
The Effect of Service Quality, Product Quality, and Tariff Competitiveness on Satisfaction in Forming Customer Loyalty

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doi: 10.51505/IJEBMR.2023.7407

URL: <https://doi.org/10.51505/IJEBMR.2023.7407>

Received: February 03, 2023

Accepted: February 11, 2023

Online Published: April 16, 2023

Abstract

EDC Link is a payment service to provide convenience for consumers. This is a form of service provided by one of the banks in Indonesia to provide easy access and it is relatively easy to obtain the service. This study aims to analyze the effect of service quality, product quality, and tariff competitiveness on satisfaction in forming customer loyalty. Data collection was carried out by distributing 150 questionnaires containing several statements using a Likert Scale. The Non-Probably Sampling method is used as a sampling technique. The collected questionnaire answers were processed and analyzed using Smart PLS and SPSS. Finding shows that service quality, product quality, and tariff competitiveness had a significant positive effect on satisfaction in forming customer loyalty (P-Value <0.05).

Keywords: Service Quality, Product Quality, Tariff Competitiveness, Customer Satisfaction, and Customer Loyalty

1. Introduction

The challenges of digital technology services are always in line with conventional services in terms of price rates, speed in terms of transactions, speed in terms of responsiveness to customer complaints and product service capabilities that are easier and the ability to reduce existing weaknesses.

Changes occur in economy. The level of competition among business actors is also increasing and encouraging business actors to innovate in determining a way, strategy and model of marketing these products. Companies try to improve competitiveness by looking for sources of new technology and good skills in forming a new corporate structure. The domestic market and the foreign market are in fierce commercial competition in the current era of globalization. Increasing the allure of one's goods and services is one strategy to stay alive in this globalization era. Additionally, brand loyalty to a product and tariff competitiveness with rivals also contribute to it. Product innovations or the implementation of effectiveness and efficiency in internal production can accomplish this.

Various efforts have been made by banks in Indonesia to continue to increase innovation in the banking sector to be able to face very tight competition with other banking companies. On the other hand, new companies have emerged that provide payment convenience to reduce time and costs. In Indonesia, there are electronic digital services such as OVO, Just Link, Funds, Grabpay, Gopay, and so on. The aforementioned are the current modes of electronic payments which may be major competitors for Link EDC terminal payment systems.

Link EDC services provide innovation in the world of finance, especially banking to facilitate access to people who do not yet have banking services. Link EDC uses a sales terminal as a transaction tool. Postal terminals are electronic devices used to process card payments at retail locations, such as restaurants, department stores, movie theaters, and others. EDC Link is organized by one of the banks in Indonesia by increasing the number of Pos Terminals as EDC Link agents who have businesses and to perform banking services or other financial activities that do not go through an office network.

Bank services for EDC link items must be able to deliver excellent service and be unique from digital and electronic services (E-Commerce). Analysis of "The Influence of Service Quality, Product Quality, and EDC Link Tariff Competitiveness on Satisfaction in Forming Customer Loyalty" is the main goal of this study.

2. Method

The information used in this study is primary data, or information collected by researchers directly from survey findings through the distribution of questionnaires or organized interviews with clients. Respondents, or those who provided feedback in response to each research statement, served as the study's primary data source.

Data collection uses a questionnaire, i.e. the data collection method is obtained by submitting a list of questions that have been prepared in the form of a questionnaire to Link EDC Surabaya customers who make payments and transfers. This was done by distributing a list of questions to the selected respondents, and then they were asked to provide an assessment of the questions asked with the available answer choices: Strongly Disagree, Disagree, Neutral, Agree, and Strongly Agree. From interval data, data grouping includes observation and data analysis.

3. Results

3.1 Respondent Description

Description of Respondents by Age

Based on Table 1, it shows that out of 150 respondents from Link EDC and Link Mobile, 70 respondents (46.67%) are aged 19-30 years, 24 respondents (16%) are aged 31-40 years, 29 respondents (19.33%) are aged 40-50 years and 27 respondents (18%) aged > 50 years.

Table 1 Characteristics of Respondents Based on Age

Age			
Number	Age	Frequency	Percentage
1	19 – 30 years old	70	46,67 %
2	31 – 40 years old	24	16 %
3	40 – 50 years old	29	19,33 %
4	>50 years old	27	18 %
Total		150	100 %

Description of Respondents by Gender

Table 2 shows that of the 150 EDC Link respondents, 50 respondents (33.33%) were male and 100 (66.67%) were female.

Table 2 Characteristics of Respondents Based on Gender

Gender			
Number	Description	Frequency	Percentage
1	Male	50	33,33 %
2	Female	100	66,67 %
Total		150	100 %

Description of Respondents by Type of Work

Table 3 shows that of the 150 EDC Link respondents, 3 respondents (2%) work as Civil Servants, 47 (31.33%) are private employees, 63 (42%) are self-employed and 37 (24.67%) unemployed.

