

# Analysis of the Effect of Service Quality on Customer Loyalty with Satisfaction as Intervening Variable at Alfamart Karya Wisata Medan Johor Medan Branch

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**Abstract:** Alfamart operates in the retail sector, where the phenomenon of the problem it faces is the existence of several complaints about service quality, customer loyalty and satisfaction. This study aims to analyze the effect of service quality on customer loyalty with satisfaction as a variable intervening at Alfamart Karya Wisata Medan Johor Medan branch. This study uses a quantitative method involving 98 respondents. Data collection is done by using questionnaires. The data obtained were analyzed using a statistical formula, with multiple linear regression models, namely path analysis which was processed using the SPSS Version 20.0 program. The results of this study are: 1) Service quality has a positive and significant effect on customer satisfaction at Alfamart Medan Johor. 2) Service quality has a positive and significant effect on customer loyalty at Alfamart Medan Johor. 3) Satisfaction has a positive and significant effect on customer loyalty at Alfamart Medan Johor. 4) Satisfaction as an intervening variable is able to improve service quality towards Customer Loyalty at Alfamart Medan Johor. The coefficient of determination of 99.8% indicates that 99.8% of the information contained in the data can be explained by the model, while the remaining  $100\% - 99.8\% = 0.2\%$  is explained by errors and other variables outside the model such as the environment, motivation, etc. The coefficient number on this model is relatively large so that it is worth doing further interpretation.

**Key Words:** Service Quality, Customer Loyalty and Satisfaction.

## 1. INTRODUCTION:

Developments in the business world have had a major impact on changes in business management systems because the community is very much interested in these fields. The development of the business world also triggered very tight competition among companies engaged in services by providing quality services to create satisfaction with consumers so that the level of consumer consumption over and over will also increase.

Alfamart is a franchise business that until now has approximately 10,000 outlets located in various major cities in Indonesia even to the village by presenting various kinds of promos. As a leading retail store in Indonesia, Alfamart continues to strive to provide quality services to every customer with the aim of increasing satisfaction and loyalty from Alfamart customers.

Alfamart Karya Wisata Medan Johor Medan Branch (hereinafter referred to as Alfamart Medan Johor) is one of the franchise companies under the auspices of PT. Sumber Alfaria Trijaya, Tbk. As with its parent, Alfamart Medan Johor also has a commitment to increase loyalty from its customers. However, Alfamart Medan Johor in 2018 ago experienced a decrease in the number of customers. To be more clear about the following Alfamart Medan Johor customers, the transaction receipt number in Medan Johor Alfamart will be presented:

**Table 1 Number of Receipt Transactions at Alfamart Medan Johor in 2018**

No	Bulan	STD
1	July	258
2	August	253
3	September	262
4	October	218
5	November	214
6	December,	224

Sumber: Alfamart Medan Johor, 2019

Based on Table 1 above it can be seen that the number of customers from Alfamart Medan Johor has fluctuated and is more likely to decline, this indicates that customer loyalty at Alfamart Medan Johor is still lacking. Alfamart

Medan Johor targets the number of visitors to increase every year. But in reality Alfamart Medan Johor has not been able to meet these targets.

According to the results of preliminary interviews with customers from Alfamart Medan Johor there are several complaints that have been conveyed by consumers regarding the quality of service to the management of Alfamart Medan Johor, for example: lack of friendliness from store crew, product Knowledge low, and lack of information on goods prices.

With these weaknesses, customer loyalty has decreased and will have an impact on customer satisfaction that occurs such as price suitability, and display prices that are not suitable, weak loyalty to a company, especially Alfamart also has an impact on customer recommendations, so Alfamart only gets new customers, not necessarily get old customers back shopping.

Based on the description above, researchers felt interested in making Alfamart Medan Johor as an object of observation with the title “Analysis of the Effect of Service Quality on Customer Loyalty with Satisfaction as Intervening Variable at Alfamart Karya Wisata Medan Johor Medan Branch”.

## 2. LITERATURE REVIEW:

### Service Quality

According to Ratminto (2012) said that service quality is a dynamic condition that relates and or exceeds consumer expectations. Good service quality will provide the company's competitive advantage in the same product or service. In addition to service quality, price becomes something very important for the company because it is important to know consumers are very sensitive in pricing given by the company.

