

# The Influence of Product Quality, Service Quality and Price on Customer Satisfaction and Loyalty

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## ARTICLE INFO

**Keywords:**  
product quality,  
service quality,  
price,  
satisfaction,  
loyalty.

**Kata Kunci:**  
Kualitas Produk,  
Kualitas layanan,  
harga,  
kepuasan,  
loyalitas

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## ABSTRACT

*Loyal customers tend to repurchase and positive word of mouth to their colleagues. They are also not sensitive to price changes, but are willing to submit ideas or suggestions to improve the quality of the company's products and services. Therefore, this study aims to examine the impact of antecedent variables (product quality policy, service quality, and price) on customer satisfaction and loyalty.*

*The study population was Bu Zuni's fried chicken customers, a roadside restaurant with local chicken specialists. Data was collected using a questionnaire and distributed to 96 respondents by convenience sampling. All calculations and tests use the SPSS program.*

*The results of the analysis prove that all antecedent variables can influence loyalty variables, both directly and through satisfaction variables. Service quality has the biggest positive influence on customer satisfaction, while product quality contributes highest to loyalty. These results are also supported by descriptive calculations.*

## SARI PATI

Pelanggan yang loyal cenderung untuk melakukan pembelian ulang dan word of mouth yang positif kepada rekan kerjanya. Mereka juga tidak sensitif terhadap perubahan harga, tetapi bersedia menyampaikan ide atau saran untuk meningkatkan kualitas produk dan layanan perusahaan. Karena itu, penelitian ini bertujuan untuk menguji dampak kebijakan variabel anteseden (kualitas produk, kualitas layanan, dan harga) terhadap kepuasan dan loyalitas pelanggan.

Populasi penelitian ini adalah pelanggan Ayam Goreng Bu Zuni, sebuah restoran pinggir jalan yang berspesialisasi dalam ayam yang kampung. Data dikumpulkan dengan menggunakan kuesioner dan dibagikan kepada 96 responden secara convenience sampling. Semua perhitungan dan pengujian dilakukan dengan bantuan program pengolahan data SPSS.

Hasil analisis membuktikan bahwa semua variabel anteseden mampu mempengaruhi variabel loyalitas, baik secara langsung maupun melalui variabel kepuasan. Kualitas layanan memiliki pengaruh positif terbesar terhadap kepuasan pelanggan, sementara kualitas produk berkontribusi tertinggi terhadap loyalitas. Hasil tersebut juga didukung oleh perhitungan deskriptif.

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## INTRODUCTION

The business world in Indonesia notes that business ventures that are able to withstand the economic crisis that occur several times are MSME-scale businesses (micro, small and medium enterprises). They are engaged in various business fields, from manufacturing, food processing, culinary, handicraft, and services industries. However, the success of surviving the economic crisis has not yet been followed by the quantity of entrepreneurs that exist. Herdiman (2014) noted the ratio of the number of entrepreneurs compared to the total population of Indonesia was only 0.18%, still far behind the United States (2.14%) or Singapore (7.2%).

With a ratio that is still low, it does not mean that Indonesian entrepreneurs can run their business without regard to a qualified business strategy. Because in fact they not only have to compete with fellow Indonesian entrepreneurs, but also compete with similar products from other countries in fighting for the domestic market. One measure of the success of competitive strategies that can be used by entrepreneurs is their ability to increase market satisfaction and loyalty. Even the size of customer loyalty is considered more important than the effort to obtain new customers. Kotler and Keller (2016) state that the costs a company

must incur to retain customers or loyalty are generally lower than the costs of acquiring new buyers. In this context the magnitude of buyer loyalty is measured by the possibility and actuality of repeat purchases of the same company's brand or product.

According to Bei and Chiao (2001; 2006) loyalty can be formed because there is product user satisfaction, product quality, service quality, and reasonable price of a product. Meanwhile, the level of user satisfaction besides being able to determine the likelihood of loyalty, is also determined by product quality variables (Jahanshahi et al., 2011; Amanah, 2010), service quality (Sharma, 2012; Hassan et al, 2013), and reasonable prices from products (Martín-Consuegra et al, 2007; Etemat-Sajadi and Rizzuto, 2013).

