

AN ANALYSIS OF SERVICE PERFORMANCE INFLUENCE TOWARDS CUSTOMER SATISFACTION IN SHAPING CUSTOMER LOYALTY (CASE STUDY AT X RESTORANT)

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ABSTRACT

Researches on service performance influence towards customer satisfaction and loyalty has grown fast. The focus of the researches is mainly on the type of relationship and the magnitude. The outcome differences among researches triggers a hypothetical question whether a certain model is only applicable on a certain business set. This research intends to analyse the influence of service performance towards customer satisfaction in shaping their loyalty on a particular business restaurant. It is conducted through a case study at X restaurant and SERVPEF is chosen as performance measurement model. Service performance, customer satisfaction and loyalty are connected through structural equation modelling and solved using WarpPLS 3.0. The result shows that service performances positively influence customer satisfaction, while customer satisfactions positively influence customer loyalty.

Keywords: Service Performance, Customer Satisfaction, Customer Loyalty

1. INTRODUCTION

Food industry as part of service industry is considered as a business that will not be affected by economic fluctuation. The growth of this business is still promising. According to Badan Pusat Statistik Indonesia (BPS), on the second quarter of 2012, restaurant business has contributed approximately 1.6% to Indonesian economic growth.

Rachmawati (2010), stated that people experiences lifestyle exchange in considering food consumption at restaurant as part of recreation. Therefore it is not enough for a restaurant to only serve a highly delicious food, but they also have to invent a recreational environment from the moment the customer walk in through their door to the time they walk out. Many restaurants created such recreational environment through the hospitality of their waiters, pleasant place, etc. To be able to formulate the best strategy, restaurant need to understand what customer perceived as high quality services, how it would impact their satisfaction and finally shape their loyalty.

There are many researches that have been done to analyse the relationship among service performance, customer satisfaction and customer loyalty. The focus of the researches is mainly on the type of relationship and the magnitude. Few of the researches are discussed here.

Dharmayanti (2006) conducted research on bank services to analyse the relationship of bank service performance, customer satisfaction and customer loyalty. It modelled customer satisfaction as moderating variable. The result shows that service performance has a direct influence towards customer loyalty and customer satisfaction does act as moderating variable between service performance and customer loyalty.

Aryani and Rosinta (2010) presented different outcome compared to Dharmayanti. They conducted research on fast food restaurant services, and conclude that service performance has a strong positive influence towards customer satisfaction but they found no relationship among service performance with customer loyalty.

Panjaitan and Anggia (2012) conducted another research at another restaurant and conclude that service performance has a

positive influence towards customer satisfaction, whereas customer satisfaction has a positive influence towards customer loyalty. They also conclude that service performance does impact customer loyalty but in the form of indirect relationship through customer satisfaction, on other words customer satisfaction act as an intervening variable service performance and customer loyalty.

This research is aimed to analyse whether the relationship model between service performance, customer satisfaction and customer loyalty proposed by Panjaitan and Anggia is applicable on other type of restaurant. Through a case study at X restaurant located in Bandung, the relationship among the three variables is once again analysed along with the prediction of their relationship magnitude.

2. THEORETICAL BACKGROUND

2.1. Service Performance

Service performance can be defined as the competitiveness of a product or services as a whole (Parasuraman, et.al, 1998).

Cronin and Taylor (1994), argue that to be objective, measurement of service performance have to involve customer who consume the services. Service performance is determined through the quality perceived by customer while service consumption takes place.

There are several methods available for measuring service performance. Two of the most well-known are SERVQUAL and SERPERF.

SERVQUAL measures service performance through comparing customer expectation with their perceived service quality. Many have argued that SERVQUAL gives dual meaning to the performance being measured. Customer expectation refers to the expectation towards general service providers whereas perceived quality is aiming for specific provider. Comparing them will give a doubtful meaning (Teas, 1993).

SERPERF, introduced by Cronin and Taylor in 1994 is claimed to give more accurate measurement for service performance. The performance of a particular service is defined by what the customer perceived as it is (Teas, 1993).

2.2. Customer Satisfaction

Kotler (2002), stated that customer satisfaction is the feeling of satisfied or dissatisfied experienced by customer that comes right after they consume a particular services.

