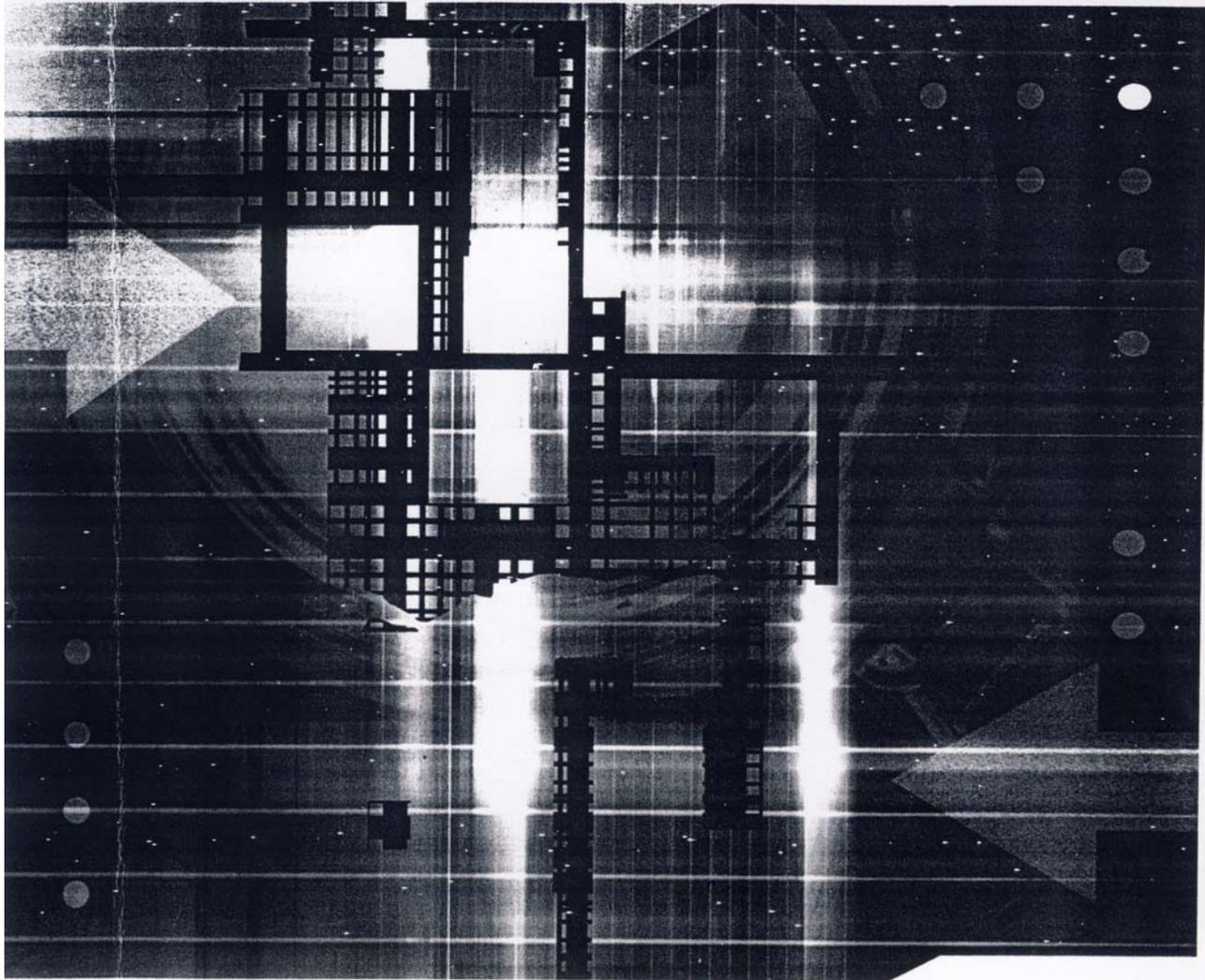


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SERVICE IMPROVEMENT AND INNOVATION

Guest Editors

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The antecedence of customer loyalty in traditional restaurants in East Java, Indonesia

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Abstract: This study aims at investigating the effect of product quality and service quality on customer loyalty through customer satisfaction. Data collection was conducted through purposive sampling of consumers to traditional restaurants in East Java. The research found that product quality and service quality has significant effect on customer satisfaction. Customer satisfaction has a significant effect on brand loyalty. Customer satisfaction acts as a mediator between exogenous variables to consumer loyalty. The results indicate that exogenous variables significantly influencing on brand loyalty are product quality and service quality.