### Satisfaction

Tjiptono and Gregorius (2012) states that customer satisfaction is an emotional response to the evaluation of the consumption experience of a product or service. In a study conducted by Crosby and Stephens in Rusdarti (2004) in the insurance service industry stated that dissatisfaction is one of the causes of consumer change. Another study Anderson (1994) also mentions that satisfied customers tend to be loyal customers. So that if the level of customer satisfaction increases it will be followed by the level of customer loyalty.

### Customer Loyalty The

Use of customer loyalty is caused by the long-term effects of loyalty itself, with the hope that customers continue to use the company's services in shopping continuously and repeatedly. According to Ratih (2013) said that the benefits of customer loyalty must be built through the provision of good service from quality and price and how to satisfy its customers, service quality is an important factor in obtaining customer loyalty.

## 3. MATERIALS:

Quality services in general will provide optimal satisfaction to customers. The behavior of satisfied customers will usually repurchase (loyal) to a place that provides quality services. Based on the analogy, the conceptual framework in this research can be described as follows:

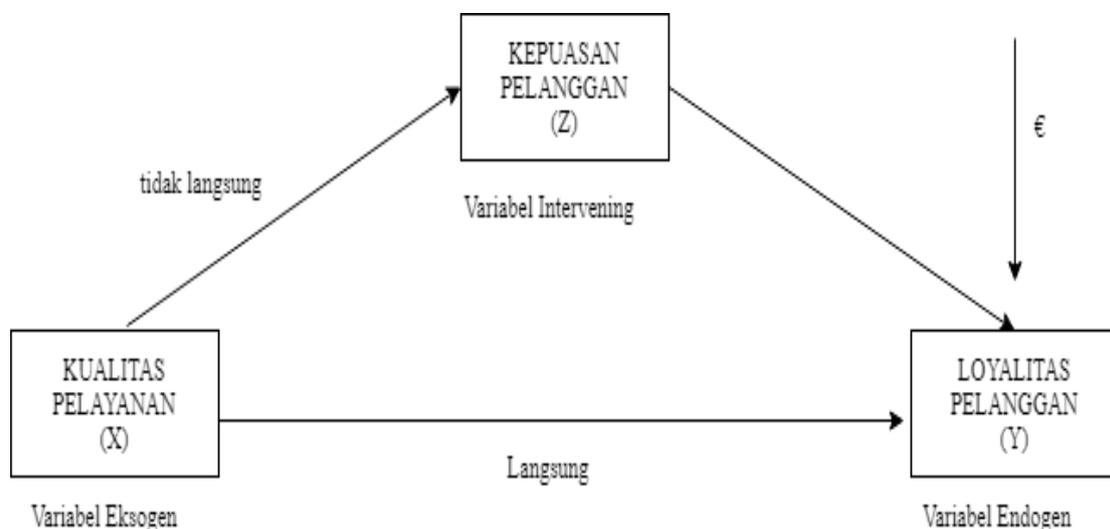


Figure 1. Conceptual Framework  
 Source: Processed by Research, 2019

Following is the hypothesis of this study:

- Service quality has a positive and significant effect on customer satisfaction on Alfamart Medan Johor.
- Service quality has a positive and significant effect on Customer Loyalty on Alfamart Medan Johor.
- Customer satisfaction has a positive and significant effect on customer loyalty on Alfamart Medan Johor.
- Service has a significant indirect effect through customer satisfaction variables as an intervening variable to loyalty to Alfamart Medan Johor.

#### 4. METHOD:

This research is associative research with a type of quantitative research. This research was conducted at Alfamart Karya Wisata Medan Johor, Medan Branch. Jl. Karya Wisata no 20/21, Medan. The population in this study amounted to 6540 people. By using the Slovin formula, the sample was set to 98 respondents with a nonprobability sampling technique through accidental sampling.

