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# THE ANTECEDENTS OF CUSTOMER SATISFACTION AND ITS IMPACT ON CUSTOMER LOYALTY

(The study of Merry's Cake Lampung)

Adi Gunawan<sup>1</sup> Andala Rama Putra Barusman<sup>2</sup> Selfia Alke Mega<sup>3</sup> Wenny Permata Sari<sup>4</sup> <sup>1</sup>Universitas Bandar Lampung

<sup>2</sup>Universitas Bandar Lampung

<sup>3</sup>Universitas Bandar Lampung

<sup>4</sup>Universitas Bandar Lampung

### ABSTRACT

This study aims to determine the effect of customer preferences on product quality, service quality, product image on customer satisfaction and customer loyalty in the Merry's Lampung pastry business. The research method used in this research is a purposive random sampling method with 200 customers as respondents and uses the SEM (Structural Equation Modeling) analysis method. the results of this study note that product quality has a positive and significant influence on customer satisfaction and on customer loyalty, service quality has a positive and significant influence on customer satisfaction and on customer loyalty, product image has a positive and significant influence on customer satisfaction and loyalty and then customer satisfaction as an intervening variable has a positive and significant influence on customer satisfaction customer loyalty. The recommendation obtained in this study are Merry's Lampung pastry business managers need to innovate such as making more attractive cake shapes, more unique packaging, ease of payment, adding premium products and improving facilities to increase customer satisfaction and customer loyalty.

Keywords: Customer Preferences, Product Quality, Service Quality, Product Image, Customer Satisfaction, Customer Loyalty.

#### Introduction

Rapidly increasing economic competition has made entrepreneurs take advantage of technological developments to create business opportunities because the production and distribution process has become easier, but this can also create very tight competition. (Gugler *et al.*, 2015)

One of the most promising business fields is the pastry industry, in terms of the level of demand just before the feast days. Merry's Lampung cookies has been running for 38 years and has quite dominating the market. This is evidenced by its existence getting a big turnover from its customer every year. However, in 2020-2021 the level of sales of Merry's Lampung Cookies has decreased, as can be seen in table 1 below.

| -     | Table 1. Merry's Lampung Cookies Sales | 3 2019-2021 |
|-------|--|-------------|
| Years | Sales Result                           | Changes     |
| 2019  | 5.210 dozen (±IDR 2,5 million)         |             |
| 2020  | 4.150 dozen (±IDR 1,9 million)         | 20,34 %     |
| 2021  | 4.250 dozen (±IDR 2 million)           | 18,42 %     |

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Email address: andala@ubl.ac.id

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#### Source: primary data, 2021

Based on table 1, the sales in 2020 and 2021 have decreased by 20.34% and 18.42% from sales in 2019. Furthermore, a pre-survey was carried out related to the influence of product quality, service quality, and product image from Merry's Lampung Cookies on customer satisfaction and customer loyalty, this pre-survey was conducted on 35 random respondents as shown in table 2 below.

|    | Table 2. Pre-Survey's Result   |                                       |
|----|--|---------------------------------------|
| No | Questionnaire  | Result                                |
| 1  | Have you ever received Merry's pastry product that is not of good quality (expired, changed flavor, smells)? | 91,4% I have not<br>8,6% I have       |
| 2  | I have always received friendly service when purchasing products and other necessities at sales outlets.     | 97,1% <b>Yes</b><br>2,9% <b>No</b>    |
| 3  | Have you ever heard or received bad news about the image of Merry's pastries?                                | 0 % I have<br>100% I have not         |
| 4  | I am satisfied with the price and flavor offered through Merry's pastry products.                            | 97,1% Satisfied<br>2,9% Not satisfied |
| 5  | I have been a customer of Merry's pastries for about 3 years.  | 91,4 % <b>Yes</b><br>7,6 % <b>No</b>  |

Source: pre-Survey, 2022

Based on the results of the pre-survey, it shows high levels of satisfaction and loyalty, but in contrary, the sales levels was declined. Therefore, this study aims to determine the effect of customer preferences on Merry's Lampung cookies on customer satisfaction and customer loyalty.

