



# Analysis On The Effect Of Quality Of Service, Price And Location To Customer Loyalty With Customer Satisfaction As A Mediating Variable At Toko Damai In Kendari

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## ABSTRACT

The purpose of this study was to analyze the effect of service quality, price and location on customer loyalty with customer satisfaction as a mediating variable. This study uses a quantitative approach that is carried out at a supermarket retail store called Toko Damai which is located in Kendari City. Respondents from this study were customers who shopped at Toko Damai. The population and sample withdrawal method in this study is non-probability sampling using purposive sampling technique. This study provides results that indicate that service quality affects customer satisfaction by 0.247 (on a Likert scale of 1-5), while the price is 0.281 (on a Likert scale of 1-5) and the location that has the highest influence on the three variables is 0.370 (on a Likert scale of 1-5). This also indicates that each variable positively and significantly affects consumer satisfaction. In addition, consumer satisfaction has also been shown to have a positive and significant impact on consumer loyalty. The effect is recorded at 0.565 (on a Likert scale of 1-5) and is the same in the opposite direction.

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## 1. Introduction

As a developing country, Indonesia has many prove its achievements in the international world, starting from the tourism side, the results, the intelligence of the nation's children, sports, to the culture and customs of Indonesia which famous unique and second to none. However, unfortunately the development felt that it had not occurred evenly and comprehensively in Indonesia (Novelino A,2018)[1]. After the failure of the centralized government system in the New Order era, Indonesia make a breakthrough by giving trust to the local government to be able to carry out economic activities in the region, including managing development programs that have an impact on local communities or known with the Fiscal Decentralization method (Mubazaroh, 2020)[2]. The method originally chosen as an effort to provide a stimulus for economic growth in the region and in Undang-Undang Number 23 of 2014 concerning Regional Government it turns out that Instead, it is the cause of inequality in economic development between regions and regions provinces in Indonesia (Agusalim, 2016)[3]. The same thing also happened to the city of Kendari which is the domicile of 345,107 inhabitants (based on the population census 2020), as well as the provincial capital of Southeast Sulawesi.

Referring to the pestle analysis, the development of the city of Kendari can be assessed from the aspects of Political, Economic, Social, Technological, Legal (Law), Environment (Irawanto et al., 2017)[4]. In terms of the political climate, the orientation of the Kendari city government is still in its infancy continue the Regional Medium-Term Development Plan for 2017-2022. On in essence, this development plan focuses on the development of infrastructure, education and health. On the economic side, the city of Kendari has recently been quite popular among people nationally and

internationally, because it is one of the nickel-producing regions largest in Indonesia and the world. Mining developments that occur continuously massive contribution to the regional economy which is quite significant. However, based on the data for the 2021 Kendari City Regional Economic Growth, the Product Gross Regional Domestic (GDP) is still dominated by the agricultural sector, Mining and Processing Industry. In addition, the GRDP figure in 2020 recorded for the Kendari city area itself is, Rp. 16,527,211.18 (in million rupiah), still shows that there is a considerable distance from Jakarta which is a the capital of a country whose GRDP reaches Rp. 1,792,794.59 (in billion rupiah). On the city of Kendari itself, based on the GRDP data for the year released by the Central Agency Kendari city statistics in 2020, household final consumption occupies a portion largest in GRDP by expenditure. This is of course influenced by the existence of household panic buying behavior during the entry of the COVID-19 pandemic.

Based on the details above, it can be concluded that the city of Kendari even though it has occupied the title as the capital of the province of Southeast Sulawesi, and has the fourth largest area on the entire island of Sulawesi, still shows the economic condition of the community which is quite lagging when compared to the State Capital and other cities on the island of Java. Referring to to GRDP, of which the largest expenditure is household consumption, discussion of the final consumption pattern of the household is certainly a interesting topic to discuss.

In a more contextual level, in this study the author will using 5 variables, namely; (1) Service Quality, (2) Price and (3) Location as the independent variable, (4) Customer Satisfaction (Customer Satisfaction) as a mediating or intervening variable (5) Customer Loyalty as the dependent variable.