The importance of building loyalty through the aforementioned factors is also important in the colliner business, such as Bu Zuni's fried chicken. Fried chicken Bu Zuni, local chicken specialists, was founded in 1990, located on Jalan P. Senopati, Magelang. Around the city of Magelang, Bu Zuni fried chicken is already well-known among the public. To still exist in the face of competing fried chicken Bu Zuni has tried to set a strategy that suits the needs and desires of the market.

This research tries to investigate the possible strategies that have been carried out by Bu Zuni's fried chicken. Among them are attention to product quality, service quality, and affordable pricing. These variables may influence positively on market loyalty and satisfaction. The results of the study will be useful in providing scientific contributions and strengthening existing models of variables. In addition, it will also be useful as a basis for decision making for Bu Zuni's fried chicken management and similar businesses, including in the context of developing MSMEs in Indonesia.

#### **LITERATURE REVIEW**

To deepen our understanding about the variables used in this study, literature review of the following items was performed.

##### **Loyalty**

Loyalty is defined as a solid commitment to repurchase a preferred product or service in the future on a consistent basis despite influences of situations and marketing efforts that can potentially lead to a switch to another product (Samani et al., 2011), which is similar to the definition laid out previously by Bei & Chiao (2001; 2006). Bei and Chiao defined loyalty as the unconditional faithfulness to a product or service resulting from self awareness that repeatedly shows consumptive tendency towards certain brands despite influences of situations and marketing efforts by competitors to potentially change that particular behavior. As a consequence of an appearing interest and attitude of customers, loyalty can maintain customers' willingness to repurchase despite a raise in price (Albari & Dewi, 2011; Albari, 2009). Therefore, loyalty plays an important role in a company.

Based on the above definitions, customers loyalty has a significant role in enhancing the financial performance and sustainability of a

business due to its unwavering customers not easily persuaded by prices from competitors. Furthermore, they tend to make more purchases than the less loyal customers (Al-Rousan & Mohammad, 2010).

The two aspects that become main considerations of a company in maintaining customer loyalty are: first, the increasing costs for acquiring new customers in a highly competitive climate, and second, the fact that the profitability of a company is in proportion to the growth of permanently established relationships between the company and its customers.

Moreover, customer loyalty also reduces the impact of attacks by competitors alike, not only in terms of competition of product but also perception. Loyal customers can encourage business growth because they normally give ideas or inputs to the company to increase product quality, and they eventually would relatively not mind the paid costs due to the trust they have towards the product and quality of the company.

In addition to contribution to repurchases, customer loyalty can also be utilized as a communication tool among customers as they share about product, brand or company characteristics to other people or closest peers through word of mouth marketing. This is also in line with Al-Rousan & Mohammad (2010), which argues that customer loyalty takes place when customers repurchase and are willing to recommend the product to other consumers without directly receiving any form of benefit. The word of mouth marketing among customers can lead to promotional cost or marketing communications efficiency of the company, and furthermore optimized resource allocation for other marketing efforts.

##### **Satisfaction**

According to Kotler & Keller (2016), customer

satisfaction is the degree of a person's emotions after comparing the performance or results he felt with his expectations. While according to Sofyan et al. (2013), customer satisfaction is an evaluation of a complete purchase where the chosen alternative gives the same results or exceeds buyer's expectations. A dissatisfaction occurs if the results gained fail to meet customer expectations. Customer satisfaction also relates to the size and direction of a confirmation or disconfirmation between post-purchase and post-usage, or a performance evaluation of the product or service and customer's assessment before purchase (Kinasih & Albari, 2012).

Helgesen & Nettet (2007) regards satisfaction as a summary of psychological conditions or subjective values built upon customer experience compared to customer expectations. It is also argued that satisfaction is an assessment of the product's or service's features, whether the product or service itself manages to fulfill a pleasure level through consumption.

Etemat-Sajadi & Rizzuto (2013), Sharma (2012) and Jahanshahi et al. (2011) manages to prove that consumer satisfaction has a positive effect on their loyalty. Their research findings substantiate the empirical conclusions of Etemat-Sajadi & Rizzuto (2013), Sharma (2012), and Jahanshahi et al (2011). Therefore, this study proposes the following hypothesis.

**H1:** Satisfaction has a positive effect on loyalty.

### **Product Quality**

Product quality is the ability of a product to carry out certain functions, which can comprise durability, reliability, resulting accuracy, ease of use and repair, and other valuable attributes of the product holistically (Amanah, 2010). In order for marketing of a product to work, consumers need feel the compatibility with product quality and they tend to purchase a product matching what they want or needs.

