia

## ARTICLE INFO

### JEL Classification:

E31, M21, M31

### Corresponding Author:

Roby Sambung

([roby.sambung@feb.upr.ac.id](mailto:roby.sambung@feb.upr.ac.id))

**Received:** 22-02-2023

**Revised:** 15-03-2023

**Accepted:** 22-03-2023

**Published:** 31-03-2023

### Keywords:

Product Quality, Customer Satisfaction, and Customer Loyalty



This work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

## ABSTRACT

Global market pressure has led all modern companies, including restaurants, to survive the competition by understanding the determinant factors such as product quality, customer satisfaction and customer loyalty. The objective of this research is to find out the effect of product quality on customer loyalty with mediation of customer satisfaction. Design and type of this research are quantitative and explanatory. The object of this research comprises product quality, customer satisfaction and customer loyalty. Subject or also population of this research is the customers of a restaurant named Kuliner Dhahar Enak. Data type is quantitative with the source from primary and secondary data. Sampling technique is Slovin Equation with sample of 78 persons. Data collection technique is questionnaire to get information from respondents. Questionnaire as research instrument is tested with validity test and reliability test. Data analysis procedure employs descriptive statistic analysis, inferential statistic analysis, mediation test, and hypothesis test. Research software involves Microsoft Excel and SmartPLS version 3. Four hypotheses are proposed. The results of research show that product quality has significant effect on customer satisfaction, product quality has significant effect on customer loyalty, customer satisfaction has significant effect on product quality, and product quality significantly affects customer loyalty with mediation of customer satisfaction.

## 1. INTRODUCTION

Global market competition has given uncertain pressure on all modern enterprises including restaurants. These enterprises are forced to be more creative and innovative to survive the competition. Restaurants, for instance, must set orientation on customer satisfaction as their main goal. The reason is surely because other restaurants have offered variety of products and services that may confuse consumers and affect their purchasing decision. Such tight competition leaves no other choice to any restaurant except winning the competition.

In the perspective of customer-oriented marketing concept, restaurant owners believe that customer satisfaction is achieved only by fulfilling customer needs. The quality of restaurant products is not questionable after customer getting satisfaction after tasting the products. Customer satisfaction then leads to customer loyalty. Satisfied

customer always has higher loyalty than unsatisfied customer in consuming products or services offered by restaurants. Indeed, customer loyalty is the outcome of customer satisfaction although customer loyalty is not absolutely created by customer satisfaction.

High customer satisfaction potentially grows short term and long term sale rates and strengthens market share as the consequence of repurchase. On the other hand, customer dissatisfaction produces several risks such as boycott or protests from consumer organization, consumer complaints, government investigation, competitor reaction, and the entry of new substitution products to the market. Interestingly, customers with low satisfaction or dissatisfied customers actually help enterprises to identify the weakness point from their products or services that possibly are incompatible to consumer and government standards. Modification is needed to repair the performance of products and services, which is helpful to ensure that the same mistakes do not happen again in the future. Customer satisfaction also enable the enterprises to strengthen their competitive position through segmentation.

Product quality can influence the arrival of new consumer and reduce the turnover of old customer to other enterprises. With few additional competitors come into the play, the customer then has few other options for consumption. Therefore, product quality is a competitive advantage expected and required by the enterprises and the control over this competitive advantage is enabling the enterprises to fulfill customer needs (Tjiptono, 2019a). Products are bought by consumers to fulfill their demand or to get benefit from the products. The characteristic of products is known not only through physical aspect (tangible features) but also non physical aspect (intangible features), with the latter related with image and post-purchase services. Product quality is the ability of a product to undertake the functions such as reliable, accurate, ease in usage and reparation, and other attributes.

## **2. LITERATURE REVIEW**

### **Product Quality**

Product quality is a characteristic of a product or a service that emphasizes on the ability of this product or service to satisfy or to fulfill customer needs (Kotler et al., 2016). Meanwhile, Zhou et al., (2008) defined quality as a dynamic condition that put products and services, human, processes and environment into one interdependent relationship that can meet or exceed the expectation. In the marketing context, product is associated with physical aspect of items offered by marketer which is introduced with image and followed up by service in order to capture customer satisfaction. Products are characterized by physical aspect (tangible features) and non physical aspect (intangible features), with the latter usually related with image and post-purchase services. In the context of this research, the indicators of product quality are: 1) endurance; 2) aesthetics; 3) perceived quality; and 4) ease of reparation.

