

# Factors Influencing Customer Satisfaction and Their Impact on Customer Loyalty

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## ABSTRACT

Workshop customers, known as unit entry by the automotive world, are one of the sources of revenue for automotive companies. Workshop unit entry is related to customer loyalty. The study aims to determine the relationship between perceived price on customer loyalty through customer satisfaction in auto repair shops customers. A quantitative approach is used as a research approach. Data were collected by questionnaire. The collected data were analyzed to determine the effect between variables, and the analysis technique was Partial Least Square (PLS). The research was conducted at Auto2000 West Sumatra. The research subjects are Auto2000 consumers who use workshop services. The object of research is a review of the influence of perceived price on customer loyalty with customer satisfaction as mediation. The sampling technique is purposive sampling. The results showed that Customer satisfaction can mediate the effect of perceived price on customer loyalty of consumers who use Auto2000 workshop services..

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## 1. Introduction

Cars are the most favored by the public. This is what makes the development of the Automotive Industry experience intense competition (Laurencia & Setyanto, 2019). The tight competition in new vehicle sales has made the company's after-sales business one of its sources of revenue.

For several years, Toyota brand cars have topped the list in Indonesia, with Auto2000 as the authorized dealer with the most Toyota sales in Indonesia. One of Auto2000's strengths is in after-sales service. The availability of Auto2000 workshops is Auto2000's effort to provide driving comfort for customers who have purchased their new vehicles. Auto2000 opens an after-sales service network spread throughout Indonesia, from Sumatra, Java, Bali, and Kalimantan, with Auto2000 workshops that are certified Toyota Authorized Workshop, Auto2000 is ready to provide maintenance and repair services that will ensure customer satisfaction driving with Toyota. Auto2000's efforts have proven to be successful with the achievement of the Superbrands award in 2021, which is the 5th consecutive year of the award (Fadli, 2021).

Research on the workshop after sales services at workshops, especially Auto2000 workshops, is related to customer satisfaction and customer loyalty. Such as research (Suratriadi et al., 2018) discussing customer satisfaction at the Auto2000 Kalimalang workshop, in East Jakarta. Other research on customer satisfaction at Auto2000 workshops was researched by (A. Kurniawan et al., 2018), (Gustiani, 2021), (Lydiane, 2019), (USMAN, 2019). Including related to loyalty, research on Auto2000 workshop consumers was researched by (D. Kurniawan & Suwitho, 2019) which examines the effect of service and price on loyalty (repeated use) of Auto2000 Basuki Rahmat

Surabaya workshop consumers. Other research on customer loyalty to Auto2000 workshops was researched by (Warni, 2022), (C. F. Putra, 2018), (Nugraha & Nuryadin, 2019), (Imaduddin, 2019).

The number of vehicles performing repairs is known as a unit entry (UE). This workshop unit entry is the basis for seeing a picture of consumers who repair or maintain vehicles at dealerships. Each unit entry, of course, will generate revenue for the company, whether from repair services, spare part sales, or both. So, after-sales service, in addition to supporting sales, can also be a source of income for the company. From 2018 to 2021, the target achievement of AUTO2000 general repair workshops in West Sumatra has decreased, with the following data:

In Auto2000, especially the service department, the positions that are directly related to consumers are the head of the workshop (service head), service advisor (SA), and THS (Toyota Home Service) personnel. From them, the author conducted a pre-survey to see the factors that influence consumer loyalty to come to the AUTO2000 workshop to service the vehicle. The author gets the factors that influence consumer loyalty (doing vehicle service) by using the association rule algorithm method, which is an algorithm for finding high-frequency patterns.

The Association Rule in question is carried out through the mechanism of calculating the support and confidence of an item relationship. The apriori algorithm is one type of algorithm in data mining that uses association rules. The usefulness of the apriori algorithm itself is to find the frequency and relationship of itemsets with other itemsets from the processed data set, which has determined the minimum support value and minimum confidence value requirements first (Istianingsih et al., 2019). Then a text clustering method using the apriori algorithm data mining method was applied to identify the most frequent groups of terms or research paths. The results obtained a combination of variables that are the center of attention in the study as follows: Perceived Price, Customer Satisfaction.