In other words, product manufacturing or design should be oriented towards what the market wants or customer preferences, such as products of high quality. Consumers will be satisfied if the product they use is of high quality (Bei & Chiao, 2001; 2006).

Cronin et al. (2000) argues that service quality of a product should be included in the research on satisfaction model of the future. Meanwhile, Jahanshahi et al. (2011), Amanah (2010) and Brucks et al. (2000) proves that the quality of a product felt by consumers is a factor that influences customer satisfaction. Etemat-Sajadi & Rizzuto (2013) argues that product quality has a positive effect on customer satisfaction. Based on the above opinions and research findings, this study proposes the following hypothesis.

**H2:**Product quality has a positive effect on satisfaction.

Some researchers also argues that not only product quality does influence satisfaction level but also customer loyalty, as proven by Bei & Chiao (2001; 2006). Jahanshahi et al. (2001) also indicates that the majority of loyal customers are those who use high quality products. This implies that higher product quality tends to lead to strengthen customer loyalty. Therefore, this study proposes the following hypothesis. Therefore the hypothesis in this study is:

**H3:**Product quality has a positive effect on loyalty.

### **Service Quality**

Hassan et al. (2013) defines service quality as an assessment or attitude towards the superiority of a service or in general. As time progresses, service quality can be assessed by looking at the correspondence between expectations and perceptions towards the service performance received by customers,

or the service performance provided by the company, judging by the direct assessment given by the customers. (Albari, 2009).

According to Ryu & Han (2010), service quality that is felt by and customer satisfaction can be studied using both the following perspectives: transaction-specific and global. It is argued in that study that customers could evaluate (satisfied/not satisfied) after the researchers had examined the object or service. More specifically, the researchers stated that customers can rate service quality by comparing their experiences and expectations with the service that they received to determine whether they are satisfied or not satisfied.

Some researchers managed to prove the positive influence service quality has on customer satisfaction, which can be seen in Etemat-Sajadi & Rizzuto (2013), Sharma (2012), Jahanshahi et al (2011), Helgesen & Nettet (2007), and Bei & Chiao (2001; 2006). Moreover, Hassan et al. (2013) states that in order to survive and remain competitive, every business must develop its service quality that will eventually result in customer satisfaction and loyalty. It is also argued that higher service quality serves as an effective means for increasing customer satisfaction and loyalty. Thus, this study proposes that following hypothesis.

**H4:** Service quality has a positive effect on satisfaction.

In addition to Hassan et al. (2013) arguing as well as proving that service quality is capable to affect satisfaction and loyalty positively, Sharma (2012) also manages to prove the correlation among the three variables. Sofyan et al. (2013) also specifically manages to prove the positive influence that service quality has on customer loyalty. These researchers confirmed what has been previously stated by

Bei and Chiao (2001; 2006).

Based on the above empirical findings, this study proposes the following hypothesis.

**H5:** Service quality has a positive effect on loyalty.

#### **Price**

According to Martin-Consuegra et al. (2007), price is something that has to be sacrificed to match certain types of product or service with consumer cognitive conception. Price perception majorly influences the consumer rationality in paying for a product or service (Albari & Safitri, 2018). In general, one would perceive lower prices as lower product and service quality, and the other way around. In other words, price serves as an indicator of quality level, and it is considered equal when on par with quality that comes with it. Thus, some researchers associate reasonable pricing, product quality and service quality with customer satisfaction and loyalty.

Hassan et al. (2013), Amanah (2010), and Marti ´n-Consuegra et al. (2007) manage to prove that reasonable pricing has a positive effect on customer satisfaction. That study is substantiated by Etemat-Sajadi & Rizzuto (2013) arguing that pricing policy of a product would positively influence consumer satisfaction. Based on these empirical findings, this study proposes the following hypothesis.

**H6:** Standard pricing has a positive effect on satisfaction.

Furthermore, Hassan et al. (2013) and Marti ´n-Consuegra et al. (2007) also prove that reasonable pricing has a direct and positive influence on customer loyalty. This empirical finding also substantiates the findings by Bei & Chiao (2001; 2006), which had previously proven that reasonable pricing has, both

directly and through satisfaction as a mediator variable, a positive effect on customer loyalty. Therefore, this study proposes the following hypothesis.

**H7:** Price has a positive effect on loyalty.

**Research Framework**

Based on the results of theoretical review and hypotheses explained above, the research framework of this study can be structured as seen in Diagram 1.