Keywords: product quality; service quality; customer satisfaction; customer loyalty; Indonesia.

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1 Introduction

Traditional restaurants become a very popular product among Indonesian. The traditional restaurants are in competition so they should increase quality of product. In the restaurant industry, the quality of products is a factor to consider. Even so it is with traditional restaurant that is required to produce the products according to international standards, particularly in terms of product quality. Traditional restaurant is always trying to sell a quality product and has more value compared to competitors' products. It has been proved that traditional restaurant has the best product quality in comparison with others.

In addition to product quality is other factors that also can influence the brand loyalty, the quality of service. Service quality is a determinant of consumer perception of the existence of a product, e.g., whether the services received and perceived by the consumer will be the same as they want, it may be better or even worse. Service quality is service that is economically beneficial and procedurally easy and fun. Services received by consumers will be perceived as good, standard, or worse. The consumer perception is the ultimate form of image formation on the service quality. Consumer perceptions of service quality are obtained through assessment of the service.

Associated with both of these, the product quality and service quality in the implementation of two things will greatly affect brand loyalty to the product. Brand loyalty in consumers themselves appear due to the existence of this loyalty is a measure of how likely consumers will switch to other brands. It is also because of the loyalty will always be associated with the volume of future purchases. Given the attitude of loyalty, it is the fact that ensures consumers do not switch to another brand, even though the competitors may have set a price or maybe cheaper and offer better quality.

Given the importance of the above problems is product quality and service quality through customer satisfaction that influence brand loyalty, the authors want to investigate whether there is influence between product quality and service quality through customer satisfaction, brand loyalty. The authors are interested in doing research with the topic about the effect of product quality and service quality on customer loyalty through customer satisfaction.

Based on the background above, the formulations of the problems are:

- 1 Does product quality affect customer satisfaction at traditional restaurant in East Java, Indonesia?
- 2 Does service quality affect customer satisfaction at traditional restaurant in East Java, Indonesia?
- 3 Does customer satisfaction affect brand loyalty in traditional restaurant in East Java, Indonesia?

For academicians this research is expected to be inputs and valuable study in the learning process, especially in the field of marketing. For researchers this research is expected to be used as a reference, especially in the field of marketing and encourages further research that adds or revises other variables that are not included in this study. The results could be used by the company, especially the marketing manager to be able to offer products at the appropriate price and promotion so as to find out how to create consumer loyalty to the brand.

2 Literature review

2.1 Product quality

Satisfied customers will return to buy and they will tell others about their good experiences with the product. A smart company intends to satisfy the customers by promising only what they can deliver and deliver more than they promise. Recent sharp competition among brands is forcing marketers to provide a better appeal than its competitors. Understandably, the various brands make consumers benefit. Consumers

choose a brand based on its quality. Product quality undoubtedly affects consumer purchasing decisions. Acceptable product quality is the main elements that can influence consumer buying behaviour.

Garvin (1987) has revealed the presence of eight dimensions of product quality that can be played by marketers. They are performance, features, reliability, conformance, durability, serviceability, aesthetics and perceived quality.

- 1 performance dimension or product performance
- 2 reliability dimension or product reliability
- 3 feature dimension or product features
- 4 durability dimension or durability
- 5 conformance dimension or compliance
- 6 serviceability dimension
- 7 aesthetic dimension or beauty product display
- 8 perceived quality dimension or perceived quality.

In this study will be used three indicators that characterise confident [Kotler and Armstrong, (1995), p.75]:

- 1 it tastes good
- 2 product features
- 3 packaging.

