

The effect of service quality and customer satisfaction toward customer loyalty in service industry

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ABSTRACT

The purpose of this study is to determine the impact of service quality and customer satisfaction on customer loyalty of the laundry service industry in Indonesia. The research methods used were quantitative, and analyzed using multiple linear regression methods. Data were obtained by distributing questionnaires to 100 respondents in Jakarta from February to March 2020. The selection of respondents used a purposive sampling technique, with the criteria of using laundry services in the past. Findings from this research revealed a significant positive effect of service quality toward customer satisfaction; and both service quality and customer satisfaction also have significant and positive effects towards customer loyalty in laundry services in Indonesia. From this research, it is expected that the entrepreneur in the laundry service industry would better understand the importance of service quality, customer satisfaction and its correlation to customer loyalty in order to improve firm sales performance.

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1. Introduction

In this era, modern society with a fast-paced lifestyle and high mobility, makes people not have much time to do simple routines such as washing clothes. This lifestyle attitude is a character of generation z and millennial (IDN, 2020). This lifestyle change makes people choose a fast and simple solution by using laundry services to wash their daily clothes, making this laundry service an ideal new business opportunity. The laundry service industry has low entry barriers, resulting in tight and massive laundry business competition. Therefore, to stay in business, companies must provide the best experience for their services through quality service, and customer satisfaction to earn customer loyalty to be able to increase and maintain sales and business growth (Purba et al., 2016). Moreover, research on the impact of service quality and customer satisfaction on customer loyalty has been widely studied in many industries such as culinary industry (Rashid et al., 2015) and telecommunications industry (Akbar & Parvez, 2009) but, research in the laundry service industry is still very limited. Hence, further research is needed in order to analyze the impact and relationship between service quality, customer satisfaction and customer loyalty in the laundry service industry.

2. Literature review

2.1 Service quality

In conducting business in the service industry, it is very important to study the concept and to understand the results of service quality (Rauch et al., 2015). According to (Parasuraman et al., 1988), there are 5 (five) dimensions of service quality, namely: tangibles, reliability, responsiveness, assurance, and empathy. Today, many service companies recognize the

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importance of quality of service, which will result in customer satisfaction and loyalty. Good service quality will have an impact on customer satisfaction, which will ultimately have a positive impact on brand value and better financial performance (Lam et al., 2011). The correlation between service quality and customer satisfaction is still being debated (Saad Andaleeb & Conway, 2006). Some previous research found that service quality does not have impact correlation with customer satisfaction (Kristanto, 2018; Parasuraman et al., 1985). In contrast, other results in previous research found that variable service quality has a positive correlation with customer satisfaction (Liang & Zhang, 2009; Sureshchandar et al., 2002). Moreover, providing good service quality on a continuous basis will also generate high customer loyalty to the company (Chomvilailuk & Butcher, 2014). This is in line with the research conducted by (Davis-Sramek et al., 2009), who found that service quality has a significant positive effect on customer loyalty. On the other hand, research conducted by (Lee & Kao, 2015) found that service quality has a positive but not significant effect on customer loyalty. Hence, from the results of the description above, we propose the following hypothesis:

H₁: *Service quality has a significant and positive effect toward customer satisfaction in laundry services in Indonesia.*

H₂: *Service quality has a significant and positive effect toward customer loyalty in laundry services in laundry services in Indonesia.*

2.2 Customer satisfaction

Customer satisfaction is a very important factor to build customer loyalty. This is supported by several past research, such as: (Wirtz et al., 2012); Griffin (1995); Hill & Alexander (2006); Oliver (1997); and Vandermerwe (1996). On the other hand, there are also a number of contradictory studies showing that high loyalty is not always influenced by customer satisfaction (Oliver, 1999; Seiders et al., 2005). Therefore, additional verification should be performed to determine whether or not there is a correlation between quality of service and customer loyalty in the laundry services industry. Thus, hypothesis 3 is stated as follow,

H₃: *Customer satisfaction has a significant and positive effect toward customer loyalty in laundry services in Indonesia.*

The research model is shown in Fig. 1.