**METHODS**

The subject of this study is the buyers or customers of Bu Zuni’s Fried Chicken. The roadside diner was chosen as a study subject because it shows a significant growth as a culinary business and entrepreneurial endeavor. Samples were chosen by using the convenience sampling technique, which is when buyers or customers are through with their purchase at Bu Zuni’s Fried Chicken. Data collection was done by using questionnaire as an instrument distributed to 96 respondents. The questionnaire consists of five groups of variables used in this study. The statements about product quality in the questionnaire were modified from Josiam et al. (2014); the statements on service quality were modified from Etemad-Sajadi & Rizzuto

(2013); the statements about pricing were modified from Bei & Chiao (2001), as well as Han & Ryu (2009); the statements on customer satisfaction were modified from Han & Ryu (2009), Sharma (2012), aswell as Ryu et al. (2012); and lastly the statements about customer loyalty were modified from Han & Ryu (2009).

After passing data quality testing (validity and reliability testings), the data was analyzed using the descriptive analysis technique and regression model. The mean value of each indicator and variable of this study was used for the descriptive analysis so that of the descriptive superior tendency of an indicator value compared to other indicators and variables. While regression model was performed to determine the influence that a variable has on other variables, as well as to prove the proposed hypotheses. The regression model was tested using six types of testing (F-test, t-test, multicollinearity test, heteroscedasticity test, linearity test and normality test). All tests were performed with the help of SPSS data processing software.

**RESULTS AND DISCUSSION**

To meet the criteria of high quality data as the basis for analysis, validity and reliability tests were performed on the indicator variables

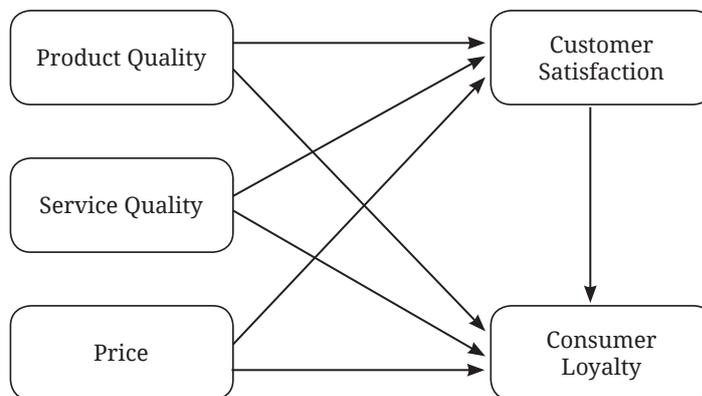


Diagram 1. Research Framework

being studied. The validity testing was performed using product moment correlation ( $r$ ). According to Ghazali (2012), an indicator is considered valid if the resulting  $r$  calculated is positive and greater than the  $r$  table. The reliability testing was performed using the Cronbach's Alpha method. According to Ghazali (2012), an indicator is considered reliable if its Cronbach's Alpha coefficient is greater than 0.60. The calculation results of the validity and reliability testing are shown in Table 1.

From Table 1, it is known that the  $r$  calculated values of all indicators in this study are greater than 0.168 (the critical value of  $r$ , at 5% significance level, one-sided), which shows that all indicators meet the validity criteria. The same goes for the reliability testing whose calculation shows a resulting Cronbach's Alpha coefficient greater than 0.60. Thus, the variables in this study meet the reliability criteria.

Based on the results in Table 1, it is shown that the average rating from the respondents is 3.14 (high quality product). In addition, the highest rating of 3.29 (very high quality product) was given to its aromatically appetizing product (menu), which means that the respondents regard Bu Zuni's Fried Chicken product as aromatically appetizing.

On service quality, the average rating from the respondents is 3.24 (high service quality). The highest rating of 3.34 (high service quality) was gained because customers feel that orders are served accurately and products are safe to consume, which means that the respondents believe that Bu Zuni's Fried Chicken will serve accurately according to the orders and provide safe high quality product for customers.

On price, the average rating is 3.15 (reasonable price). The highest score of 3.20 (reasonable price) was gained because the price is worth the taste, Which means that the respondents

perceive the product pricing of Bu Zuni's Fried Chicken is appropriate to its taste.