#### **Literature Review**

#### a. Product Quality

According to Tjiptono (2011), product quality as the characteristic of a product in fulfilling customer need. Rita *et al.*, (2019) also propose the dimension of product quality are: (a) Performance, (b) Durability, (c) Conformance to Specifications, (d) Features, (e) Reliability, (f) Aesthetics, and (g) Perceived Quality. Product quality refers to the level of excellence or superiority of a product in meeting or exceeding customer expectations. It encompasses various aspects of a product, such as its performance, reliability, durability, safety, functionality, aesthetics, and conformance to specifications or standards.(Linder *et al.*, 2017). A high-quality product is one that meets or exceeds customer needs, is reliable and performs its intended functions consistently, is durable and longlasting, safe for use, visually appealing, and made to specifications or standards. It is free from defects or deficiencies that could affect its performance or customer satisfaction. On the other hand, a low-quality product may have defects, may not perform as expected, may not meet customer needs, and may have a shorter lifespan. (Yooyen *et al.*, 2019).

Product quality is important for businesses and customers alike. For businesses, it affects customer satisfaction, brand reputation, repeat business, and customer loyalty (Dennisa and Santoso, 2016) (Barusman and Suwandi 2020). High-quality products are more likely to generate positive reviews and referrals, leading to increased sales and customer retention. For customers, product quality directly affects their satisfaction and the value they derive from a product. A high-quality product can provide better performance, reliability, and durability, which in turn can enhance customer satisfaction and loyalty (Minar, 2017).

#### b. Service Quality

Service Quality, Pakurár et al., (2019), defined service quality as the evaluation of the service for customer; whether it fits the customer' expectations or not. Service quality refers to the overall level of excellence and

satisfaction experienced by customers when they interact with a product or service provider. It is a measure of how well a company meets or exceeds customer expectations and delivers value to its customers (Barusman, 2019).

According to Lecturer (2014), Service quality can be assessed through various dimensions, including reliability, responsiveness, assurance, empathy, and tangibles. An summary of these dimensions is provided below:

- a) Reliability refers to a company's capacity to supply products or services consistently and dependably. Customers can rely on a dependable service provider to deliver on its promises, fulfill deadlines, and give accurate and consistent information.
- b) Responsiveness: The desire and capacity of a corporation to respond quickly to customer demands, requests, and enquiries. Responding to customer concerns and resolving difficulties requires the organization to be attentive, proactive, and quick.
- c) Assurance: The company's expertise, competence, and kindness in providing its products or services. Assured service implies that the organization instills trust in its consumers by its knowledge, professionalism, and dependability.
- d) Empathy: The capacity of a corporation to understand and relate to the sentiments, needs, and expectations of its consumers. Empathetic service implies that the organization understands, cares for, and considers the unique conditions and views of its consumers.
- e) Tangibles: Physical or tangible components of a service, such as the look of facilities, equipment, or staff. Tangible service implies that the organization displays itself properly and keeps its surroundings clean, well-maintained, and aesthetically appealing.

Companies that consistently deliver high-quality service are more likely to retain customers, generate positive word-of-mouth, and build a loyal customer base. Therefore, service quality is a critical factor in customer satisfaction and overall business success. Companies can improve service quality by continuously monitoring and measuring customer feedback, identifying areas for improvement, and implementing appropriate strategies and training programs to enhance the customer experience. Overall, providing excellent service quality is essential for maintaining customer loyalty, building a positive reputation, and achieving long-term business success (Zygiaris *et al.*, 2022).

#### c. Product Image

According to Ali and Raza (2017), The definition of product image is as everything that formed and stuck to the customer's notion of a product. There are four dimensions of product image: (a) Brand personality, (b) Brand value, (c) Brand-customer relation, and (d) User image. According to Yamoah (2013), Product image can have a significant impact on customer satisfaction. Here are some ways product image can impact customer satisfaction:

- a) Perception of Quality: High-quality product images that accurately represent the product can help manage customer expectations and improve their satisfaction with the product. Customers who perceive a product as high quality are more likely to be satisfied with their purchase.
- b) Visual Appeal: Product images can impact customers' perception of the product's visual appeal. Highquality product images that showcase the product in a positive light can lead to increased satisfaction with the product's appearance.
- c) Accurate Representation: Product images that accurately represent the product can increase customer satisfaction by reducing the likelihood of disappointment or dissatisfaction with the product when it is received.
- d) emotional: Customers have a passion for liking the product image, This emotional attachment to a product may enhance a customer's entire shopping experience and product enjoyment.
- e) Brand Perception: Consumers' perceptions of a company's overall quality and attention to detail may be influenced by the caliber of product photographs, which might raise their level of satisfaction with the brand as overall

#### d. Customer Satisfaction

Customer Satisfaction Definition A customer satisfaction plan is created in response to consumer contentment or dissatisfaction with an item or service that meets their demands (Barusman and Rulian, 2020). High customer satisfaction is desirable for several reasons. Satisfied customers are more likely to remain loyal to a brand or business, repeat their purchases, and recommend the business to others. They are also more likely to provide positive reviews and testimonials, which can help attract new customers and enhance the reputation of the business (Minciullo *et al.*, 2022).

On the other hand, low customer satisfaction can lead to customer complaints, negative reviews, and lost business. Unhappy customers may switch to competitors, resulting in a decrease in revenue and market share. Therefore, businesses and organizations strive to achieve high levels of customer satisfaction by providing excellent customer service, delivering quality products or services, and understanding and meeting customer needs and expectations (Lahap *et al.*, 2016).

#### e. Customer Loyalty

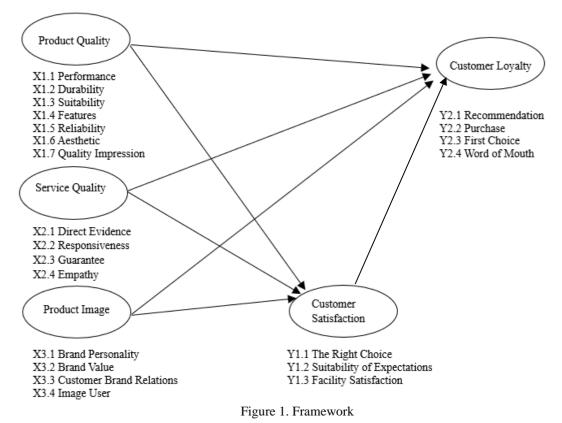
In Izogo and Ogba (2015) explained that customer loyalty is a condition where customer consciously and consistently spend their money on a product or service which gives them satisfaction. According to Kotler (2015) there are four dimensions of customer loyalty: (a) Recommendation, (b) Purchase, (c) First option, and (d) Word of mouth. Customer loyalty refers to the degree of commitment or attachment that a customer has to a brand, product, or service. It is a measure of the likelihood that a customer will continue to do business with a company, make repeat purchases, and recommend the company to other (Budianto, 2019).

Loyal customers are more likely to make repeat purchases and become brand advocates, promoting the company to others through word-of-mouth recommendations. This can lead to increased revenue and profitability for the company, as well as a positive reputation in the market (Rosadi *et al.*, 2022). Building customer loyalty requires providing a high level of customer satisfaction and consistently delivering high-quality products or services. Companies can also use loyalty programs, personalized marketing strategies, and excellent customer service to build strong relationships with their customers and keep them coming back (Azizan and Yusr, 2019).

#### f. Hypothesis and Framework

The following hypotheses and framework were derived from the literature research and pre-survey:

- 1. Hypothesis I: It is proposed that consumer happiness is positively and significantly influenced by the product quality of Merry's Lampung cookies.
- 2. Hypothesis II: It is proposed that customer satisfaction is greatly and favorably influenced by the service quality of Merry's Lampung cookies.
- 3. Hypothesis III: It is hypothesized that the product image of Merry's Lampung cookies is a preference factor that has a positive and significant influence on customer satisfaction.
- 4. Hypothesis IV: It is hypothesized that the product quality of the Merry's Lampung cookies product is a preference factor that has a positive and significant influence on customer loyalty.
- 5. Hypothesis V: It is hypothesized that the service quality of the Merry's Lampung cookies product is a preference factor that has a positive and significant influence on customer loyalty.
- 6. Hypothesis VI: It is hypothesized that the image of the Merry's Lampung cookies product is a preference factor that has a positive and significant influence on customer loyalty.
- 7. Hypothesis VII: It is hypothesized that the customer satisfaction on Merry Lampung cake is a preference factor and has a positive and significant effect on customer loyalty.