Oliver on Barnes (2003) stated that customer satisfaction resembles their reaction for the fulfilment of their needs, while Tse and Wilson (on Nasution, 2004) defined customer satisfaction as customer response towards the result of their evaluation experience on the services performance they have perceived.

2.3. Customer Loyalty

Customer loyalty is a deeply held commitment to rebuy or re-patronize a preferred product or service consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behaviour (Oliver, 1996).

2.4. Research on Service Performance, Customer Satisfaction and Customer Loyalty

Customer loyalty has received much attention as business shifted their orientation to the contemporary approach. They are focusing more on customer retention and zero defections compared to customer satisfaction (Bhote, 1996). As this shift happens, business then search for what creates a loyal customer. Bhote (1996), stated that loyalty is formed after customer experienced a satisfying services, not just an average satisfaction but a high level of satisfaction.

Both customer satisfaction and loyalty are uncontrollable factors for the service provider. They could only control the way they deliver services, the quality and the performance of their services. Service provider should always strive to offer high quality services as evident on their service performance (Parasuraman, et al, 1985).

Many researches have been done to analyse the relationship of service performance, customer satisfaction and customer loyalty. They mainly focus on the type and the magnitude of the relationship.

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of bank service performance, customer satisfaction and customer loyalty. It modelled customer satisfaction as moderating variable. The result shows that service performance has a direct influence towards customer loyalty and customer satisfaction does act as moderating variable.

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The differences among the outcomes of previous researches trigger a hypothesis whether the relationship among the three variables vary on different sets of business. Research on this topic is still widely open.

3. RESEARCH METHOD

3.1. Research Approach

This research is designed as confirmatory research and uses correlational analysis approach. Structural Equation Modelling (SEM) is used as tools to examine the relationship among variables being concerned. SEM is known for its powerful ability to analyse a series of dependent relationship simultaneously.

3.2. Research Model and Hypothesis

The relationships among the three variables being concerned on this research are depicted on figure 1. This model is build based on previous research explained earlier by Dharmayanti (2006), Aryani and Rosinta (2010) and Panjaitan and Anggia (2012).



Figure 1. Research Model

Research hypothesis are:

H₁: Service performance does influence customer satisfaction.

H₂: Customer satisfaction does influence customer loyalty.

On SEM terminology, this model is known as structural model (Hair, 2005).

3.3. Research Indicator

Service performance, customer satisfaction and loyalty are all latent variables. To measure them indicators are used. On SEM terminology, the relationship between latent variables and indicators is defined on measurement model (Hair, 2005).

Service performance is measured by five indicators; reliability (REL), responsiveness (RES), assurance (ASS), empathy (EMP), and tangible (TAN). These indicators are proposed by Parasuraman, et.al, (1998).

Customer satisfaction is measured by three indicators; the feeling of delighted (DEL), proposed by Garbarino and Johnson, (2001), the act of sharing positive information (POSI), proposed by Anderson and Narus, (1990), and no complain (NCOM), proposed by Garvin on Tjiptono, (2001).

Last, customer loyalty is measured by three indicators; the act of giving recommendation (RECC), rebuy (REB) and having the service provider as first choice (FCHO). These indicators are proposed by Widjajanti and Ernawati, (2012).

Visual representation of the measurement models and structural model using common SEM notation is given on figure 2.

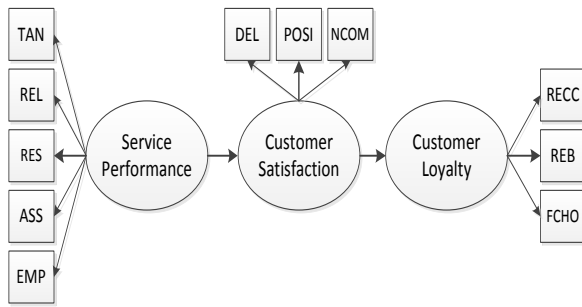


Figure 2. Measurement and Structural Model

3.4. Research Instrument

The main instrument of this research is questionnaire. Thirty five statements are designed based on the indicators used for measuring service performance, customer satisfaction and customer loyalty.

Respondents were asked to choose one of the four likert scales provided. Scale of one resembles total disagreement and scale of four resembles total agreement to each of the thirty five statements written on the questionnaire.