2.2 *Service quality*

According to Martin (2001, p.6), service quality is ability to meet internal and external customer needs in a manner consistent procedure. In this case the service provider is required to understand what customers want, so it has good quality service. Meanwhile, according to Boone and Kurtz (1995, p.439), service quality refers to the quality expected in service offerings. Quality connects with customer satisfaction or dissatisfaction.

Another opinion was also expressed by Reid and Bojanic (2001, p.39). They stated that the perception of service quality is the result of a form of behaviour towards overall appearance of a product or service. Service quality is also defined as the value obtained by the customer from the company, which is measured by the ability of the company to meet customer needs and help solve customer problems. From the above notions, it can be concluded that service quality is the difference between consumer expectations with the services received.

According to Zeithaml et al. (1985), service quality is divided into five factors, namely:

- 1 reliability
- 2 responsiveness
- 3 assurance

- 4 empathy
- 5 tangible.

2.3 Customer satisfaction

In the context of theory of consumer behaviour, satisfaction is defined from the perspective of the customer experience after consuming or using a product/service. According to Sulastiyono (1999, p.33), customer satisfaction can be defined as a condition in a person, in which he or she has managed to get something into the needs and desires.

Swan and Trawick (1980) defines customer satisfaction as evaluation consciously or cognitive assessment as to whether the performance of the product is relatively good or bad or whether the concerned product is not suitable or fit for the purpose or use. Oliver (1981) suggests that customer satisfaction is an evaluation of the surprise inherent in or attached to the acquisition of products and consumption experiences. Churchill and Surprenant (1982) formulate customer satisfaction as a result of the purchase and use of that obtained from comparison between reward and cost of purchasing unanticipated consequences. Westbrook and Reilly (1983) argue that customer satisfaction is an emotional response to experiences related to specific products or services purchased. Day (1984) defines customer satisfaction as post purchase evaluative judgments regarding specific purchase option. Cadotte et al. (1987) conceptualise customer satisfaction as the feelings that arise as a result of evaluation of the use of product or service experience. Tse and Wilton (1988) define customer satisfaction as the customer response to evaluation of perceived discrepancy between initial expectations before purchase and perceived actual performance of product after use or consumption of the product concerned. Wilkie (1990, p.649) defines customer expectations as an emotional response to the evaluation of consumption experience of a product or service. Meanwhile, Engel et al. (1990, p.148) states that customer satisfaction is a post purchase evaluation where the chosen alternative at least equal or exceed customer expectations, while dissatisfaction arises when the results (outcomes) did not meet expectations. Mowen (1995, p.5) formulates satisfaction customer as the overall attitude towards a product or service after the acquisition (acquisition) and its use [Tjiptono, (2005), p.349].

2.4 Customer loyalty

Customer loyalty is a measure of customer connection to a brand. This measure may be able to give us an idea of whether or not a customer to switch to other product brands, especially if the brand is good there is a change regarding price and other attributes. Brand loyalty is a core indicator of brand equity that is clearly associated with sales opportunities.

The functions of customer loyalty are:

- 1 reduce marketing costs
- 2 increase trade
- 3 attract new customers
- 4 giving time to respond to the threat of competition

2.5 *The influence of product quality to customer satisfaction*

Product quality is an ability that can be assessed from the product in its function to meet needs, wants and expectations of customers. Product quality can be measured through the existing attributes in the product using customer's point of view on the quality itself.

Merli (1990, pp.6–7) states that

“customer must be an organization's top priority. The organisation's survival depends on the customers. Reliable customers are the most important customers. A reliable customer is one who buys repeatedly from the same organisation. Customers who are satisfied with the quality of their purchases from an organisation become reliable customers. Therefore, customers' satisfaction is essential. Customer satisfaction is ensured by producing a high quality of product. It must be renewed with every new purchase. This can not be accomplished if quality, even though it's high satisfaction implies continual improvement. Continual improvement is the only way to keep customers satisfied and loyal”.