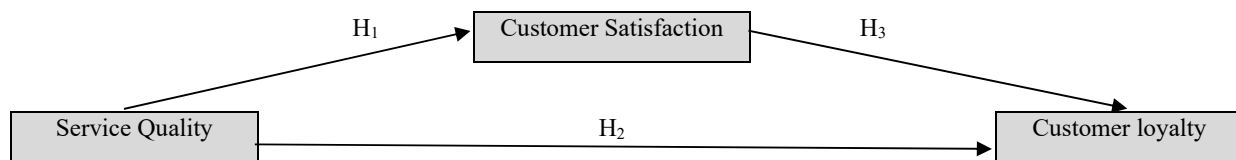


Fig. 1. Research Model

3. Methodology

The research method used in this research is quantitative analysis. The research process begins with the preparation of a questionnaire based on previous research conducted by Irawan et al. (2018) with 19 questions, measured on a 5-point Likert scale ranging from strongly disagree (score 1) to strongly agree (score 5). In addition, the chosen regions in this study is Jakarta, because it has a large population of z generation with 3.18 million people and millennial generation with 3 million people (BPS, 2017). The questionnaires distributed via online by Google Form, and the selection of respondents used a purposive sampling technique, with the criteria of having used laundry services in the past. Data obtained by distributing questionnaires to 100 respondents in February - March 2020. Finally, the data results were processed using Regression Multiple Linear method and analyzed using Statistical Package for the Social Sciences program (SPSS) version 20.

4. Results and discussion

We first present details of the personal characteristics of the participants in this survey which are given in Fig. 2 as follows,



Fig. 2. Personal characteristics of the participants

According to Fig. 2, it can be seen that respondents in this study were dominated by women with a percentage of 65% of the total sample. Also, the figure shows the frequency of respondents using laundry services in a month, with the highest value 1-2 times a month (38%), followed by 3-5 times a month (28%), <1 time a month (25%), and > 6 times a month (6%).

Validity tests were conducted to determine whether the questionnaires were valid and reliable. The process counting system by correlating each question and score, with the Pearson Correlation technique. The basis for decision making in this validity test are: if the R value > R table, then the statement is valid, whereas if R value < R table, then the statement is invalid. For the basis decision making in the reliability test are: if Cronbach's alpha value > 0.60 is considered reliable, if Cronbach's alpha < 0.60 it is considered unreliable. The following is attached with the results given in Table 1.

Table 1
Validity Test

Variable	Item	R value	R table	Test Results
Service Quality	SQ1	0.407	0.196	Valid
	SQ2	0.523	0.196	Valid
	SQ3	0.558	0.196	Valid
	SQ4	0.492	0.196	Valid
	SQ5	0.628	0.196	Valid
	SQ6	0.675	0.196	Valid
	SQ7	0.550	0.196	Valid
	SQ8	0.432	0.196	Valid
	SQ9	0.410	0.196	Valid
	SQ10	0.617	0.196	Valid
Customer Satisfaction	CS1	0.752	0.196	Valid
	CS2	0.717	0.196	Valid
	CS3	0.710	0.196	Valid
	CS4	0.686	0.196	Valid
	CS5	0.730	0.196	Valid
Customer Loyalty	CL1	0.727	0.196	Valid
	CL2	0.672	0.196	Valid
	CL3	0.710	0.196	Valid
	CL4	0.794	0.196	Valid

Table 2
The summary of the reliability test

Variable	Cronbach's Alpha	Cut Off	Description
Service Quality	0.710	0.60	Reliable
Customer Satisfaction	0.766	0.60	Reliable
Customer Loyalty	0.677	0.60	Reliable

Based on the Table 1 and Table 2, it can be concluded that all questions on the questionnaires are valid and reliable. The coefficient of determination can be interpreted as the effect on the dependent variable, given by the independent variable. The results are given in Table 3 as follows,

Table 3
The results of R-Square

Coefficient of Determination	R-Squares
Service quality → customer satisfaction	0.438
Service quality and customer satisfaction → customer loyalty	0.235

Table 5 shows that the value of R-Squares of service quality toward customer satisfaction is 0.438 or 43.8% and the rest of 56.2% is explained by the other variables. The result of R-Squares of service quality and customer satisfaction toward customer loyalty is 0.235 or 23.5% and the rest of 76.5% from other variables which are not explained in this research. In this study, hypothesis testing uses two-tailed T-statistical calculations with a significance of 95%, from the result of T-statistic value. The basis of decision making is if significance < 0.05 then the statement is significant, and whereas if the significance > 0.05 then the statement is insignificant. Table 4 presents details of the results of testing the hypotheses.