### **Customer Satisfaction**

Tjiptono (2019b) said that customer satisfaction and customer dissatisfaction are very crucial factors that need to be taken into consideration by business people, government and also consumers. High expectation does not tolerate mediocre or low

performance. Surely, low performance causes customer dissatisfaction. On the one hand, customer satisfaction can improve short term and long term sale rates and strengthens market share through creating intention of repurchase. On the other hand, customer dissatisfaction produces several risks such as boycott or protests from consumer organization, consumer complaints, government investigation, competitor reaction, and the entry of new substitution products to the market. The indicators of customer satisfaction are: 1) compatibility to expectation; 2) intention to make revisit; and 3) willingness to make recommendation.

### **Customer Loyalty**

Satisfied customer always has higher loyalty than unsatisfied customer in consuming products or services offered by the providers. Customer loyalty is the outcome of customer satisfaction although customer loyalty is not absolutely emanated from customer satisfaction. In this context, loyalty is a deep commitment from the customer to buy or to support products or services in the future despite business situation and marketing effort by the competitors. Loyal customers will be not easily affected by market situation and consistently stay with their providers (Kotler et al., 2021). The indicators of customer loyalty are: 1) making repurchase regularly; 2) recommending the products to others; and 3) willing to make repurchase.

## **3. RESEARCH METHODS**

The design of this research is quantitative. By this design, researchers are required to explain how one variable affects other variable (Creswell, 2017). The type of this research is explanatory which requires researchers to explain the causal relationship between variables through hypothesis test (Sekaran & Bougie, 2017). Moreover, the object of this research comprises product quality, customer satisfaction and customer loyalty. Research subject or population is the customers of a restaurant named Kuliner Dhahar Enak. Quantitative data are data type of this research which is collected from primary and secondary data. Slovin Equation is used as sampling technique with resultant sample of 78 persons. Questionnaire is employed as data collection technique to get information from respondents. Research instrument validity test and reliability test. Data analysis procedure includes descriptive statistic analysis, inferential statistic analysis, mediation test, and hypothesis test. Software applied in this research consists of Microsoft Excel and SmartPLS version 3.

## **4. RESULTS AND DISCUSSION**

### **Results**

Questionnaire was extended to the customers of Restaurant “Kuliner Dhahar Enak”. Researchers use this questionnaire to get information about respondent characteristic based on gender, age, and education. This characteristic is outlined as follows.

**Table 1.** Respondent Characteristic

| <b>Respondent Characteristic</b> | <b>Number of Respondent</b> | <b>Percentage</b> |
|----------------------------------|-----------------------------|-------------------|
| <b>Gender</b>                    |                             |                   |
| Male                             | 35 persons                  | 44.8 %            |
| Female                           | 43 persons                  | 55.2 %            |
| <b>Age</b>                       |                             |                   |
| Below 25 years old               | 12 persons                  | 15.4 %            |
| 26-40 years old                  | 44 persons                  | 56.4 %            |
| Above 41 years old               | 22 persons                  | 28.2 %            |
| <b>Education</b>                 |                             |                   |
| Elementary/ Junior/ Senior       | 15 persons                  | 19.2 %            |
| D1 / D2 / D3                     | 23 persons                  | 29.9 %            |
| D4 / Strata 1                    | 27 persons                  | 34.6 %            |
| Strata 2                         | 8 persons                   | 10.2 %            |
| Strata 3                         | 5 persons                   | 6.1 %             |

Source: Primary data processed, 2022

Based on the contents of the table above, most respondents of this research are female with 43 persons in number or 55.2% of the total. The dominant respondents are in the age of 26-40 years old with 44 persons in number or 56.4% of all. Other domination is shown by education background of D4 or Strata-1 with 27 persons in number or 34.6% in percentage.

The expected value of cronbach's alpha is at least 0.7 whereas the ideal value is 0.8 or 0.9. In this research, the value of cronbach's alpha for each variable is presented as follows.

**Table 2.** Value of Cronbach's Alpha

| <b>No</b> | <b>Variable</b>           | <b>Cronbach's Alpha</b> |
|-----------|---------------------------|-------------------------|
| 1         | Product Quality (X)       | 0.878                   |
| 2         | Customer Satisfaction (Z) | 0.837                   |
| 3         | Customer Loyalty (Y)      | 0.921                   |

Source: Primary data processed, 2022

All research variables have cronbach's alpha greater than 0.7. By this result, questionnaire as research instrument is said to be reliable to be used in this research.