Table 3 Characteristics of Respondents Based on Type of Work

Type of work			
Number	Description	Frequency	Percentage
1	Civil Servants	3	2 %
2	Private employees	47	31,33 %
3	self-employed	63	42 %
4	Unemployed	37	24,67 %
Total		150	100 %

Description of Respondents based on Transaction Frequency

Table 4 shows that of the 150 Link EDC and Link Mobile respondents, 67 (44.67%) make transactions once a month, 46 (30.67%) twice a month, 30 (20%) three times a month and, and 7 (4.66%) more than three times a month.

Table 4 Characteristics of Respondents Based on Transaction Frequency

EDC Link Usage Frequency			
Number	Description	Frequency	Percentage
1	Once in a month	67	44,67 %
2	Twice in a month	46	30,67 %
3	Three times in a month	30	20 %
4	More than three times in a month	7	4,66 %
Total		150	100 %

3.2 Evaluation of Outer Model

Figure 1 shows that the value of the path coefficient for the t-statistic for the effect of product quality on customer satisfaction is 2.094. The t-statistic for the effect of tariff competitiveness on customer satisfaction is 2.301, the t-statistic for the effect of service quality on customer satisfaction is 5.897, and the t-statistic for the effect of customer satisfaction on customer loyalty is 17.519. Based on the description of these results, all variables in this model have a path coefficient value with a positive number. This shows that the greater the value of the path coefficient on one independent variable on the dependent variable, the stronger the influence of the independent variable on the dependent variable.

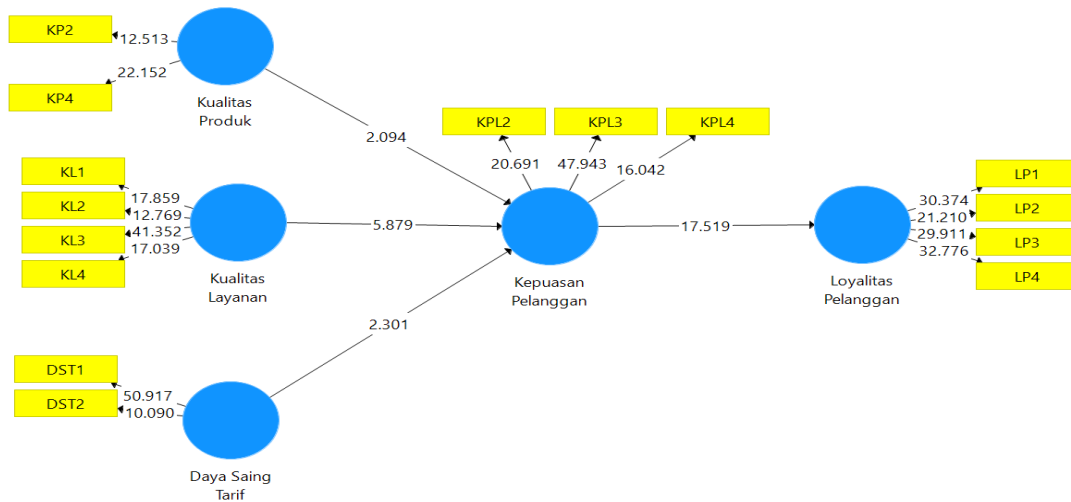


Figure 1 Diagram Path

Convergent Validity

To test Convergent validity, the loading factor value is used. An indicator is declared to meet the requirements of convergent validity in the good category if the loading value is > 0.70. The following is the loading factor value of each indicator on the research variable.

Table 5 Loading Factor Value

Variabel	Indikator	Loading Factor
Tariff competitiveness	DST1	0,941
	DST2	0,742
	DST3	-0,202
	DST4	-0,201
Service Quality	KL1	0,758
	KL2	0,716
	KL3	0,844
	KL4	0,77
Product quality	KP1	0,65
	KP2	0,701
	KP3	0,585
	KP4	0,77
Customer satisfaction	KPL1	0,332
	KPL2	0,762
	KPL3	0,862
	KPL4	0,709
Customer loyalty	LP1	0,815
	LP2	0,756
	LP3	0,842
	LP4	0,839

Some of the loading factors are below the value of 0.7 so that elimination needs to be done. Elimination is done one by one for each indicator, starting from the one with the smallest value. In the first modification, the indicators DST3, DST4, KP1, KP3, KPL1 were eliminated.