## Literature Review

### Customer Loyalty

Consumer loyalty it is known that the original goal of a business is to build satisfied customers, the creation of satisfaction can convey several benefits, including the bond around the company through customers becoming harmonious to provide a good basis for reducing and creating loyalty to them and making a recommendation from verbal to oral (word of mouth) which is beneficial to the company according to Tjiptono in (Pramudita et al., 2022). Customer loyalty is a result obtained from customer satisfaction with a product or service, this loyalty has a positive impact on the company such as loyal customers making repeated purchases of the company's products (Kolonio & Soepeno, 2019), (Iglesias et al., 2020). According to Kotler & Keller customer loyalty is a firmly held commitment to repurchase or re-protect a preferred product or service in the future even though situational influences and marketing efforts have the potential to cause behavioral switching (Ramanta et al., 2021). Griffin in Foster (2008) states that the success or failure of a company in creating loyal customers is highly dependent on the company's ability to create value. depends on the company's ability to create value, and constantly strive to improve it (Sonatasia et al., 2020)

### Customer Satisfaction

Customer satisfaction is one of the most important in marketing, as companies consider customer satisfaction as one of the key business objectives to evaluate the effectiveness of their business operations (Chung et al., 2020). In addition, customer satisfaction is the initial metric of the value chain between customer satisfaction, customer loyalty, company products, market performance, financial performance, and shareholder wealth (Owusu, 2018). Customer satisfaction is an individual's perception or feeling of the type of service or product they receive about their expectations (Balinado et al., 2021). It is explained that customer satisfaction is the level of a person's feelings after a comparison of the performance or results perceived by the product against their expectations (W. P. Putra & Rachmawati, 2019).

### Perceived Price

Price is the amount billed for a product or service, more broadly price is the sum of all values provided by customers to benefit from owning or using a product or service (Permatasari et al., 2022). According to Lee, perceived price is an assessment of customers in the form of emotions

associated to whether the price offered by a company and the price comparison with other companies is acceptable other companies are acceptable (Sari & Febriani, 2022), (Dorce et al., 2021). Perceived price is how price information is fully understood and gives deep meaning to consumers. Price perception is an important assessment for consumers about the comparison of the amount of sacrifice with what will be obtained from products and services (R. Putra, 2021). According to Kusdiyah, price perception is an assessment of consumers about the comparison of the amount of sacrifice with what will be obtained from products and services (Sari & Mitafitrotin, 2020).

## 2. Method

Referring to the research background and conceptual framework (figure 2), a hypothesis was proposed in this study. Customer Satisfaction as intervening can influence the relationship between Perceived Price and Customer Loyalty. According to research conducted by (Wahjoedi et al., 2022), Customer Satisfaction can influence the relationship between Perceived Price and Customer Loyalty.

Table 1. Variable Operational Definitions

Variable	Variable Concept	Indicator
<b>Perceived Price (X)</b>	How to price information is fully understood and provides deep meaning for consumers.	<ol style="list-style-type: none"> <li>1. Price Affordability</li> <li>2. Price match with the product type</li> <li>3. Price to benefit conformity</li> <li>4. Price according to ability or competitiveness</li> </ol>
<b>Customer Satisfaction (Y1)</b>	Individuals' perceptions or feelings toward the type of service or product they receive to their expectations	<ol style="list-style-type: none"> <li>1. Quality image</li> <li>2. Relational outcomes</li> <li>3. Order fulfillment</li> <li>4. Inside customer service support</li> <li>5. Delivery service</li> <li>6. Reporting and billing</li> <li>7. Outside salesperson support</li> <li>8. Recommendation</li> </ol>
<b>Customer Loyalty (Y2)</b>	A result obtained from customer satisfaction with a product or service, this loyalty has a positive impact on the company such as loyal customers making repeated purchases of the company's products	<ol style="list-style-type: none"> <li>1. Referring to others</li> <li>2. Demonstrate immunity to pull from competitors</li> <li>3. Perform regular re-purchase (service)</li> <li>4. Buying across product and service lines</li> </ol>

## Definition of Operational

The operational definition of research variables is attributes or characteristics of an object or activity with certain specified variations, which the researchers study these variables and then draw conclusions. The operational definitions in the study are shown in Table 1

## 3. Results and Discussion

### Characteristics of Respondent

Based on the table of respondent characteristics above, respondents with male gender, age range of 31-40 years, and income of less than 10 million per month are the most respondents in this study with each value of less than 10 million per month. the most respondents in this study with each value obtained. Implementation of Partial Least Square implementation is facilitated by the SmartPLS software version 3.2.9. The results of the data analysis were then used to answer the hypothesis. Meanwhile, hypothesis testing involves determining the statistical t-value and p-value.