Customer satisfaction is obtained if the service provider is able to produce products with high quality. Quality is continuously updated according to customer tastes and not static. This renewal is one of the goals to keep customers satisfied. Customer satisfaction is very meaningful for producers because survival depends on the customer's enterprise. If the customer is satisfied, the customer would recommend the product to colleagues or others to purchase the product.

According to Kotler (1996, p.583), “customer satisfaction and company profitability are closely linked to product and service quality. Higher levels of quality result in greater customer satisfaction, while at the same supporting higher price and lower cost”.

The intent of the above statement is that a product and service quality has an important role to form satisfaction and benefit of the business entity. The more qualified a given product or service, then customer satisfaction felt by the higher, at the same time will support companies to set higher prices and often have a lower cost. Therefore, continuous quality improvement will increase profits of the enterprise. When a customer has a good experience and satisfied with a product, it can lead to benefits for the enterprise. Satisfied customers will continue to use these products may even be recommending the product to others.

2.6 *The influence of service quality to customer satisfaction*

The quality of service is closely related to customer satisfaction. Satisfaction is one of the determinants of customer loyalty. Satisfaction and dissatisfaction is determined by the perceptions and expectations of customers. Perceptions of products or services are influenced by the customer's experience when receiving a service. Therefore, if the product or service has a good quality, it is likely that customers will provide a high perception and ultimately bring a higher level of satisfaction. Satisfied customers tend to be loyal. Loyal customers tend to buy more and are not price sensitive. Loyal customers will also perform a positive word of mouth.

Empirically, the relationship between the service quality and customer satisfaction has been expressed by Ryu (2005). Ryu (2005) stated that “perceived quality of service being offered, the influencing whether customers are satisfied with the service

experience. One of the main hedonic (emotional motive) consumption customer could be better seek out is to experience pleasure and excitement” (acceptable service quality offered can affect whether the customer will be satisfied with the service experience. One main reason is that consumers look at the emotional experience).

Ryu (2005) conceptualised that customer satisfaction is an emotional experience and service quality delivered is also an emotional experience. Satisfaction affects loyalty. It is a common concept of re-buying behaviour. Curasi and Kennedy (2002) argue that “satisfaction levels vary among customers who repeatedly purchase service provided by a company. Repeat buyers are narrowly defined as customers who exhibit repurchase behaviour. Customer loyalty, customers repeat in purchasing, an attitudinal component of customer satisfaction and commitment and the availability of choice to customers”.

Level of satisfaction varies between customers who buy again. Buyers can redefine as a person who has re-buying behaviour. Customer loyalty, in contrast, more broadly defined, covers a broader behavioural elements, that are buying behaviour, attitudes component of customer satisfaction and commitment as well as the availability of options for customers.

In the concept of redemption, there are two concepts discussed, namely intensity of repurchase (repurchase intentions) and actual repurchase behaviour (actual repurchase behaviour). Lee et al. (2005) explains that “empirical researches have shown that increasing overall satisfaction leads to greater repurchase intentions as well as to actual repurchase behavior” (empirical research shows that increased satisfaction will create the overall intensity and the actual behaviour of larger repurchase). According to opinion of Jacobs et al. (2001), “increased satisfaction should lead to increased repurchase intention. Increased repurchase intention can increase the probability of repurchase and consequently, the expected future revenue from current customers” (increased satisfaction will increase the intensity of repurchase behaviour. Increased intensity of behaviour repurchase will increase the actual repurchase behaviour and its consequences, future income can be expected).

If satisfaction is defined as the emotional evaluation, it is in accordance with the opinion of Cronin et al. (2000) that state “satisfaction is describe as an evaluation of an emotion, suggesting that it reflect the degree to roommates a consumer believes that the possession and/or use of a service evokes positive feelings”. Describe the evaluation of emotional satisfaction, expressed satisfaction reflects the degree to which consumers believe that using the service will create positive emotions.