Table 4
The results of testing of different hypotheses

Hypothesis Test	T Value	Sig 95%	Sig	Description
Service Quality → Customer Satisfaction	8.746	1.984	0.000	Positive, Significant
Service Quality → Customer Loyalty	2.143	1.984	0.035	Positive, Significant
Customer Satisfaction → Customer Loyalty	2.343	1.984	0.021	Positive, Significant

Table 6 shows that the results of service quality on customer satisfaction found that the t-value of 8.746 with a significance level of 0.000, and the significance level less than 0.05. This indicates that the service quality has a positive and significant effect on customer satisfaction in laundry services in Indonesia, and it shows that the hypothesis is supported. The results of service quality on customer loyalty shows that the t-value of 2.143 with a significance level of 0.035, less than 0.05. So, the service quality has a positive and significant effect on customer loyalty in laundry services in Indonesia. Based on calculation results, the customer satisfaction with t-value of 2.343 and significance level of 0.021, which indicates the customer satisfaction has a positive and significant effect on customer loyalty in laundry services in Indonesia.

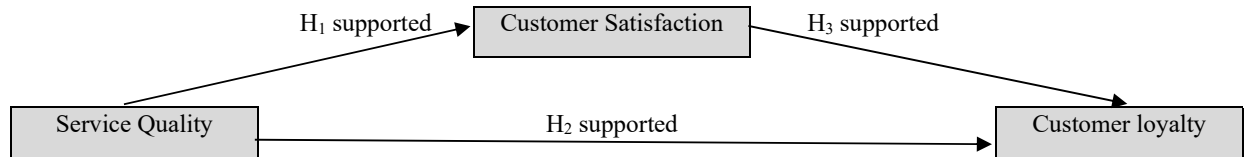


Fig. 2. The results of testing the hypotheses

5. Discussion

H₁: *Service quality has significant and positive effects toward customer satisfaction in laundry services in Indonesia.*

From the results of the study, we have found that the service quality had a significant and positive effect on customer satisfaction in laundry services in Indonesia, and this result is consistent with the results of the previous research from (Irawan et al., 2018; Rusmawati & Marlindawaty, 2018) which says that service quality has a significant and positive effect on customer satisfaction. Furthermore, the higher the service quality, the level of customer satisfaction is also increasing.

H₂: *Service quality has significant and positive effects toward customer loyalty in laundry services in Indonesia.*

Based on the results of the study, the service quality has significant and positive effect on customer loyalty in laundry services in Indonesia, and being conformity with the previous research from (Lee & Kao, 2015; Nurcahyo & Nurtjahjani, 2018) the service quality has a significant and positive effect on customer loyalty. Additionally, the service quality is very important in the services industry, in order to obtain customer loyalty.

H₃: *Customer satisfaction has significant and positive effects toward customer loyalty in laundry services in Indonesia.*

Based on the results of the study, we have found that the variable of customer satisfaction has a significant and positive effect on customer loyalty in laundry services in Indonesia. The test result is in line with the results of the previous research from (Harumi, 2016; Leninkumar, 2017) which says that customer satisfaction has a significant and positive effect on customer loyalty. Furthermore, providing good customer satisfaction will make an impact on customer loyalty growth.

6. Conclusion

Hence, the conclusion of this research are summarized as follows,

1. From the results of this study, service quality has a significant and positive effect on customer satisfaction in laundry services. Moreover, a better service quality gives added value to customer satisfaction in Indonesia.
2. From the results of this study, customer satisfaction has a significant and positive effect on customer loyalty in laundry services. Moreover, a better customer satisfaction gives added value to customer loyalty in Indonesia.
3. From the results of this study, service quality has a significant and positive effect on customer loyalty in laundry services. Moreover, improving service quality increases the value of customer loyalty growth in Indonesia.

This research is expected to be useful and beneficial for laundry practitioners or those who want to enter the laundry industry, so they can get more information about the laundry industry. However, this study suffers from limited resources, the research only focuses on the effect of service quality and customer satisfaction on customer loyalty in the laundry service industry. With the limited variables in this study there are still many factors that have an effect on customer loyalty such as laundry location, price offer, and promotion. Meanwhile, the number of samples in this study which is only 100 samples makes the answers limited by respondents, it would be better if you get more samples so that you get wider and more diverse results.

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