Composite reliability can also be used for testing reliability. Interpretation value of composite reliability is similar to that of cronbach's alpha, which is, minimally 0.7 and ideally 0.8.

**Table 3.** Value of Composite Reliability

| <b>No</b> | <b>Variable</b>           | <b>Composite Reliability</b> |
|-----------|---------------------------|------------------------------|
| 1         | Product Quality (X)       | 0.899                        |
| 2         | Customer Satisfaction (Z) | 0.876                        |
| 3         | Customer Loyalty (Y)      | 0.915                        |

Source: Primary data processed, 2022

In relation to the contents of the table above, all research variables have composite reliability value greater than 0.7. Therefore, according to this result, questionnaire as research instrument is also said to be reliable to be used in this research.

The expected value of AVE is > 0.5. This value represents convergent validity in which one latent variable can explain more than a half of variance on the indicators in average.

**Table 4.** Value of Average Variance Extracted

| No | Variable                  | AVE   |
|----|---------------------------|-------|
| 1  | Product Quality (X)       | 0.675 |
| 2  | Customer Satisfaction (Z) | 0.672 |
| 3  | Customer Loyalty (Y)      | 0.609 |

Source: Primary data processed, 2022

Correspond to the contents of the table above, alpha probability value of all research variables is greater than 0.5. In regard to this result, research instrument is valid (convergent validity).

**Table 5.** Value of R-Square

| No | Variable                  | R-Square | R-Square Adjusted |
|----|---------------------------|----------|-------------------|
| 1  | Customer Satisfaction (Z) | 0.851    | 0.865             |
| 2  | Customer Loyalty (Y)      | 0.932    | 0.941             |

Source: Primary data processed, 2022

The table above demonstrates that R-Square value for customer satisfaction (Z) is 0.851 or 85.1%. This value signifies that 85.1% variances of customer satisfaction (Z) are affected by product quality (X) whereas the remaining 14.9% are affected by other variables out of the context of this research.

In addition, R-Square value for customer loyalty (Y) is 0.932 or 93.2%. This value confirms that 93.2% variances of customer loyalty (Y) is affected by product quality (X) whereas the remaining 6.8% are affected by other variables beyond the research context.

Significance value of estimated parameters provides very useful information concerning the relationship between research variables. Each hypothesis was statistically tested with PLS through simulation. Sample was put to the bootstrap procedure to minimize data abnormality. The results of hypothesis test are displayed as follows.

**Table 6.** Path Coefficients

| Relationship Between Variables  | Original Sample (O) | T-Statistics | P-Values |
|---|---------------------|--------------|----------|
| Product Quality (X) on Customer Satisfaction (Z)                              | 0.791               | 9.410        | 0.000    |
| Product Quality (X) on Customer Loyalty (Y)                                   | 0.597               | 5.211        | 0.000    |
| Customer Satisfaction (Z) on Customer Loyalty (Y)                             | 0.906               | 4.490        | 0.002    |
| Product Quality (X) on Customer Loyalty (Y) through Customer Satisfaction (Z) | 0.696               | 4.213        | 0.003    |

Source: Primary data processed, 2022

As shown by the contents of the table above, product quality has significant effect on customer satisfaction indicated by t-statistics of 9.410 and p-values of 0.000 (less than 0.05). Moreover, product quality has significant effect on customer loyalty proven by t-statistics of 5.211 and p-values of 0.000 (less than 0.05). Customer satisfaction has significant effect on customer loyalty denoted by t-statistics of 4.490 and p-values of 0.002 (less than 0.05). The effect of product quality on customer loyalty with mediation of customer satisfaction is found to be significant with t-statistics of 4.213 and p-values of 0.003 (less than 0.05). Based on all the results above, all hypotheses proposed in this research are considered acceptable.

## **Discussion**

In the context of research location, which is Restaurant “Kuliner Dhahar Enak”, product quality was found to have positive and significant effect on customer satisfaction. This result signifies that high product quality leads to high customer satisfaction whereas low product quality produces low customer satisfaction. Keeping product quality as good as possible is one strategy that any restaurant must do. Good product quality indirectly improves restaurant value. Whether food products are good or not is determined through quality. Customers come to the restaurants to buy food products in good quality. According to Sembhodo & Hermawati, (2021), food quality plays important role in influencing purchase decision of the customers. Therefore, high food quality convinces customers to make purchase decision. The customers of Restaurant “Kuliner Dhahar Enak” are mostly satisfied with restaurant products.