This study uses path analysis to determine the direct and indirect effects of observed variables. Path diagram illustrates the relationship pattern between variables in this study to test and find out how much influence the quality of service on customer loyalty with satisfaction as anvariable *intervening* with the equation:

Equation I: $Z = P_1X + \epsilon_1$
Equation II: $Y = P_3X + P_2Z + \epsilon_2$

Description:

X = Service Quality (*Exogenous Variable*)

Z = Satisfaction (*Intervening Variable*)

Y = Customer Loyalty (*Endogenous Variable*)

P = Regression Coefficient Path

$\epsilon$  = Number of variants ( $\epsilon = 1 - R^2$ )

#### 5. DISCUSSION:

##### Characteristics of Respondents

The majority of Alfamart Medan Johor customers who are respondents are <20 years as many as 1 person (1.0%), 20-29 years as many as 67 people (67%), 30-39 Year as many as 18 people (18%), 40 - 49 years as many as 8 people (8%) and  $\geq 50$  years as many as 4 people (4%). Based on the above, the majority of Alfamart Medan Johor customers aged 20-29 years are 67 people (67%).

The majority of Alfamart Medan Johor customers are female 59 people (60.2%), the remaining number are 39 people (39.8%) male sex. Furthermore, Alfamart Medan Johor customers who became respondents had the last high school education as many as 54 people (55.1%), D3 as many as 17 people (17.3%) and S1 as many as 27 people (27.6%). Based on the above things, the majority of SMA alfamart customers are 54 people (55.1%).

##### Validity and Reliability Test

##### Validity Test

For more detailed information items - Total Statistics, the results of processing SPSS version 20.0 by entering respondents' answer data from variables X1, X2, and Y which are in the table below:

Tabel 2. Validity Test X<sub>1</sub>, X<sub>2</sub>, dan Y

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
X1	16.8000	9.683	<b>.589</b>	.837
X2	16.9333	8.547	<b>.563</b>	.854
X3	16.7333	9.099	<b>.814</b>	.790
X4	16.8667	8.120	<b>.654</b>	.825
X5	16.8000	8.855	<b>.786</b>	.791
Z1	15.6000	9.697	<b>.690</b>	.847
Z2	15.7000	8.838	<b>.723</b>	.843
Z3	15.4000	10.179	<b>.810</b>	.823
Z4	15.5333	10.051	<b>.729</b>	.837
Z5	15.9000	11.059	<b>.584</b>	.870
Y1	15.5333	9.223	<b>.689</b>	.840

Y2	15.4333	9.013	<b>.639</b>	.854
Y3	15.5667	8.806	<b>.686</b>	.842
Y4	15.7333	9.237	<b>.780</b>	.821
Y5	15.6000	9.490	<b>.682</b>	.842

Source: SPSS Processing Results ver. 20.0

A question is said to be valid if the value of  $r_{count} > 0.3$ . It is known that all questions from all variables have a value of  $r_{count} > 0.3$ , which means that they meet the validity requirements.

### Reliability Test

Reliability of the questionnaire table presented in the table below:

**Tabel 3. Reliability Test X<sub>1</sub>, X<sub>2</sub>, dan Y**

No	Variable	Cronbach's Alpha	N of Items
1	Service Quality	.850	5
2	Satisfaction	.871	5
3	Loyalty	.867	5

Source: SPSS Processing Results ver. 20.0

Based on Table 3 above, the SPSS that value is the output result show Cronbach's Alpha is  $> 0.60$  so it can be concluded that 15 statements are declared reliable.

## 6. ANALYSIS:

### Hypotesis Test

#### Uji t (Parsial Test)

From the data processing questionnaire using software tools SPSS version 20.0:

**Tabel 4. Partial Test of Customer Satisfaction**

Model		Unstandardized Coefficients		Standardize d Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.834	.370		4.957	.000		
	Service Quality (X)	.452	.097	.431	4.681	.000	1.000	1.000

a. Dependent Variable: Satisfaction (Z)

Source: SPSS Processing Results ver. 20.0

Based on Table 4 above, it is known that the value of  $t_{count}$  is 4.681 while  $t_{1.684_{table}}$  is and is significant at 0.000, so  $t_{count} 4.681 > t_{table} 1.684$  and significant  $0,000 < 0,05$ , then  $H_a$  is accepted and  $H_0$  is rejected, so it can be concluded that service quality has a significant effect on customer satisfaction in Alfamart Medan Johor.