Oliver (2004) argues that “satisfaction or dissatisfaction (satisfaction formation) can impact on repurchase intention, recommendations, word of mouth and loyalty (consequences)”. Formation of satisfaction can affect the intensity to buy again, recommend, word of mouth communication and loyalty. Bitta (2004) said that “the level of global satisfaction linkages with word of mouth communication, other behavioral responses and repeat purchase behavior” (global satisfaction level regarding with mouth-to-mouth communications and other behavioural responses repurchase behaviour).

In short, in providing quality services, service provider hopes to gain customer satisfaction and repetitive purchases. With service quality, it is expected to influence the purchasing decisions of customers in order to feel satisfied and become loyal at service provider.

2.7 The influence of customer satisfaction to customer loyalty

Brand loyalty does not arise simply because brand loyalty associated with the experience of using a product. Based on his experience with the purchase and use of a particular brand and if customers are satisfied with the brand, it is possible the customer make next repurchase. In order to establish customer loyalty to a brand, satisfaction factor is needed. Loudon and Bitta (1993, p.579) make clear that “satisfaction to the customer’s purchase from the product or service result in more favorable attitudes post purchase, higher purchase intention and brand loyalty are likely to be exhibited”. It can happen because customer feels satisfaction and then they built buying patterns more frequently and eventually formed loyalty.

Consumers can also mean the user and purchaser of a product. This is reinforced by the statement of Keegan et al. (1992, p.193) that state “we use the frequent consumers to mean both buyers and users”. The theory of the influence of customer satisfaction on brand loyalty is supported by Mowen (1995, p.511). Mowen stated that “brand loyalty is directly influenced by the consumer’s satisfaction or dissatisfaction with the brand that has accumulated over time”. The statement explains that brand loyalty is influenced by satisfaction or dissatisfaction with a brand that has been accumulated in a long time. This can be reinforced by the statement of Hawkins (1996, p.699) that state “brand loyal consumer express greater levels of satisfaction than less loyal and non-loyal consumer”. It is clear that if consumers are not satisfied with a product brand, the consumer may be occasionally switch to another brand, or even to switch to other brands were deemed to meet the criteria of satisfaction so we can say the level of loyalty towards a lower level of satisfaction with their low.

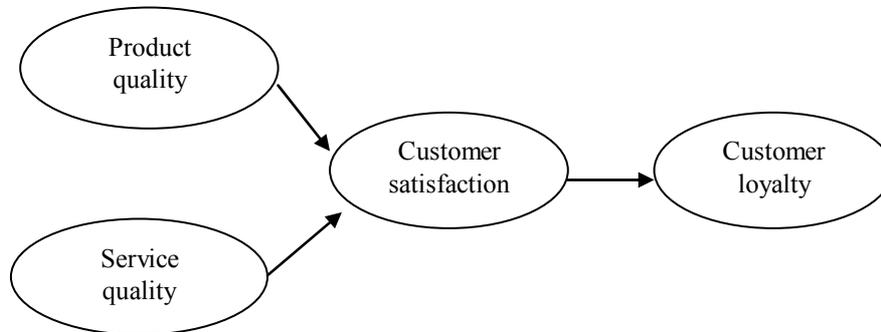
Customer satisfaction is always needed to be maintained and improved in order to create and maintain customer loyalty to a brand. Customer satisfaction is created through the purchase and experiences in using a particular brand. If customers are satisfied with a brand, it is possible the customer is going to repurchase and vice versa if the customer is not satisfied with a product brand, the customer will not repurchase towards the brand or even switch to another brand that gives higher satisfaction.

If businesses are able to provide satisfaction to customers through the creation of products that match customer expectations, it will influence the formation of brand loyalty to customers. The higher level of customer satisfaction received, the higher the customer loyalty to a brand. The lower level of satisfaction the customer received, the lower the customer loyalty to a brand.

2.8 Hypothesis

- 1 There is an influence of product quality to customer satisfaction at traditional restaurant in East Java, Indonesia.
- 2 There is an influence of service quality to customer satisfaction at traditional restaurant in East Java, Indonesia.
- 3 There is an influence of customer satisfaction to brand loyalty at traditional restaurant in East Java, Indonesia.