The average rating on satisfaction variable is 3.14 (high satisfaction). The highest rating of 3.17 was given to the service provided by the diner employees, which means that the respondents highly value the service provided to them at Bu Zuni's Fried Chicken.

The average rating on consumer loyalty is 3.19 (high loyalty). The highest rating of 3.26 (high loyalty) was given because the respondents would like to revisit to the diner in the future, which means that loyalty is present among customers.

The next phase is the regression analysis that is used to test the proposed hypotheses in this study. The testing procedure involves six approaches: the F-test, t-test, multicollinearity test, heteroscedasticity test, linearity test and normality test. The results of the regression model I are shown in Table 2.

The testing of sig-F in Table 2 shows that all the independent variables inputted into the model collectively have a certain influence on the dependent variables. The sig-F is 0.000, or below 0.05, so it can be said that the hypotheses are substantiated. Therefore, it can be concluded that product quality, service quality and price collectively have a positive effect on customer satisfaction towards Bu Zuni's Fried Chicken.

In the meantime, the testing of sig-t in Table 2 reveals that product quality has a sig-t value of 0.020, which is less than the critical testing value of 0.05. Thus, the second hypothesis (H2) is substantiated. This means that product quality has a positive effect on customer satisfaction towards Bu Zuni's Fried Chicken. Moreover, the sig-t of service quality is 0.001, which substantiates the fourth hypothesis

Table 1. Data Validity, Reliability, and Mean Calculation

Variable and Indicator	Val./Rel.	Mean
<b>Product Quality</b>		
	<b>0.804</b>	<b>3.14</b>
Appropriate serving portion	0.645	3.15
Aesthetic presentation	0.702	3.01
Appetizing aroma	0.818	3.29
Fresh	0.781	3.17
Consistent flavor	0.785	3.07
<b>Service Quality</b>		
	<b>0.922</b>	<b>3.18</b>
Accept all orders	0.736	3.34
Always on stand by employees	0.752	3.21
Short waiting time	0.675	3.18
Fair treatment	0.713	3.24
Convenient opening hours	0.703	3.08
Attentive employees	0.672	3.14
Hygienic Outlet	0.674	3.07
Neat employees	0.595	3.11
Sufficient seats	0.697	3.21
Immediately take in orders	0.712	3.19
Short queue	0.720	3.10
Helpful employees	0.708	3.19
Safe to consume the fried chicken	0.754	3.34
Competent employees	0.697	3.14
Trustworthy employees	0.587	3.10
<b>Price</b>		
	<b>0.923</b>	<b>3.15</b>
Affordable	0.907	3.10
Uniform pricing for all customers	0.868	3.14
Price worth the flavor	0.917	3.20
Appropriate or reasonable price	0.916	3.16
<b>Customer Satisfaction</b>		
	<b>0.808</b>	<b>3.14</b>
Satisfied with the diner in overall	0.825	3.16
Truly enjoyable experience	0.826	3.16
Pleasant mood in overall	0.791	3.09
Satisfied with the service provider in overall	0.852	3.13
Satisfied with the service given by employees in overall	0.809	3.17
<b>Loyalty</b>		
	<b>0.845</b>	<b>3.19</b>
Want to visit again in the future	0.865	3.26
Want to recommend this diner to peers or other people	0.862	3.30
Willing to spend more at this diner	0.813	3.02

(H4). This means that service quality has a positive effect on customer satisfaction towards Bu Zuni's Fried Chicken. Furthermore, the sig-t of price is 0.034 substantiating the sixth

hypothesis (H6), which means that reasonable pricing has a positive effect on customer satisfaction towards Bu Zuni's Fried Chicken.

As the two findings above produces significant hypotheses test results, the analysis carried on with the classic tests, and the results are shown in Table 3, 4 and 5, as well as Diagram 2.

Based on the results in Table 3, it is known that the variance inflation factors (VIF) for product quality, service quality and price are 1.074, 1.120 and 1.052, respectively. These values are all less than 10. Meanwhile, the tolerance values for product quality, service quality and price variables are 0.931, 0.892 and 0.950, respectively, which are all larger than 0.1. Because of that, it can be concluded that multicollinearity is not present in the regression model, and therefore is appropriate to be used in this study.

Based on Diagram 2, it can be seen that the residuals of the regression model are scattered, both below and above zero, and do not form a certain pattern. Thus, heteroscedasticity is not present in the regression model, or in other words homocedastic.