**Tabel 5. Partial Test on Customer Loyalty**

Model		Unstandardized Coefficients		Standardize d Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.245	.418		2.982	.004		
	Service Quality (X)	.255	.108	.238	2.366	.020	.814	1.228
	Customer Satisfaction (Z)	.322	.103	.315	3.133	.002	.814	1.228

a. Dependent Variable: Customer Loyalty (Y)

Source: SPSS Processing Results ver. 20.0

Based on Table 5 above it is known that the value of  $t_{count}$  is 2.366 while  $t_{table}$  is 1.685 and is significant at 0.020, so  $t_{count}$  is  $2.366 > t_{table}$  1.685 and significant  $0.020 < 0.05$ , then  $H_a$  is accepted and  $H_0$  is rejected, so it can be concluded that service quality has a significant effect on customer loyalty Alfamart Medan Johor.

Furthermore, the value of  $t_{count}$  is 3.133 while the  $t_{table}$  is 1.685 and is significant at 0.002, so  $t_{count}$  is  $3.133 > t_{table}$  1.685 and significant  $0.002 < 0.05$ , then  $H_a$  is accepted and  $H_0$  is rejected, so it can be concluded that satisfaction has a significant effect on customer loyalty Alfamart Medan Johor.

**The coefficient of Determination (R<sup>2</sup>)**

Analysis of the determination of the variable independent of the dependent variable. From the processing questionnaire data using the SPSS version 20.0 tool, the results obtained as the table below:

**Tabel 6. The Coefficient of Determination of Customer Satisfaction**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.431 <sup>a</sup>	.186	.177	.58186

- a. Predictors: (Constant), Service Quality (X)
- b. Dependent Variable: Customer Satisfaction (Z)

Source: SPSS Processing Results ver. 20.0

**Tabel 7. Customer Loyalty Determination Coefficient**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.469 <sup>a</sup>	.220	.203	.58619

- a. Predictors: (Constant), Customer Satisfaction (Z), Service Quality (X)
- b. Dependent Variable: Customer Loyalty (Y)

Source: SPSS Processing Results ver. 20.0

Based on Table 6 and Table 7 above, in theory *trimming* testing the validity of the research model is observed through the calculation of the total determination coefficient as follows:

$$\begin{aligned}
 R^2_m &= 1 - P^2_{e_1} \cdot P^2_{e_2} \\
 &= 1 - (0.186)^2 (0.220)^2 \\
 &= 1 - (0.034) (0.048) \\
 &= 1 - 0.00166 \\
 &= 0.9999 \\
 &= 99.9\%
 \end{aligned}$$

The coefficient of determination of 99.9% indicates that 99.9% the information contained in the data can be explained by the model, while the remaining  $100\% - 99.8\% = 0.1\%$  is explained by errors and other variables outside the model such as environment, motivation, and others. The coefficient number on this model is relatively large so that it is worth doing further interpretation.

**Path Analysis**

Based on table 4 and Table 6, the value *standardized beta* for service quality is 0.452 and is significant and significant at 0,000, which means that service quality affects satisfaction. coefficient value *Standardized beta* of 0.452 is the value of *the path* or paths  $P_1$ . The value of  $e_1 = (1 - 0.186)^2 = 0.6625$

Equation I:  $Z = 0.452 X + 0.6625 \epsilon_1$

Furthermore, based on Table 5 and Table 7, the value *standardized beta* for Service Quality is 0.255 and is significant at 0.020 which means Quality affects Customer Loyalty. coefficient value *Standardized beta* 0.255 is the value of *path* or path  $P_3$ . The *standardized beta value* for customer satisfaction is 0.322 and is significant at 0.002 which means Customer Satisfaction affects Customer Loyalty. coefficient value *Standardized beta* 0.322 is the value of *path* or path  $P_2$ . The value of  $e_2 = (1 - 0.220)^2 = 0.60$

Equation II:  $Y = 0.255 X + 0.322 Z + 0.60 \epsilon_2$

The results of path analysis show that Service Quality has an effect directly on Customer Loyalty and can also indirectly affect from the influence of Quality of Service to satisfaction (as an variable *intervening*) then to customer loyalty. The amount of direct influence is 0.255, while the amount of indirect influence must be calculated by

multiplying the indirect coefficient which is  $0.452 \times 0.322 = 0.146$  or the total effect of customer quality on loyalty =  $0.255 + (0.452 \times 0.322) = 0.401$ . Because the value ( $P_3 > P_1 \times P_2$ ), satisfaction functions as a variable *intervening*.