Figure 1 Research model



3 Research method

3.1 Research design

Research design that used in this study is hypothesis research. Design research conducted in this study is a survey to determine the factors that influence brand loyalty.

3.2 Identification of variables

1 Independent variables (independent) used in this study are:

- a product quality (X_1)
- b service quality (X_2).

2 Dependent variable (dependent) were used in this study are:

- a customer satisfaction (Y_1)
- b customer loyalty (Y_2).

3.3 Operational definition of variables

1 Product quality

Is the ability of a product to perform its functions, includes durability, reliability, ease of operation and improved accuracy, as well as other valuable attributes. The construct is measured by indicators [Kotler and Armstrong, (1995), p.156]: It tastes good, product features, and packaging.

2 Service quality

Is a form of consumers' assessment of the level of service received by the expected level of service. The construct is measured by indicators (Czerniawski and Maloney, 1999): tangibles, reliability, empathy, responsiveness, and assurance.

3 Customer satisfaction

Is a situation where expectations, wants and needs of customers are met. The construct is measured by indicators (Spreng et al., 1996): suitability expectations, perceptions of performance, and customer assessment.

4 Customer loyalty

A sense of satisfaction for what they want according to what is expected during the use of a particular product. The construct is measured by indicator (Cadogan and Foster, 2000): consumers always prefer a specific brand for products purchased, consumers are always trying to find favourite brands, consumers are very concerned with the purchased brands.

3.4 *Types and sources of data*

Data used in the study is qualitative data. The primary data source used is questionnaires distributed to respondents. Measurement data used in the study by scoring as follows: very good = 5, good = 4, moderate = 3, less good = 2, not good either = 1.

3.5 *Tools and data collection methods*

The tools used in the study are questionnaires that contain questions that will be investigated. Questions as outlined in the questionnaire include respondents' opinions about the product quality and service quality traditional restaurant in East Java in question and also how loyal consumer attitudes toward the product. Data collection methods used in the study is as follows:

1 Observation

A data collection techniques that have specific characteristics compared with other techniques, interviews and questionnaires.

2 Questionnaires

Is a way to give a set of questions to the respondents to answer.

3.6 *Population, sample and sample collection techniques*

Populations in this study are all consumers of traditional restaurant in East Java. While the sample in this study is 100 respondents. The sample size is 100 people. It is to meet the requirements to use SEM methods i.e., minimum 100 respondents. The sampling technique used was non-probability sampling in which the sample is not randomly drawn, so that all people have the same opportunity to become members of the sample.

The sampling technique used was purposive sampling, with a minimum age criterion of 17 years because at that age are considered adults and can make decisions, and at least once in a month visit the traditional restaurant in East Java.

3.7 Data analysis techniques

Data analysis techniques used in this study is structural equation model (SEM). SEM measurement in testing the model, the model overall and structural models.

4 Analysis and discussions

After testing requirements, then this study enters in to the steps of SEM conformance testing model, where the degree of conformity with the model estimates input data matrix research. Here are the results of testing the structural models.

Based on the analysis of the data, it can be determined from the SEM in this study as follows:

$$Y_1 = 0.538X_1 + 0.302X_2 \tag{1}$$

$$Y_2 = 0.431Y_1 \tag{2}$$

In equation (1), the product quality variable has a positive sign. Positive sign indicates direction of change. If the product quality increases, customer satisfaction will increase. The value of coefficient path is 0.538. Quality service variable also has a positive sign. Positive sign indicates the direction of change. If the service quality increases, customer loyalty will increase. The value of coefficient path is 0.302.

In equation (2), customer satisfaction variable has a positive sign. Positive sign indicates the direction of change. If the variable customer satisfaction increases, customer loyalty will increase. The value of coefficient path is 0.431.

4.1 Hypothesis testing

Based on Table 1 the results of hypothesis testing can be described as follows:

- 1 Product quality significantly effects on the value of customer satisfaction. The CR is 0.538 with a significance level of 3.730 (greater than 1.96).
- 2 Service quality significantly effect on the value of customer satisfaction. The CR is 0.302 with a significance level of 2.184 (greater than 1.96).
- 3 Customer satisfaction significantly affects the value of customer loyalty. The CR is 0.431 with a significance level of 3.706 (greater than 1.96).