#### Methodology

The method used in this research is descriptive quantitative. The data used is primary data obtained from the Merry's Lampung pastry home industry through a questionnaire containing statements about the variables to be studied, namely the independent variables (preferences: product quality, service quality, product image, customer satisfaction on the dependent variable (loyalty customer). Primary data is data obtained directly from data sources, observed and recorded for the first time (Sugiyono, 2017). The data collection method is by surveying 200 respondents from a total population of 500 customer and data processing techniques using data processing application assistance, namely Structural Equation Modeling (SEM) with the Lisrel 8.8 program.

## **Result and Discussion**

#### a. Validity Test and Reliability Test

|                  | Т                   | able 3. Validit | y Test and | Reliability Test |      |      |             |
|------------------|---------------------|-----------------|------------|------------------|------|------|-------------|
| Indicator        | Factor loadings     | <b>T-value</b>  | Error      | Explanation      | CR   | VE   | Explanation |
| Product Qualit   | y (X <sub>1</sub> ) |                 |            |                  |      |      |             |
| X <sub>1.1</sub> | 0.92                | 16.98           | 0.15       | Valid            | 0.96 | 0.78 | Reliable    |
| $X_{1.2}$        | 0.85                | 14.83           | 0.28       | Valid            |      |      |             |
| $X_{1.3}$        | 0.96                | 18.34           | 0.08       | Valid            |      |      |             |
| $X_{1.4}$        | 0.92                | 16.95           | 0.16       | Valid            |      |      |             |
| $X_{1.5}$        | 0.93                | 17.26           | 0.14       | Valid            |      |      |             |
| $X_{1.6}$        | 0.69                | 11.04           | 0.31       | Valid            |      |      |             |
| $X_{1.7}$        | 0.89                | 16.17           | 0.20       | Valid            |      |      |             |
| Service Qualit   | y (X <sub>2</sub> ) |                 |            |                  |      |      |             |
| X <sub>2.1</sub> | 0.89                | 14.95           | 0.22       | Valid            | 0.94 | 0.84 | Reliable    |
| $X_{2.2}$        | 0.60                | 8.87            | 0.31       | Valid            |      |      |             |
| $X_{2.3}$        | 0.79                | 12.60           | 0.14       | Valid            |      |      |             |

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\*Corresponding Author

Email address: andala@ubl.ac.id

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| $X_{2.4}$        | 0.80           | 12.89 | 0.36 | Valid |      |      |          |
|------------------|----------------|-------|------|-------|------|------|----------|
| $X_{2.5}$        | 0.71           | 10.65 | 0.19 | Valid |      |      |          |
| Brand Image (X   | 3)             |       |      |       |      |      |          |
| X <sub>3.1</sub> | 0.91           | 16.74 | 0.17 | Valid | 0.95 | 0.84 | Reliable |
| X <sub>3.2</sub> | 0.89           | 16.03 | 0.21 | Valid |      |      |          |
| $X_{3.3}$        | 0.97           | 18.68 | 0.06 | Valid |      |      |          |
| X <sub>3.4</sub> | 0.95           | 18.08 | 0.09 | Valid |      |      |          |
| Customer Satisf  | action $(Y_1)$ |       |      |       |      |      |          |
| Y <sub>1.1</sub> | 0.96           | 18.09 | 0.08 | Valid | 0.93 | 0.85 | Reliable |
| Y <sub>1.2</sub> | 0.93           | 17.29 | 0.13 | Valid |      |      |          |
| Y <sub>1.3</sub> | 0.90           | 16.38 | 0.18 | Valid |      |      |          |
| Customer Satisf  | action $(Y_2)$ |       |      |       |      |      |          |
| Y <sub>2.1</sub> | 0.91           | 16.44 | 0.18 | Valid | 0.93 | 0.80 | Reliable |
| Y <sub>2.2</sub> | 0.87           | 15.29 | 0.25 | Valid |      |      |          |
| Y <sub>2.3</sub> | 0.95           | 17.63 | 0.11 | Valid |      |      |          |
| Y <sub>2.4</sub> | 0.81           | 13.78 | 0.34 | Valid |      |      |          |
|                  |                |       |      |       |      |      |          |