Service Quality, crosby (1979) in (Parasuraman et al., 1985)[5] define "quality" as a standardized conformance with a measurement that is reviewed through the number of failures that occur internal (before the product/service is marketed) and the number of external failures (after products/services are marketed) explained Garvin (1983) in Parasuraman et al. (1985)[5]. On the other hand, good service according to one person and another will vary. However, there are at least 3 agreed service characteristics by previous researchers, namely (1) intangibles (intangible), (2) heterogeneity (heterogeneous) and (3) cannot be separated (inseparable) (Parasuraman et al., 1985)[5]. The correlated variables can be drawn into 5 dimensions called The SERVQUAL (Zeithaml et al., 1988 in Wirtz & Lovelock, 2017)[6]. Here are 5 variables combined and concluded by Zeithaml with his colleagues as a benchmark for service quality: Tangible: the form of physical appearance, facilities, personnel and communication materials, Reliability: the ability to provide reliable services has been independently and accurately promised, Responsiveness: willingness to help customers and provide prompt service, Assurance: includes credibility, security, competence and courtesy in service, empathy: includes easy access to services, good communication and good consumer understanding

Price is the amount of money that must be issued or exchanged by customers to enjoy the benefits of a product or service (Zhong & Moon, 2020)[7]. Referring to this understanding, price can be one of the means evaluation of the value of the product or service. Thus, the better the company provide an evaluation of the value and price of a product or service, will have an impact on to how competitive the price is seen by the market (Sudari et al., 2019)[8]. On the other hand, price can also be a representation of how producers and consumers exchange related information whose existence greatly affects consumer buying decisions and also evaluation of the services to be obtained (Ryu & Han, 2010; Lin et al., 2005)[9][10]. In addition to being the nominal amount of money that must be paid to enjoy a product and service (Khandelwal & Bajpai, 2012)[11], consumers have the view that price is a sacrifice that they must give in order to obtain a good or service (Zeithaml, 1988, dan Zietsman et al., 2019)[6][12]. From the consumer's perspective, the price can be viewed from several things, namely the price products or services that consumers choose themselves, and there is also a price called the "behavioral price", which measures the time and effort to providing the goods or services, the convenience and added value that comes with in the goods or services (Shen & Yahya, 2021)[13].

## 2. Method

Unit of analysis to be studied are individuals who are consumers of Toko Damai Kendari. To test the hypothesis that service quality, price and location have an effect on customer loyalty through customer satisfaction, the diversity of each of these variables will be measured using a survey (survey research). The survey in this study will be carried out by distributing questionnaires in large and small populations. In survey research, variables will be measured through questions which then the results will be collected first then processed and analyzed. This study aims to provide an overview regarding the effect of service quality, price and location on customer loyalty with customer satisfaction as a mediating variable.

The measurement of service quality is reflected through the SERVQUAL measurement which has been simplified into 5 dimensions namely, reliability (RL), responsiveness (RS), assurance (AS), empathy (EM) and tangibles (TA) identified by Parasuraman (1988)[26]. The price indicator used in this study was taken based on the indicator prices according to Kotler and Armstrong (2008)[27], among others: affordability of prices, Price compatibility with product/service quality, Price competitiveness, Conformity price with product benefits. To take measurements of how the location can affect customer satisfaction, there are several aspects that can be reviewed among others; ease of business location to be reached, condition of traffic access, remote visibility, other supporting facilities (Tjiptono, 2015)[28]. To measure customer satisfaction at Toko Damai, The researcher refers to the dimensions of customer satisfaction as follows: Overall Customer Satisfaction, Comparison with ideal situations, Confirmation of expectation, Customer Dissatisfaction (Tjiptono, 2015)[28]. To measure customer loyalty, the author will analyze based on two types of loyalty is: Attitude Loyalty and Behavioral Loyalty (Ozkan et al. 2019)[29].

Based on calculations using the Cochran formula, the number of samples which represents the consumers of Toko Damai in Kendari are 385 people. The sampling technique used is non-probability sampling, namely purposive sampling. The sample used is people who have shopped at Toko Damai in Kendari City. Based on the situation of model complexity, diversity of indicator variables and objectives research, then the data in this study will be analyzed using the partial method least square-structural equation model (PLS-SEM).

## 3. Results and Discussion

This research was conducted at Toko Damai which is located at Jl. Construction No.1, Sanua, West Kendari District, Kendari City, Southeast Sulawesi which is a grocery retail store that provides food, beverages, and basic household needs with a modern concept. On the stage of distributing questionnaires, the number of questionnaires distributed to shop customers are as many as 400 questionnaires, but only 385 a well-filled and complete questionnaire so that it matches the number of minimum sample in this study, 385 successful questionnaire collected is considered sufficient and ready to be processed.