Based on the Kolmogorov Smirnov test results in Table 4, it is known that the probability value (sig) is 0.080, which is larger than the critical value 0.05. Thus, it is appropriate to conclude that the linear regression model has utilized normally distributed data.

Based the linearity test results in Table 5, the R-squared value is 0.002 with an observed sample  $N = 96$ . We could then calculate  $X^2$

Table 2. Multiple Linear Regression Model I Estimation Results

Independent Variable	Beta coef.	Sig-t	r partial	r <sup>2</sup> partial
Product Quality	0.219	0.020	0.239	0.057
Service Quality	0.323	0.001	0.335	0.113
Price	0.198	0.034	0.219	0.048
<i>Adjusted R Square</i>	0.240			
<i>Sig- F</i>	0.000			

Table 3. Multicollinearity Test Results of Model I

Variable	Tolerance	VIF	Conclusion
Product Quality	0,931	1,074	Not Multicollinear
Service Quality	0,892	1,120	Not Multicollinear
Price	0,950	1,052	Not Multicollinear

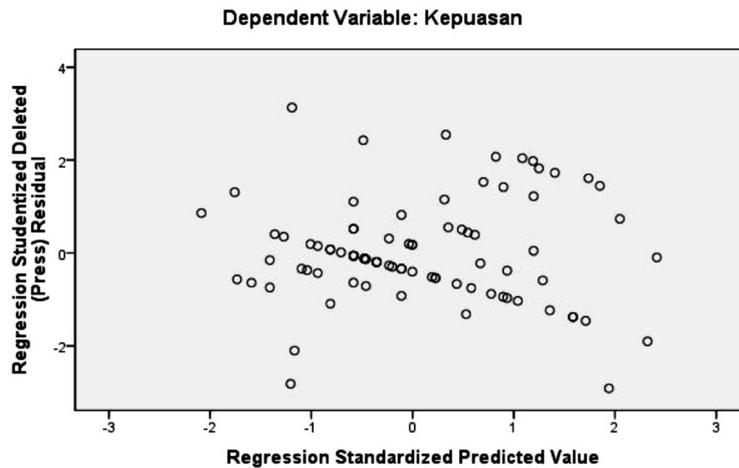


Diagram 2. Heteroscedasticity Test

Table 4. Normality Test for Regression Model I

Model	Probability	Description
Residual	0,080	Normal

Table 5. Lagrange Multiplier Test for Model I

R-Squared	N	X <sup>2</sup> calculated	DF	X <sup>2</sup> Table
0.002	96	0.192	92	115,39

calculated =  $96 \times 0,002 = 0,192$ . The chi square value was then compared with X<sup>2</sup> table of 115.39, as DF = 92. Thus, X<sup>2</sup> calculated < X<sup>2</sup> table, and it can be said that the independent variables of the regression model have a linear influence on the dependent variables.

Based on the classic assumption test results, it can be concluded that this regression model I does not have multicollinearity and heteroscedasticity, have normally distributed data and has its independent variables linearly influencing its dependent variables. Thus, the regression model can still be used to testing the hypotheses because it has passed the classic assumption test. In other words, the regression model is relevant to be used as a test model to

examine the positive influence that product quality, service quality and reasonable pricing have on customer satisfaction level.

Furthermore, the regression model II was put to a test to show the positive influence that product quality, service quality, reasonable pricing and satisfaction have on customer loyalty level. The regression model II can be seen in Table 6.

The sig-F testing was conducted to show that all independent variables inputted into the model collectively have an influence on the dependent variables. Based on Table 5, it is known that the sig-F value is 0.000, or below the significance level of 0.05. Therefore, the hypotheses in this

study are substantiated. It can be concluded that product quality, service quality, price and customer satisfactions variables collectively have a positive effect on customer loyalty towards Bu Zuni's Fried Chicken diner.

Based on the t-test and its results as seen in Table 6, it is known that product quality has a sig-t value of 0.001. Therefore, the third hypothesis (H3) is substantiated empirically, which means that product quality has a positive effect on customer loyalty towards Bu Zuni's Fried Chicken. As for service quality, the variable has a sig-t value of 0.037. Thus, the fifth hypothesis (H5) is substantiated, which means that service quality also has a positive effect on customer loyalty.