Source: data processed, 2022

| Table 4. Good | ness of Fit ( | GoF) Ai | nalysis |
|---------------|---------------|---------|---------|
|---------------|---------------|---------|---------|

| Goodnes of Fit Statistic               | Cut off Limit   | Value   | Explanation  |
|--|---|---------|--------------|
| Absolute Match Size                    |   |         |              |
| Chi-square                             | Chi square (the smaller the better)   | 212.54  | Good fit     |
| P value                                | p>0.05  | 0.98    | Good fit     |
| Non-Centrality Parameter (NCP)         | Smaller value 0.00  | 713.54  | Close fit    |
| Goodness of Fit Index (GFI)            | >0.9  | 0.91    | Good fit     |
| RMSR                                   | <0.05   | 0.044   | Good fit     |
| RMSEA                                  | < 0,08  | 0.13    | Marginal Fit |
| Expected Cross Validation Index (ECVI) | Model <saturated and="" independence<="" td=""><td>5.26</td><td>Good fit</td></saturated>     | 5.26    | Good fit     |
| Incremental Match Size                 |   |         |              |
| AGFI (Adjusted Goodness of Fit Index)  | > 0.90  | 0.64    | Close fit    |
| TLI                                    | >0.9  | 1       | Good fit     |
| Normal Fit Index (NFI)                 | >0.9  | 0.94    | Good fit     |
| Non-Normed Fit Index (NNFI)            | >0.9  | 0.95    | Good fit     |
| Relative Fit Index (RFI)               | >0.9  | 0.93    | Good fit     |
| Incremental Fit Index (IFI)            | >0.9  | 0.95    | Good fit     |
| Comparative Fit Index (CFI)            | >0.9  | 0.95    | Good fit     |
| Parsimony Fit Size                     |   |         |              |
| PNFI                                   | >0.9  | 0.81    | Good fit     |
| PGFI                                   | >0.9  | 0.96    | Good fit     |
| AIC                                    | Model <saturated and="" independence<="" td=""><td>1046.54</td><td>Close fit</td></saturated> | 1046.54 | Close fit    |
| CAIC                                   | Model <saturated and="" independence<="" td=""><td>1291.54</td><td>Good fit</td></saturated>  | 1291.54 | Good fit     |

Source: processed data, 2022

Based on several tests and model forms with good GOF values, this study has the SEM model as follows:

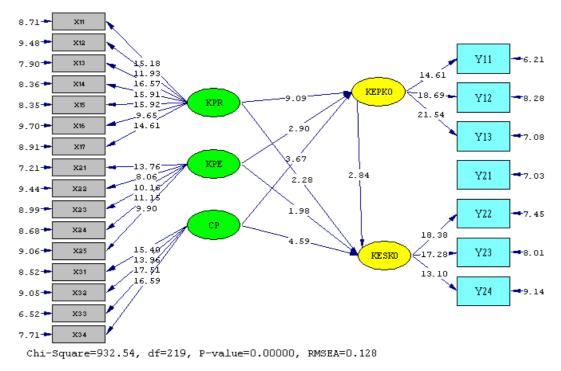


Figure 2. SEM Model through GoF Score

Based on Figure 2 above, the results of the structural model analysis are obtained which are translated through the coefficient values and the significant level of the variables studied. Then, the hypothetical results were found from the Structural Equation Modeling (SEM) data processor in this study, as in table 5 below.

