

The Influence of Service Quality on Customer Loyalty of Ethnic Gu-Lakudo Traders in Baubau City

Juharsah¹, Hartini², Yusuf³,

^{1,3} *Department of Management, Faculty of Economics and Business, University of Halu Oleo, Indonesia*

² *Department of Anthropology, Faculty of Cultural Sciences, University of Halu Oleo, Indonesia*

Corresponding Author: Juharsah

Abstract: *This study aims to determine and analyze the influence of service quality on customer loyalty of Ethnic Gu-Lakudo traders in Baubau City. The population in this study is all customers of Ethnic Gu-Lakudo traders in Baubau City, with the number of samples of 100 respondents. Respondents were obtained by convenience sampling method. The data for analysis needs were obtained by spreading the questionnaire using the Likert scale of 5 points. The data was analyzed by structural equation modeling method using AMOS software version 24. The result of analysis showed that service quality had a significant positive effect on customer loyalty of ethnic Gu-Lakudo traders in Kendari City.*

Keywords: *Service quality, customer loyalty, ethnic Gu-Lakudo, trader*

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I. Introduction

The success of Gu-Lakudo ethnic traders in the city of Baubau competing with traders from other ethnic groups was shown by the existence of traders from these ethnic groups in the trade sector. The existence of these traders is due to the willingness of customers to buy merchandise and continue to establish relationships with traders from the Gu-Lakudo ethnic group. Customer loyalty is the result of positive emotional experiences that are consistently felt by customers (Shaw and Hamilton, 2015). The loyalty of a customer is needed to support business performance, because customers are the key to a business so that a business can be sustainable. The loyalty of a customer can be determined by the service quality provided by traders, as the opinion of (Lupiyoadi, 2001), that one of the factors that determine the level of success and quality of the company is the company's ability to provide services to customers. According to Martin (2011), service quality is a comprehensive assessment made by customers of the service they receive.

Tee et al (2018) mentions, some literature shows that service quality remains an important factor in the success of most businesses. The relationship between service quality and customer loyalty has been examined in several studies such as the results of research from Montolalu et al (2015) and Fleming (2016) which show that service quality has a significant effect on customer loyalty. However, these results are different from the results of research by Chen and Wang (2006) and Lee and Kao (2015), which state that service quality has no significant effect on customer loyalty. Service quality in this study uses service quality indicators from Juharsah and Hartini (2017), which consist of; honesty in serving, patience in serving, providing services, and services quickly.

II. Literature Review

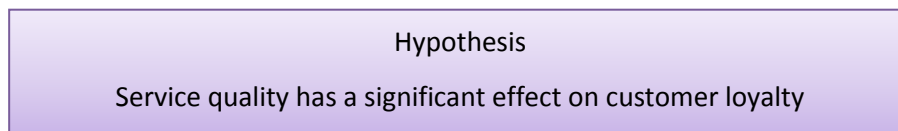
Customer loyalty. Fleming (2016) explains that customer loyalty is the attitude and decision of customers to continue to use a particular service. Whereas Griffin (2012) defines customer loyalty as a tendency for customer attitudes and behavior to like one brand compared to other brands. Studies of customer loyalty according to Oh in Lupiyoadi (2013: 231) can be categorized into three categories, namely; behavioral approach that focuses on after-purchase consumer behavior and measuring loyalty based on the level of purchase, frequency and possibility of re-purchasing. Attitude approach, which concludes customer loyalty from aspects of psychological involvement, favoritism and a sense of goodwill on certain services, and an integrated approach, which combines behavioral approach and attitude approach to create the concept of customer loyalty separately. Customer loyalty in this study uses customer loyalty indicators from Juharsah et al (2016), namely; continue to buy, telling to reference groups, and recommend to reference groups.

Service quality. According to Gronroos (2010) states that service quality is the result of an evaluation process where customers compare their perceptions of service and results, with what they expect. Furthermore Novianti et al (2018) define service quality as a measure of overall assessment of a service received by customers,

starting from the service process, environment, human resources, to the final results of service. Whereas according to Boone and Kurtz (2015) service quality refers to the quality expected and felt by consumers of the services offered, which has a large influence on the competitiveness of the company. The service quality indicators proposed by Parasuraman, Zeithaml and Berry (1988) consist of five dimensions, namely; physical evidence, empathy, reliability, responsiveness, and guarantee, while service quality indicators according to Juharsah and Hartini (2017) are; honesty in serving, patience in serving, providing services, and services quickly.