Table 1 Loading values of variable

<i>Variable</i>		<i>Standard loading</i>	<i>t value</i>	<i>t table</i>
Product quality (X ₁)	→ Customer satisfaction (Y ₁)	0.538	3.730	1.96
Service quality (X ₂)	→ Customer satisfaction (Y ₁)	0.302	2.184	1.96
Customer satisfaction (Y ₁)	→ Customer loyalty (Y ₂)	0.431	3.706	1.96

Source: Data, processed

4.2 Discussions

4.2.1 *There is influence of product quality to customer satisfaction at traditional restaurant in East Java*

Product quality variable has an average value of 4.46 and this value indicates that respondents strongly agree with the statement that there is product quality variable. It is mainly related to the attitude of the respondents were referring to the statement that the shapes and colours of traditional restaurant is very interesting. Hypothesis 1 product quality has a significant positive effect on customer satisfaction at traditional restaurant in East Java is acceptable. It can be seen from the value of CR at 0.538 with a significance level of 3.730 (more than 1.96). This means that it is consistent with the results of previous studies stating that product quality affects brand loyalty. In addition, product quality is the only variable that is important for consumers to be loyal to a brand.

4.2.2 *There is influence of service quality on customer satisfaction at traditional restaurant in East Java*

Service quality variable has an average value of 3.63. This value indicates that respondents strongly agree with the statement that there is service quality variable. It is the attitude of respondents referred to the statement that traditional restaurant employees always have spare time to assist consumers in finding needs. Hypothesis 2 quality service has a significant positive effect on customer satisfaction at traditional restaurant in East Java is acceptable. It can be seen from the value of CR was 0.302 with a significance level of 2.184 (greater than 1.96). The result is consistent with prior research that explains that the service quality influences brand loyalty. It can be concluded that the service quality is an important variable for consumers to be satisfied.

4.2.3 *There is the influence of customer satisfaction on brand loyalty at traditional restaurant in East Java*

Customer satisfaction variable has an average value of 4.08. This value indicates that respondents strongly agree with the statement that there is customer satisfaction variable. It refers to the attitude of respondent claim that consumers are satisfied with the prompt and proper service provided by traditional restaurant employees. Hypothesis 3 customer satisfaction has a significant positive effect on customer loyalty can be accepted. It can be seen from the value of CR at 0.431 with a significance level of 3.706 (greater than 1.96). The result is consistent with prior research that explains that customer satisfaction affects brand loyalty. It can be concluded that customer satisfaction is an important variable for consumers to be able to draw their attention to repurchase a brand.

5 Conclusions and recommendations

5.1 Conclusions

Based on respondents' answers regarding the product quality variable, service quality, customer satisfaction, and customer loyalty are known that respondents strongly agree with measurement of variable. Based on the calculation, product quality and service

quality affects on customer satisfaction. And customer satisfaction affects on customer loyalty. It means that hypothesis in this research are accepted. This means that it is consistent with the results of previous studies stating that product quality, service quality, and customer satisfaction affects customer loyalty. It can be concluded that customer satisfaction is an important variable for consumers to be able to draw their attention to repurchase a brand.

5.2 *Suggestions*

As the implications of the results, it can put forward some suggestions as follows:

- 1 In order for companies trying to maintain the quality of existing products so that consumers can purchase goods of traditional restaurant and make consumers loyal to the brand of traditional restaurant desired.
- 2 In order to keep the company providing the best quality service so that consumers can remain loyal to the brand of traditional restaurant.
- 3 In the future studies in order to add information about the effect of product quality and service quality through customer satisfaction on customer loyalty at traditional restaurant in East Java.

5.3 *Limitations of research*

There are several limitations to this study as follows:

- 1 the lack of clear grouping of respondents to the knowledge of traditional restaurant
- 2 the lack of clear language of the proposed research to the respondent so that the respondents find it difficult to understand the questionnaire.

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