Table 6 also shows that the price variable has a sig-t value of 0.018. Thus, the seventh hypothesis (H7) can be proven significantly and it can be said that reasonable pricing has a positive effect on loyalty. The same goes for satisfaction with a sig-t value of 0.021 that substantiates the first hypothesis (H1), meaning

that reasonable pricing has a positive effect on customer loyalty towards Bu Zuni's Fried Chicken.

As the two findings above produces significant hypotheses test results, the analysis carried on with the classic tests, and the results are shown in Table 7, 8 and 9, as well as Diagram 3.

Based on Table 7, it is shown that the VIF values of product quality, service quality and price are 1.139, 1.262 and 1.105, respectively, which are all less than 10. The tolerance levels of product quality, service quality, price and customer satisfaction are 0.878, 0.792, 0.905 and 0.736, respectively, which are all larger than 0.10. Therefore, it can be concluded that multicollinearity is not present in the regression model II equation, and thus it is appropriate to be used in this study.

Based on Diagram 3, it can be seen that the residuals of the regression model are scattered, both below and above zero, and do not form a certain pattern. Thus, heteroscedasticity is

Table 6. Multiple Linear Regression Estimations for Model II

Variable	Beta coef.	Sig-t	r partial	r <sup>2</sup> partial
Product Quality	0.304	0.001	0.343	0.118
Service Quality	0.194	0.037	0.217	0.047
Price	0.207	0.018	0.245	0.060
Customer Satisfaction	0.225	0.021	0.240	0.058
<i>Adjusted R Square</i>	0.364			
<i>Sig- F</i>	0.000			

Depend. Var : Consumer Loyalty

Table 7. Multicollinearity Test Results of Model II

Variable	Tolerance	VIF	Conclusion
Product Quality	0.878	1,139	Not Multicollinear
Service Quality	0.792	1,262	Not Multicollinear
Price	0.905	1,105	Not Multicollinear
Consumer Satisfaction	0.736	1.359	Not Multicollinear

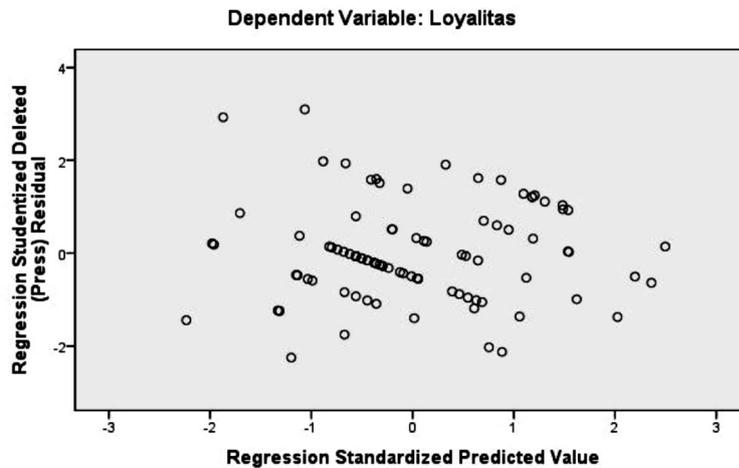


Diagram 3. Regression Model II Heteroscedascity Test

Table 8. Regression Model II Normality Test

Model	Sig	Description
Residual	0,273	Normal

Table 9. Lagrange Multiplier Test

R Square	N	X <sup>2</sup> calculated	DF	X <sup>2</sup> Table
0.001	96	0.096	91	114,27

not present in this proposed regression model in particular.

Based on the Kolmogorov Smirnov test in Table 8, it is known that the probability value is 0.273, which is larger than the critical significance value 0.05. Thus, it is appropriate to conclude that the linear regression model has utilized normally distributed data.

The calculations for linearity in Table 9 show that the R Square is 0.001 with an observed sample N = 96. We could then calculate X<sup>2</sup> calculated = 96 x 0,001 = 0,096. The chi square value was then compared with X<sup>2</sup> table. At DF = 92 and significance level = 5%, X<sup>2</sup> table is 114.27. Because X<sup>2</sup> calculated < X<sup>2</sup> Table, it can

be concluded that the independent variables of the regression model have a linear influence on the dependent variables.

In overall, the regression model II has met all test requirements for a regression model to be considered relevant because it fulfills the t-test, F-test and classic tests (for multicollinearity, heteroscedascity, normality and linearity). Thus, it can be concluded that product quality, service quality, price and customer satisfaction variables have a positive effect on customer loyalty towards Bu Zuni’s Fried Chicken.