| Hypothesis | Path  | Estimation | T-Value | Conclusion                             |
|------------|---|------------|---------|--|
| 1          | Product Quality - Customer<br>Satisfaction  | 0.80       | 9.09    | Significant<br>(Hypothesis 1 accepted) |
| 2          | Service Quality - Customer<br>Satisfaction  | 0.33       | 2.90    | Significant<br>(Hypothesis 2 accepted) |
| 3          | Product Image - Customer<br>Satisfaction    | 0.41       | 3.67    | Significant<br>(Hypothesis 3 accepted) |
| 4          | Product Quality - Customer<br>Loyalty       | 0.32       | 2.28    | Significant<br>(Hypothesis 4 accepted) |
| 5          | Service Quality - Customer<br>Loyalty       | 0.26       | 1.98    | Significant<br>(Hypothesis 5 accepted) |
| 6          | Product Image - Customer<br>Loyalty         | 0.62       | 4.59    | Significant<br>(Hypothesis 6 accepted) |
| 7          | Customer Satisfaction -<br>Customer Loyalty | 0.36       | 2.84    | Significant<br>(Hypothesis 7 accepted) |

| Table 5. Path with T score and direct level of influence |
|--|
|--|

Source: primary data, 2022

### b. Discussion

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\*Corresponding Author
Email address: <u>andala@ubl.ac.id</u>

- 1. H1: The product quality of Merry's Lampung cookies is a preference factor that has a positive and significant influence on customer satisfaction. This hypothesis is accepted as t-value = 9.09 and coefficient estimation = 0.80 showing a significant and positive relationship.
- 2. H2: The service quality of Merry's Lampung cookies is a preference factor that has a positive and significant influence on customer satisfaction. This hypothesis is accepted as t-value = 2.90 and coefficient estimation = 0.33 showing a significant and positive relationship.
- 3. H3: The product image of Merry's Lampung cookies is a preference factor that has a positive and significant influence on customer satisfaction. This hypothesis is accepted as t-value = 3.67 and coefficient estimation = 0.41 showing a significant and positive relationship.
- 4. H4: The product quality of the Merry's Lampung cookies product is a preference factor that has a positive and significant influence on customer loyalty. This hypothesis is accepted as t-value = 2.28 and coefficient estimation = 0.36 showing a significant and positive relationship.
- 5. H5: A preference element that has a favorable and large impact on patron loyalty is the service quality of Merry's Lampung cookies. This theory is approved since the association between the two variables is substantial and positive (t-value = 1.98 and coefficient estimation = 0.26).
- 6. H6: The Merry's Lampung cookies' brand image is a preference factor that positively and significantly affects consumer loyalty. With a t-value of 2.89 and a coefficient estimation of 0.62 indicating a significant and favorable connection, this hypothesis is supported.
- 7. H7: The customer satisfaction on Merry Lampung cake is a preference factor and has a positive and significant effect on customer loyalty. This hypothesis is accepted as t-value = 2.84 and coefficient estimation = 0.36 showing a significant and positive relationship.

# **Conclusion and Recommendations**

### Conclusion

Based on the results of customer preference data processing such as product quality, service quality and product image on customer satisfaction and customer loyalty in this study it can be concluded that:

- 1. The product quality of Merry's Lampung cookies is a preference factor that has a positive and significant influence on customer satisfaction.
- 2. The service quality of Merry's Lampung cookies is a preference factor that has a positive and significant influence on customer satisfaction.
- 3. The product image of Merry's Lampung cookies is a preference factor that has a positive and significant influence on customer satisfaction.
- 4. The product quality of the Merry's Lampung cookies product is a preference factor that has a positive and significant influence on customer loyalty.
- 5. The product quality of the Merry's Lampung cookies product is a preference factor that has a positive and significant influence on customer loyalty.
- 6. The product quality of the Merry's Lampung cookies product is a preference factor that has a positive and significant influence on customer loyalty.
- 7. The customer satisfaction on Merry Lampung cake is a preference factor and has a positive and significant effect on customer loyalty.

### **Recommendations**

- 1. Merry's Lampung cookies need to be more creative and innovate, such as creating more attractive cake shapes and unique packaging in order to increase customer satisfaction.
- 2. In the modern era, Merry's Lampung cookies must make it easier for customer, such as a digital (non-cash) payment system.
- 3. Conduct online sales to make it easier for customer to buy Merry's Lampung pastries without having to come directly to the store.

4. Merry's Lampung cookies need to improve facilities to increase customer satisfaction who come directly to the store and continuously update products to gain customer loyalty.

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