The relationship between service quality and customer loyalty

Research conducted by Kheng et al (2010) shows that service quality has a significant effect on customer loyalty. The results of the study are in line with the results of the study (Gautama et al. 2012; Novianti et al. 2018; Tee et al. 2018), which states that service quality has a significant effect on customer loyalty. These results indicate that it shows that improving service quality can increase customer loyalty. Based on the description, the hypothesis formulated in this study is;



The conceptual model designed in this study can be presented in the following figure:

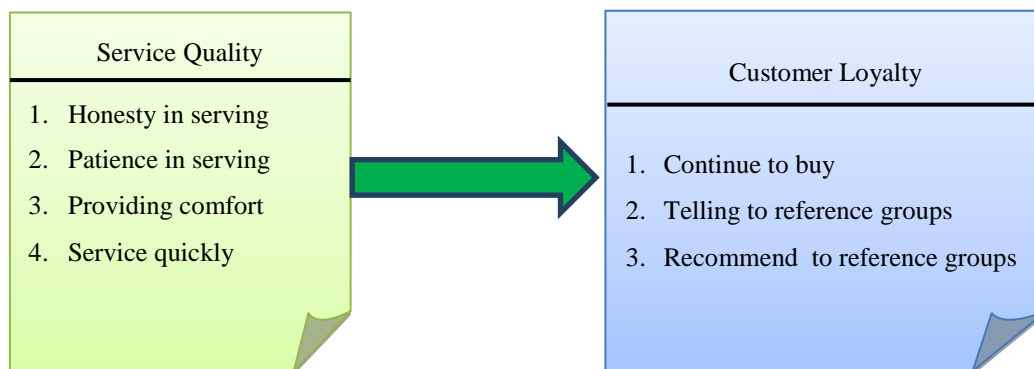


Figure1. Conceptual Model and Research Hypothesis

III. Research Method

The paradigm in this study is a positive paradigm with an explanatory type. The analysis unit is a customer of the Gu-Lakudo ethnic merchant. The population in this study were all Gu-Lakudo ethnic merchant customers in Baubau City. Sample size 100 respondents, and the determination of respondents using the convenience sampling method. Data were collected by questionnaire method, and using a 5-point Likert scale measurement. The results of testing the validity and reliability of the instrument against 30 customers before the questionnaire distribution showed that all instrument items had a correlation coefficient greater than 0.30 and a significance value smaller than the significance level of 0.05. Thus it can be interpreted that all statement items used as instruments in this study are valid. The test results of the instrument reliability test showed that Cronbach's alpha coefficient for all statements was greater than 0.60. This means that all items are reliable. Therefore, the instrument used in this study is feasible to measure each variable. The analytical tool used in this study is structural equation modeling, using Amos software version 24.0.

IV. Data Analysis and Results

The results of data analysis revealed that the characteristics of respondents based on gender were mostly women (55.0%), the age of respondents was mostly (47.0%) between 31 and 40 years, the education level of most (50.0%) was senior high school most types of work (52.0%) are self-employed, and the monthly income is mostly (48.0%) between 3 million rupiah and 4.5 million rupiah. Respondents' answers to variable indicator statement items are categorized based on the average which refers to the Likert scale, as shown in table 1.

Table 1. Distribution of respondents' answers

Indicators	Average Response of Respondents	Total Average
Honesty in serving (Servqual1)	3.88	3,84
Patience in serving (Servqual2)	3.86	
Providing comfort (Servqual3)	3.85	
Service quickly (Servqual4)	3.77	
Continue to buy (loyalty1)	3.78	3,78
Telling to reference groups (loyalty2)	3.79	
Recommend to reference groups (loyalty3)	3.77	

Source: Primary data

Respondents tended to assess the service quality provided by Gu-Lakudo ethnic traders, this can be seen from the average response of respondents of 3.84. Furthermore, respondents' responses to honesty in serving traders from the Gu-Lakudo ethnic group when serving customers amounted to 3.88 were greater than the respondents' average responses to the indicators of patience in serving, providing comfort, and service quickly. Customers from the Gu-Lakudo ethnic merchant included in the category of loyal tenders, this can be seen from the average response of respondents of 3.78. Furthermore, the respondent's response to the indicator tells the reference group is greater than the average respondent's response to the indicator, continuing to buy and recommend to the referral group.