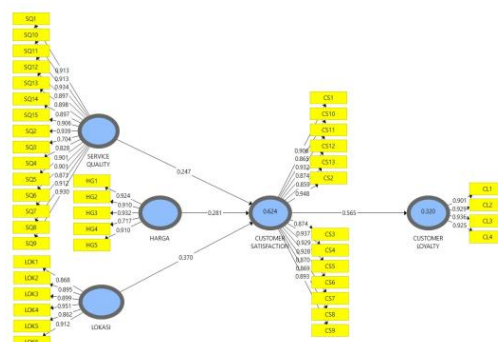


Figure 1. Model Estimation Results SEM-PLS

Based on the estimation results of the PLS model in figure 2, it can be seen that all indicators in each construct are valid because all indicators have been has a loading factor > 0.7, therefore the test can be continued at the stage next is the assessment of the AVE value in each construct.

**Table. 2**  
Outer Loading And Ave Results

Variable	Indicator	Loading Facror	AVE	Convergent Validity
Customer Loyalty	CL1	0.901	0.851	Valid
	CL2	0.929		
	CL3	0.936		
	CL4	0.925		
Customer Satisfaction	CS1	0.906	0.809	Valid
	CS2	0.948		
	CS3	0.874		
	CS4	0.937		
	CS5	0.929		
	CS6	0.928		
	CS7	0.870		
	CS8	0.869		
	CS9	0.893		
	CS10	0.865		
Price	P1	0.924	0.778	Valid
	P2	0.910		
	P3	0.932		
	P4	0.717		
	P5	0.910		
Location	LOC1	0.868	0.807	Valid
	LOC2	0.895		
	LOC3	0.899		
	LOC4	0.951		
	LOC5	0.862		
	LOC6	0.912		
Service Quality	SQ1	0.913	0.795	Valid
	SQ2	0.939		
	SQ3	0.704		
	SQ4	0.828		
	SQ5	0.901		
	SQ6	0.901		
	SQ7	0.871		
	SQ8	0.912		
	SQ9	0.930		
	SQ10	0.913		
	SQ11	0.934		
	SQ12	0.897		
	SQ13	0.898		
	SQ14	0.897		
	SQ15	0.906		

Based on the results of the PLS analysis in Table 1 above, the AVE value of all construct has exceeded 0.5, this means that the discriminant validity criteria have been fulfilled in all constructs.

**Table 2.**  
Composite Reliability Test Results

	Cronbach's Alpha	Composite Reliability
CL	0.942	0.958
CS	0.980	0.982
P	0.926	0.946
LOC	0.952	0.962
SQ	0.981	0.983

Based on the results of the analysis in Table 2 above, the value of Cronbach's alpha and composite reliability of all constructs has exceeded 0.7 which means that all the construct has met the required reliability, so it can be concluded that all constructs are reliable.

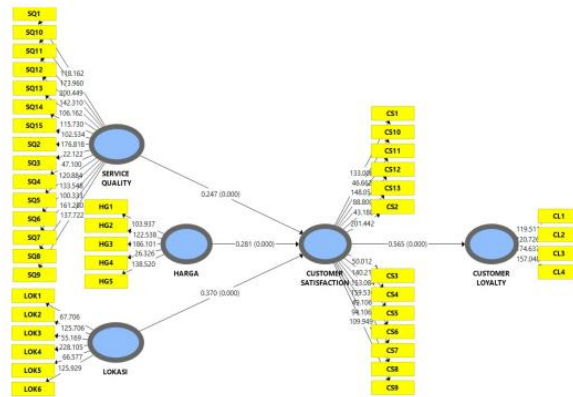


Figure 3. PLS Bootstrapping Model Estimation Results

Table 3  
R-Square Result

	R Square	R Square Adjusted
CL	0.320	0.318
CS	0.624	0.621

Based on the results of the analysis in Table 3 above, the R square value of the CS variable is 0.624, because the value of R square is in the interval 0.33 – 0.67, it is concluded that the model is quite strong (moderate) in predicting customer satisfaction based on service quality scores, prices and store locations. While R square variable customer loyalty is 0.320, because the value of R square is low < 0.33 then It can be concluded that this model is actually still weak for predicting customers loyalty based on customer satisfaction, there are still many factors that need to be included in the model so that more customer loyalty variance can be explained.

Table. 4  
Direct Influence Test Results

Path	Path Coefficient	T Statistic	P Value
CS---CL	0.565	20.283	0.000
P---CS	0.281	5.732	0.000
LOC-----CS	0.370	7.751	0.000
SQ----CS	0.247	6.387	0.000

On the path that shows the influence of Customer Satisfaction on Customer Loyalty, obtained p value of 0.000 with T statistic 20.283 with a positive path coefficient of 0.565, because the p value < 0.05 and T statistic > 1.65, it is concluded that Customer Satisfaction positive and significant effect on Customer Loyalty. This means that the higher the Customer Satisfaction, the higher the Customer Loyalty. Significant increase in Customer Satisfaction can increase Customer Loyalty, while decreasing Customer Satisfacio will have an impact on decreasing Customer Loyalty.