Product quality was also found to have positive and significant effect on customer loyalty. This result confirms that high product quality produces high customer loyalty but low product quality is always associated with low customer loyalty. The owner of Restaurant “Kuliner Dhahar Enak” must keep product quality as good as possible because good product quality can indirectly improve restaurant value. Product quality usually becomes the first consideration before potential customers walk into Restaurant “Kuliner Dhahar Enak”. Prolonged consumption over restaurant products will definitely lead to loyalty. Restaurant owner should be responsible to maintain restaurant value. Customers, even the most loyal one, may still disappoint when finding that product quality standards have been reduced. Product quality should be maintained to retain customer loyalty that guarantees repurchase (Chenavaz et al., 2020).

Furthermore, customer satisfaction was found to have positive and significant effect on customer loyalty. This result emphasizes that high customer satisfaction is related with high customer loyalty whereas low customer satisfaction definitely causes low customer loyalty. Maintaining customer satisfaction is an important strategy to maintain competitiveness. Customer expectation can influence customer satisfaction. Customers use their expectation as standard or reference while evaluating the restaurant. Their expectation represents a belief or an estimation regarding what customers will get or receive from restaurant. Customer loyalty is always desired by the restaurant. At high preference level, customers feel proud after finding and using the products and seem

more willing to share their knowledge and experience concerning products with friends, family, and other consumers (Almohaimmeed, 2019).

Mediation test had been carried out. The effect of product quality on customer loyalty through mediation of customer satisfaction was found to be significant. Good product quality guarantees customer satisfaction, which later leads to repurchase. Customer loyalty can develop through customer satisfaction, especially after customers find that their expectation can be met by consuming the products. In research context, customers believe that Restaurant “Kuliner Dhahar Enak” is able to serve quality dishes, fresh products, and delicious meals that convince them to make a visit. Therefore, customer loyalty must be maintained and even improved to increase the sale of restaurant products and also to attract new potential buyers.

## 5. CONCLUSION

After taking into consideration of research results and discussion, researchers take several conclusions. Product quality has significant effect on customer satisfaction. Product quality also significantly affects customer loyalty. Customer satisfaction has significant effect on policy implementation. Through mediation of customer satisfaction, product quality has significant effect on customer loyalty. Researchers suggest that the owner of Restaurant “Kuliner Dhahar Enak” should improve supervision to ensure that product quality is stable enough to guarantee customer satisfaction and customer loyalty. Innovation may also be needed to attract new potential buyers and to convince the loyal customers to make repurchase.

## REFERENCE

- Almohaimmeed, B. (2019). Pillars of customer retention: An empirical study on the influence of customer satisfaction, customer loyalty, customer profitability on customer retention. *Serbian Journal of Management*, 14(2), 421–435.
- Chenavaz, R. Y., Feichtinger, G., Hartl, R. F., & Kort, P. M. (2020). Modeling the impact of product quality on dynamic pricing and advertising policies. *European Journal of Operational Research*, 284(3), 990–1001.
- Creswell, J. W., & Creswell, J. D. (2017). *Research design: Qualitative, quantitative, and mixed methods approaches*. Sage publications.
- Kotler, P., Keller, K. L., Ang, S. H., Tan, C. T., & Leong, S. M. (2021). *Marketing management: an Asian perspective*.
- Kotler, P., Keller, K. L., Manceau, D., & Dubois, B. (2016). *Marketing Management*, 15e édition. *New Jersey: Pearson Education*.
- Sekaran, U., & Bougie, R. (2017). *Metode Penelitian untuk Bisnis: Pendekatan Pengembangan-Keahlian, Edisi 6 Buku 1*.
- Sembhodo, A. T., & Hermawati, A. (2021). Optimization of Product Quality, Service Quality, and Customer Satisfaction on Buying Decision Amongst The Users of

Tokopedia E-Commerce. *Asia Pacific Journal of Business Economics and Technology*, 1(01), 61–71.

Tjiptono, F. (2019a). Perilaku Konsumen: Definisi, Domain, Determinan. *Strategi Pemasaran Dalam Perspektif Perilaku Konsumen*, 103.

Tjiptono, F. (2019b). *Strategi pemasaran*.

Zhou, K. Z., Li, J. J., Zhou, N., & Su, C. (2008). Market orientation, job satisfaction, product quality, and firm performance: evidence from China. *Strategic Management Journal*, 29(9), 985–1000.