The test results on identification problems indicate that the standard error value ranges from zero to one and tends to be close to zero, and there is no negative error variance value, so it can be concluded that there is no identification problem. The testing of the goodness of fit criteria as shown in Table 2 shows that of the seven feasibility criteria models used in this study, only AGFI is in a marginal condition. Therefore, the model in this study is acceptable and can be used to estimate and analyze research results.

Table 2. Model Feasibility Test Criteria

Goodness of fit index	Cut of value	Model Results	Information
<i>Chi Square Statistic</i>	The value is expected to be small	Chi Square =20,429	Fit
CMIN/DF	≤ 2.00	1,571	Fit
Probability	≥ 0.05	0,085	Fit
GFI	≥ 0.90	0,911	Fit
AGFI	≥ 0.90	0,808	Marginal
CFI	≥ 0.95	0,972	Fit
TLI	≥ 0.95	0,955	Fit

Source: Primary data

Sample size in this study amounted to 100 samples, meaning that it qualifies for structural equation modeling analysis. Testing the normality assumption shows that univariately only the indicator of patience in serving and telling to reference groups is smaller than cut off, which is 1.96, meaning the other indicators are not normally distributed, but the kurtosis critical ratio value is 1.405, smaller than cut off 1.96, so the analysis can continue. Furthermore, the results of testing univariate outliers, it is known that there are no observations of data that have a z-score greater than the cut-off of 3.0. The mahalanobis distance values generated are all smaller than the value of $\chi^2 = 34.53$. Thus the data used in this study does not contain outliers in a multivariate manner so that the data meets the requirements in the structural model.

Contributions from indicators; honesty in serving, patience in serving, providing comfort, and service quickly in shaping service quality, and contribution from indicators; continue to buy, telling to reference groups, recommend to reference groups in shaping customer loyalty, done with Confirmatory factor analysis, as shown in the following table;

Tabel 3. Loading Factor

Indicators	Variable	Estimate Loading Factor (λ)
Honesty in serving (Servqual1)	<--- Service_Quality	0,820
Patience in serving (Servqual2)	<--- Service_Quality	0,669
Providing comfort (Servqual3)	<--- Service_Quality	0,796
Service quickly (Servqual4)	<--- Service_Quality	0,785
Continue to buy (loyalty1)	<--- Customer_Loyalty	0,897
Telling to reference groups (loyalty2)	<--- Customer_Loyalty	0,852
Recommend to reference groups (loyalty3)	<--- Customer_Loyalty	0,769

Source: Primary data

Value of loading factor from indicator; honesty in serving, patience in serving, providing comfort, and service quickly greater than 0.50, therefore all indicators can reflect service quality. Furthermore, the loading factor values from the indicator continue to buy, telling to reference groups, and recommend to reference groups greater than 0.50, therefore all indicators can reflect customer loyalty. The indicator that gives the biggest contribution in forming service quality is honesty in serving (servqual1), while the indicator that gives the biggest contribution in forming customer loyalty is to continue to buy (loyalty1).