**DISCUSSION AND IMPLICATION**

The analyses of the regression model I and

model II tell us that product quality, service quality and price collectively have a positive effect on customer satisfaction. Furthermore, product quality, service quality, price and customer satisfaction also collectively have an influence on customer loyalty towards Bu Zuni's Fried Chicken in the city of Magelang.

The results are consistent with the empirical propositions and findings previously presented by other researchers, such as Etemat-Sajadi & Rizzuto (2013), Sofyan et al. (2013), Hassan et al. (2013), Sharma (2012), Jahanshahi et al. (2011), Amanah (2010), Marti'n-Consuegra et al. (2007), Helgesen & Nettet (2007), as well as Bei & Chiao (2001; 2006). Whether partially or as a whole, they concluded that product quality, service quality and price as the antecedent variables can have a direct or indirect positive influence on customer loyalty. In other words, satisfaction can function as a mediator variable for the positive influence of the three antecedent variables towards loyalty.

The analysis in this study has shown that product quality is a variable that has a positive effect and significance on customer satisfaction and loyalty. This means that an increase in product quality will result in an increase in customer satisfaction, which then eventually leads to an increase in customer loyalty. The reason for that is because consumers always want to yield a high value from the purchase they make, and one of the criteria of something of high value is that customer expectations with regards to value would affect their degree of satisfaction towards the consumed product.

The same applies for service quality variable, which also show a positive effect and significance on customer satisfaction and loyalty. This is consistent with what was proposed by Kotler and Keller (2016) that service quality is a form and sum of characteristics of goods and services in their

abilities to satisfy or fulfill consumer needs. In practice, a company can apply service quality by providing the best service for its consumers for the purpose of customer satisfaction, which will then solidify loyalty. Service quality from a company will be perceived positively by customers. As customers perceive the service given positively, there is a better chance that their expectations can be met leading to greater customer satisfaction. As customer satisfaction increases, the degree of loyalty towards Bu Zuni's Fried Chicken also increases resulting in repeat visits and recommendation to others.

Price, as the third antecedent variable in this study, also proven to have a positive effect and significance on customer satisfaction and loyalty towards Bu Zuni's Fried Chicken. This means that pricing is affordable and is worth the quality and service, which results in an increase in customer satisfaction and loyalty. In their daily activities, there is a good chance that consumers will repurchase and even make recommendations to others on product and service quality, as well as satisfaction, if they feel that the price of the product or service is reasonable.

Lastly, the positive influence that customer satisfaction has on customer loyalty shows that a higher degree of customer satisfaction will result in a greater degree of customer loyalty, which will promote benefits for the diner such as maintaining good relationships between the diner and customers, encouraging repurchases, as well as word of mouth recommendations.

The study results above can be considered when determining the strategy for the diner, especially on attributes or indicators that are still perceived relatively low by its customers such as the aesthetic presentation of the meals. There is a demand for creativity and innovation to improve the aesthetic aspects of the menu so that it does not appear monotonous to

customers. An improvement in that area will improve the appeal and attractiveness of the products that customers crave for so that they will never get bored with the diner.

As regards service quality, the diner needs to prioritize upgrading tangible dimensions such the hygiene level of the place, which comprises cutlery items, tables, as well as indoor and outdoor environment. Maintaining hygiene is a key task for a diner because a dirty environment can result in loss of appetite. The diner can consider appointing a dedicated employee for keeping the space and cutlery clean so that customers feel more comfortable dining in.

In terms of price, affordable pricing is seen as the lowest performing among the other indicators. For that reason, without compromising on product and service quality, the diner should

come up with a variety of menu at different price points so that customers can purchase the options they can afford.

#### **CONCLUSION**

This study has substantiated the proposed hypotheses despite its shortcomings: the reasonably narrow subject scope and the relatively conventional regression model used. Only one culinary business was involved in this study, with a limited number of samples. To obtain a more substantiated research model, it is worth to consider involving more culinary business with larger sample size in the future. Moreover, the research model is relatively complex and involves interactions among a number of variables. Moving forward, it is worth to consider using research models integrating structural equation modelling (SEM) such as LISREL, AMOS and PLC to obtain more comprehensive analysis processes. ▴

#### **Acknowledgement**

The researchers would like to thank all parties who have given their support in completing this study, especially the respondents. We also would like to express gratitude to the Management Department, Faculty of Economics, Universitas Islam Indonesia that has funded this study.

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