On the path that shows the effect of Price on Customer Satisfaction, obtained p value of 0.000 with a T statistic of 5.732 with a coefficient of the positive path is 0.281, because the p value < 0.05 and the T statistic > 1.65, it is concluded that the price has a positive and significant effect on Customer Satisfaction. This means that the higher the price the higher the Customer Satisfaction. Increase in

Price by can significantly increase Customer Satisfaction, while decreasing Prices will have an impact on decreasing Customer Satisfaction.

On the path that shows the influence of Location on Customer Satisfaction, obtained a p value of 0.000 with a T statistic of 7.751 with a coefficient of the positive path is 0.370, because the p value < 0.05 and the T statistic > 1.65, it is concluded that the location has a positive and significant effect to Customer Satisfaction. This means that the higher the Location the higher the Customer Satisfaction. Improved Location by can significantly increase Customer Satisfaction, while decreasing Location will have an impact on decreasing Customer Satisfaction.

On the path that shows the influence of Service Quality on the Customer Satisfaction, obtained a p value of 0.000 with T statistic of 6.387 with a positive path coefficient of 0.247, because the p value < 0.05 and T statistic > 1.65 then it is concluded that Service Quality has an effect positive and significant to Customer Satisfaction. This means that The higher the Service Quality, the higher the Customer Satisfaction. Improved Service Quality can significantly increase Customer Satisfaction, while the decline in Service Quality will have an impact o decrease in Customer Satisfaction.

**Table. 5**  
Indirect Influence Test Result

Indirect Path	Path Coefficient	T Statistic	P Value
P---CS---CL	0.159	5.372	0.000
SQ---CS---CL	0.139	5.449	0.000
LOC---CS---CL	0.209	7.842	0.000

On the indirect path, the influence of Price on Customer Loyalty through Customer Satisfaction, obtained a p value of 0.000 with a T statistic of 5.372 and a positive path coefficient of 0.159, because the p value obtained < 0.05, T statistic > 1.65 and the indirect path coefficient is positive it is concluded that the price can have an indirect effect on Customer Loyalty through Customer Satisfaction, the direction of indirect influence is positive which means that the higher the price, the higher Customer Satisfaction which will then be able to impact on a decrease Customer Loyalty. In the research model, Customer Satisfaction is proven to be able to acts as a mediator of the indirect effect of price on the Customer Loyalty.

On the indirect path, the influence of Service Quality on Customer Loyalty through Customer Satisfaction, obtained p value of 0.000 with T statistic is 5.449 and the positive path coefficient is 0.139, because the p . value value obtained < 0.05, T statistic > 1.65 and indirect path coefficient positive, it can be concluded that Service Quality can affect indirectly directly to Customer Loyalty through Customer Satisfaction, direction the indirect effect is positive which means that the higher the Service Quality, the higher the Customer Satisfaction, the next one will get impact on the decline in Customer Loyalty. In the Customer research model Satisfaction is proven to act as a mediator of indirect effect Service Quality towards Customer Loyalty.

On the indirect path, the influence of Location on Customer Loyalty is through Customer Satisfaction, obtained p value of 0.000 with T statistic of 7.842 and a positive path coefficient of 0.209, because the p value obtained < 0.05, T statistic > 1.65 and the indirect path coefficient is positive it is concluded that the location can have an indirect effect towards Customer Loyalty through Customer Satisfaction, the direction of influence is not direct is positive which means that the higher the location, the more High Customer Satisfaction which in turn will have an impact on decrease in customer loyalty. In the customer satisf action research model proven to be able to act as a mediator of indirect influence Locatio towards Customer Loyalty.

#### 4. Conclusion

The conclusions obtained from the results of this study are as follows: Service Quality is proven to be a factor that significantly influences consumer satisfaction. Each increase of 1 point (On a Likert Scale 1-5) Service Quality will increase 0.247 points of customer satisfaction, this also applies in the

opposite direction. Location is proven to be a factor that significantly affects satisfaction consumer. Every 1 point increase (On a Likert Scale 1-5) Location then will increase 0.370 points Consumer satisfaction, this also applies the same in the opposite direction. Price is proven to be a factor that significantly affects satisfaction consumer. Every 1 point increase (On a 1-5) Likert Scale, the price will increase 0.281 points Consumer satisfaction, this also applies the same in the opposite direction. Customer Satisfaction is proven to be a significant factor affect Consumer Loyalty. Every 1 point increase (On Scale Likert 1-5) Customer Satisfaction will increase 0.565 point Consumer Loyalty, this also applies in the opposite direction.

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