4. RESULT AND DISCUSSION

4.1. Descriptive Statistics

Samples are selected randomly from the population of X restaurant’s customers who at least has visited the restaurant twice in the last year. Total of the samples are 160. Table 1 resumes customer’s average responses.

Table 1. Customer’s Average Responses

No.	Variables	Average
1	Service Performance	3.044
2	Customer Satisfaction	3.160
3	Customer Loyalty	3.121

On average customer agree that X restaurant has given a good service performance, they are (on average) satisfied and loyal.

4.3. Measurement Model Analysis

It is important to have a valid and reliable measurement model. Model validity tells us whether each indicators used are in fact measured what we meant to measure, whereas reliability tells us whether the set of indicators we used is internally consistent on measuring the same thing, in this case the latent variable (Hair, 2005).

Rule of thumb on testing model validity is based on loadings factor value that should be above 0.50, indicator weight that is significant for p value below 0.05 and VIF below 10, whereas reliability of a model is determined by looking at the value of composite reliability (CR) and cronbach’s alpha that should be above 0.70.

Table 2 and 3 shows validity and reliability test result for our measurement models. It is shown that loading factors value for all indicators used are above 0.50 and VIF below 10, the table also shows that the value of composite reliability and cronbach’s alpha are above 0.7 therefore the measurement model is valid and reliable.

Table 2. Measurement Model Validity Test Result

Indicators	Latent Variable	Loading	Indicators Weight	P-Value	VIF	Validity Conclusion
Reliability	Service Performance (SP)	0.898	0.225	<0.001	3.443	Valid
Responsiveness		0.893	0.223	<0.001	3.345	Valid
Assurance		0.890	0.223	<0.001	3.245	Valid
Empathy		0.924	0.231	<0.001	4.507	Valid
Tangible		0.865	0.216	<0.001	2.708	Valid
Delighted	Customer Satisfaction (CS)	0.760	0.441	<0.001	1.252	Valid
Share Positive Info		0.795	0.461	<0.001	1.305	Valid
No Complain		0.716	0.416	<0.001	1.189	Valid
Recommend	Customer Loyalty (CL)	0.724	0.391	<0.001	1.286	Valid
Re-Purchase		0.864	0.466	<0.001	1.627	Valid
First Choice		0.763	0.412	<0.001	1.374	Valid

Table 3. Reliability Test Result

Latent Variable	R-squared Coefficients	Composite Reliability Coefficients	Cronbach's Alpha Coefficients	Reliability Conclusion
SP		0.952	0.937	Reliable
CS	0.587	0.802	0.629	Reliable
CL	0.397	0.828	0.687	Reliable

Table 4. Hypothesis Test Result

Hypotesis	Path	Beta	P -Value	Hypothesis Conclusion
H ₁	SP → CS	0.77	<0.001	H ₁ Accepted
H ₂	CS → CL	0.63	<0.001	H ₂ Accepted

4.4. Structural Model Analysis

The fitness of the proposed model is measured. Model is said to be fit if its average path coefficient (APC) and average R-Squared (ARS) is significant at p-value below 0.05 and its average variance inflation factor (AVIF) below 5.000. The APC of our model is 0.698, and the ARS is 0.492 both significant at p-value below 0.001. The AVIF is 1.000, therefore model is considered to be fit.

The last part of analysis is meant to evaluate the significance of correlational coefficient between latent variables, in this case service performance, customer satisfaction and customer loyalty. Rules to determine whether relationship between variables significant or not is on beta and p value (<0.001). The results are shown on table 4. Hypothesis 1 and 2 are both accepted under p-value below 0.001.

5. CONCLUSIONS

Several conclusions reached through this research are listed below:

1. Service performance does influence customer satisfaction. Higher service performance will increase customer satisfaction.
2. Customer satisfaction does influence customer loyalty. Higher customer satisfaction will increase customer loyalty.
3. Relationship of service performance, customer satisfaction and loyalty proposed by Panjaitan and Anggia

(2012) is reconfirmed to be applicable on restaurant business.

4. The magnitude of relationship between service performance and customer satisfaction is 0.77 (significant at p-value below 0.001) and the magnitude of relationship of customer satisfaction and customer loyalty is 0.63 (significant at p-value below 0.001).

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