Table 6 Value of the First Elimination Loading Factor

Variable	Indicator	Loading Factor
Tariff competitiveness	DST1	0,951
	DST2	0,754
Service Quality	KL1	0,759
	KL2	0,713
	KL3	0,847
	KL4	0,769
Product quality	KP2	0,765
	KP4	0,87
Customer satisfaction	KPL2	0,777
	KPL3	0,874
	KPL4	0,733
Customer loyalty	LP1	0,818
	LP2	0,757
	LP3	0,84
	LP4	0,837

Validity Discriminant

Discriminant Validity can be done by using the Average Variant Extracted (AVE) value for each indicator. According to Ghozali (2016), to get a good validity value, the conditions that must be met are a value of more than 0.5.

Table 7 Average Variant Extracted Value

	Average Variance Extracted (AVE)
Tariff competitiveness	0,737
Service Quality	0,598
Product quality	0,671
Customer satisfaction	0,635
Customer loyalty	0,662

Based on the data presented in the table above, the AVE value of service quality, product quality, tariff competitiveness, customer satisfaction, and customer loyalty is > 0.5. Thus it can be concluded that each variable has a good outer loading.

Composite Reliability

Composite Reliability is the part that is used to test the reliability value of indicators on a variable. According to Ghozali (2016) a variable can be declared to meet composite reliability if it has a value > 0.60. The following is the Composite Reliability value of each variable used in this study.

Table 8 Composite Reliability Value

	Composite Reliability	Description
Tariff competitiveness	0,847	Reliable
Service Quality	0,856	Reliable
Product quality	0,802	Reliable
Customer satisfaction	0,839	Reliable
Customer loyalty	0,887	Reliable

Based on the data presented in Table 8, the composite reliability value for the variables of tariff competitiveness, service quality, product quality, customer satisfaction, and customer loyalty is above 0.6. This means the indicator on the reliable variable. The test results show that the consistency of these variables is high.

3.3 Inner Model Evaluation

R-square is a goodness-fit model test (to see the size of exogenous variables simultaneously or simultaneously can explain endogenous variables) product quality, service quality, tariff competitiveness on customer satisfaction, and customer satisfaction on customer loyalty. In the table below the results of the PLS R-Square present the total variance of the constructs described

by the model. The evaluation criteria for evaluating the structural model are if the R square is 0.67 or more, indicating that the model is strong; R square is 0.33 indicating a moderate model and 0.19 indicating a weak model. The customer satisfaction R-square value of 0.444 means a moderate model, where the variability of the customer satisfaction construct is explained by the constructs of tariff competitiveness, service quality, product quality of 44.4%, while 55.6% is influenced by other variables. Customer Loyalty R-square value of 0.497 means a moderate model, where the variability of the customer loyalty construct is explained by the customer satisfaction construct of 49.7%, while 50.3% is explained by other variables.

Table 9 R-Square

	R Square	R Square Adjusted
Customer satisfaction	0,444	0,432
Customer loyalty	0,497	0,494

3.4 Testing the Hypotheses

Hypothesis testing in this study was carried out by looking at the T-Statistics values and P-Values. All of the research hypotheses can be declared accepted because the P-Values <0.05. The following are the results of hypothesis testing obtained in this study through the inner model.

Table 10 Hypothesis Testing on Measurement Models

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T-Statistics (O/STDEV/)	P-Value
Tariff Competitiveness	0,177	0,178	0,077	2,301	0,022
Customer Satisfaction	0,705	0,705	0,04	17,519	0.000
Service Quality	0,447	0,447	0,076	5,879	0.000
Product Quality	0,16	0,164	0,077	2,094	0,037

4. Conclusion and Recommendation

The research that was conducted on Link EDC products used a questionnaire that was distributed to 150 (one hundred and fifty) respondents. Based on the results of the analysis above, it can be concluded that:

1. Service quality variable has a significant positive effect on customer satisfaction in the utilization of the EDC link.
2. Product quality variable has a significant positive effect on customer satisfaction in using the EDC Link.

3. Tariff competitiveness variable has a significant positive effect on customer satisfaction in the utilization of the EDC Link.
4. Variable customer satisfaction has a positive and significant effect on customer loyalty in using the EDC Link.

In future research, it is hoped that other researchers will test not only based on independent variables which include service quality, product quality, tariff competitiveness, and customer satisfaction on the dependent variable customer loyalty. Other researchers are expected to also conduct other research, by:

- a. It needs to be added with other variables such as service fairness, experience changes, service convenience, relationship quality, etc.
- b. Further research needs to be developed and combined with quantitative and qualitative research.
- c. Further research needs to discuss the position and competitive advantage between Link EDC and Link Mobile

Further research needs to be considered and developed by utilizing HR Management, Information System Management, and Banking Management (With reference to the Digital system still being implemented).

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