## 7. RESULT:

a. The effect of service quality on Customer Satisfaction.

The results show that  $t_{\text{count}}$  is 4.681 while  $t_{\text{table}}$  is 1.684 and is significant at 0.000, so  $t_{\text{count}} 4.681 > t_{\text{table}} 1.684$  and significant  $0.000 < 0.05$ , then  $H_a$  is accepted and  $H_0$  is rejected, which states the influence of quality partially has a significant effect on customer satisfaction. According to Ratminto (2012) Quality of service or service is the expected level of excellence and control of the level of excellence to meet customer desires. This is in accordance with the research conducted that the service quality carried out by Alfamart medan Johor employees influences customer satisfaction.

b. Effect of Service Quality on Customer Loyalty.

The results show that  $t_{\text{count}}$  is 2.366 while  $t_{\text{table}}$  is 1.685 and is significant at 0.020, so  $t_{\text{count}}$  is  $2.366 > t_{\text{table}} 1.685$  and significant  $0.020 < 0.05$ , then  $H_a$  is accepted and  $H_0$  is rejected, which states that Service Quality partially has a significant effect on Customer Loyalty. Customer loyalty is someone's loyalty to a product, both certain goods and services (Monica, 2013). A customer commitment to the company that is reflected in a positive attitude by making repeat purchases and the desire to recommend to others. The statement is in accordance with the results indicated that service quality has an effect on customer loyalty

c. Effect of Customer Satisfaction on Customer Loyalty.

The results show that  $t_{\text{count}}$  is 3.133 while  $t_{\text{table}}$  is 1.685 and is significant at 0.002, so  $t_{\text{count}}$  is  $3.133 > t_{\text{table}} 1.685$  and significant  $0.002 < 0.05$ , then  $H_a$  is accepted and  $H_0$  is rejected, which states customer satisfaction partially has a significant effect on customer loyalty. The definition of customer satisfaction according to Kotler (2009) in the translator of sabaran is as The following: Consumer satisfaction is the extent to which the product's performance is assumed or services meet buyer expectations. In the definition made by Kotler in line with the results shown that customer satisfaction has an effect on customer loyalty

d. Service Quality has a significant indirect effect through customer satisfaction variables as an intervening variable to loyalty to Alfamart Medan Johor.

Path analysis shows that Service Quality has a direct effect on Customer Loyalty and can also indirectly influence the influence of Quality of Service to satisfaction (as an variable *intervening*) and then to Customer Loyalty. The amount of direct influence is 0.255, while the amount of indirect influence must be calculated by multiplying the indirect coefficient which is  $0.452 \times 0.322 = 0.146$  or the total effect of customer quality on loyalty =  $0.255 + (0.452 \times 0.322) = 0.401$ . Because the value ( $P_3 > P_1 \times P_2$ ), satisfaction functions as an variable *intervening*.

From the results of the calculations obtained indicate the effect indirectly through satisfaction is greater than the direct effect on loyalty. These results indicate that service quality influences loyalty through satisfaction as an variable *intervening*, or it can be concluded that satisfaction is a variable that mediates between service quality and customer loyalty. Based on this, the research hypothesis which states that service quality influences loyalty through satisfaction gets empirical support or it can be concluded that the hypothesis is accepted.

## 8. CONCLUSION:

Based on data analysis and discussion of research results, conclusions can be drawn as follows:

- Service quality has a positive and significant effect on customer satisfaction at Alfamart Medan Johor.
- Service quality has a positive and significant effect on customer loyalty at Alfamart Medan Johor
- Satisfaction has a positive and significant effect on customer loyalty at Alfamart Medan Johor
- Satisfaction as an intervening variable able to improve service quality on Customer Loyalty at Alfamart Medan Johor

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