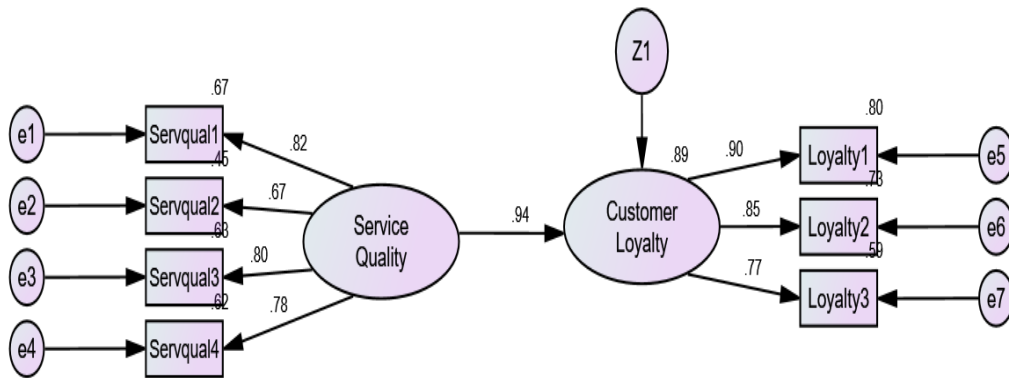


Figure 2. The Structural Model Results

The resulting regression coefficient is 0.943, indicating the direction of a positive relationship between service quality and customer loyalty. This means that the better service quality, the more customer loyalty increases.

The value of the critical ratio produced is 7.728, greater than the cut off of 1.96 with a probability below 0.001, smaller than the significance level of 0.05. Based on these results, the hypothesis that service quality has a significant effect on customer loyalty is accepted. This means that the increase in service quality will have an impact on increasing customer loyalty significantly. The results of testing the effect of service quality on customer loyalty are shown in the following picture:

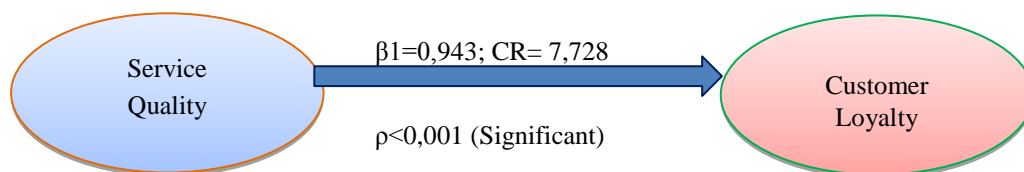


Figure 3. Results of Testing the Effect of Service Quality on customer loyalty

V. Discussion

The results of the analysis show that service quality has a significant effect on customer loyalty. This means that improving service quality will be followed by a significant increase in customer loyalty. The service quality of the Gu-Lakudo ethnic merchant is demonstrated by the existence of honesty in serving, patience in serving, providing comfort, and quick service, proven to have a significant impact on customer loyalty as indicated by continue to buy, telling to reference groups, recommend to reference groups. The honesty of the Gu-Lakudo ethnic traders is the most important indicator for customers in providing quality services, compared to patience in serving, providing comfort, and service quickly. Respondents' responses to the honesty of the Gu-Lakudo ethnic traders were also higher than those of respondents regarding other service quality indicators. The most important form of loyalty for customers of the Gu-Lakudo ethnic merchant is in the form of behavioral loyalty, namely by making purchases continuously. However, the majority of respondents still showed attitude loyalty, namely by telling the service quality from ethnic Gu-Lakudo traders to the referent group. The tendency of respondents to tell reference groups is in accordance with the results of a study from Hasan (2009) in Juharsah (2017), which shows that Indonesian people tend to tell positive things to seven other people.

Based on the results of the analysis, it is known that service quality has a positive effect on customer loyalty. The results of this study support the results of research from: (Gautama et al. 2012; Li and Krit, 2012; Montolalu et al., 2015; Fleming, 2016, Novianti et al. 2018; Tee et al. 2018), which showed that service quality

had a significant effect towards customer loyalty. Nonetheless, the results of this study do not support the results of a study from Lee and Kao (2015), which states that service quality has no significant effect on customer loyalty. Likewise the results of the research are: (Chen and Wang, 2006; Sachro and Pudjiastuti, 2013; Anzie and Arifin, 2017), which also show that service quality has no significant effect on customer loyalty.

VI. Limitations Research

Based on the characteristics of respondents it is known that most respondents work as entrepreneurs, and this study does not examine the effect of service quality on customer loyalty based on the type of work of the customer. Therefore, further research needs to compare the effect of service quality on customer loyalty to customers with various types of work.

VII. Conclusion

The results of the analysis show that service quality has a significant effect on customer loyalty. That is, when the merchants from the Gu-Lakudo ethnic group increasingly improve quality service, customers will increasingly show loyalty. Loyalty can be a combination of behavioral loyalty and attitude loyalty.

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