The hypothesis is accepted if the p-value  $<0.05$ . The following table presents the results of the hypothesis test.

Table 2. Characteristics of Respondents

Characteristics	Description	Amount	Percentage
<b>Gender</b>	Male	189	74%
	Female	65	26%
<b>Age</b>	Less than 20 years	0	0,0%
	21 – 30 years	51	20,1%
	31 – 40 years	112	44,1%
	41 – 50 years	68	26,8%
	Over 50 years	23	9,1%
<b>Salary</b>	Less than 10 million	228	89,8%
	20 – 30 million	16	6,3%
	Over 30 million	10	3,9%

<sup>a</sup> Source: Processed Data (2023)

### Validity

In this study, researchers used a loading factor value of at least 0.7. The loading factor value  $> 0.7$  is the ideal value, meaning that the indicator is valid for measuring the construct created. Convergent validity is used to prove that the statements on each latent variable in this study can be understood by respondents in the same way as intended by the researcher.

### Reliability Test

The reliability test in PLS can use two methods, namely Cronbach alpha and composite reliability. Cronbach alpha measures the lower limit of the reliability value of a construct while composite reliability measures the true value of the reliability of a construct. The rule of thumb alpha or composite reliability value must be greater than 0.7 although 0.6 is still acceptable (Imam Ghazali, 2018).

The following are the results of Cronbach alpha and composite reliability displayed by quality criteria smartpls in construct reliability and validity with the results:

Table 3. Reliability Test

	Cronbach's Alpha	Composite Reliability
<b>Customer Loyalty (Y2)</b>	0.908	0.927
<b>Customer Satisfaction (Y1)</b>	0.940	0.948
<b>Perceived Value (X)</b>	0.927	0.940

Table 4. Hypothesis Test

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values	Result
<b>Perceived Value (X) -&gt; Customer Satisfaction (Y1) -&gt; Customer Loyalty (Y2)</b>	0.578	0.582	0.047	12.352	0.000	Accepted

<sup>b</sup> Source: Processed Data (2023)

Regarding the results of hypothesis testing, it can be explained as follows:

The results show that the effect of Perceived Price on Customer Loyalty (Y2) through Customer Satisfaction (Y1) has a path coefficient of 0.406 and a t-statistic value of 12.352 and a P-Values of 0.000. The T-Statistic value is higher than the t-table value ( $12.352 > 1.984$ ), while the p-value of 0.000 is lower than the standard alpha of 5% ( $0.000 < 0.05$ ). This result indicates that the effect of Perceived Price on Customer Loyalty through Customer Satisfaction is significant. Customer Satisfaction can mediate the effect of Perceived Price on Customer Loyalty. With these results, the hypothesis is accepted.

## Discussion

Workshop customers will be loyal to the place where they repair their vehicles or return to the workshop because they are satisfied to repair their vehicles there. These satisfied customers are due to the identity of what they pay according to the quality they get (Itani et al., 2019). This is by research conducted by (Achmad et al., 2022; Buchory, 2016) who also researched Toyota after-sales customers, which is also felt by Auto2000 workshop customers. Because to perform maintenance on vehicles, quality parts, and technicians are needed, so consumers can feel that the price they pay is following what they get.

### Perceived Price Has Positive And Significant Effect On Customer Loyalty Through Customer Satisfaction

The results showed that the Perceived Price variable was able to mediate the relationship between the Brand Image variable and the Customer Loyalty variable. The original sample value is positive so that it shows the direction of the relationship between Brand Image and Customer Loyalty through Customer Satisfaction is positive. The results of this study are by research (Wahjoedi et al., 2022), (Susanti, 2019), (Albari & Kartikasari, 2019), and (Elfahmi, 2021).

## 4. Conclusion

Research (Palelu et al., 2022) states that price perception is the view or perception of the price of how customers perceive certain prices (high, low, reasonable) and has a strong influence on purchase intention and purchase satisfaction. Furthermore, customer satisfaction will lead to customer loyalty from consumers who repair vehicles. Research (Supertini et al., 2020) states that customer satisfaction will affect the next customer's attitude after using or experiencing the product or service offered, therefore satisfied customers will repeat using the services offered. From this indirect effect, it can be seen that price perception affects customer loyalty through workshop customer satisfaction.

### Implications

Appropriate Perceived Price will increase customer satisfaction and increased customer satisfaction will increase customer loyalty. High loyalty from workshop customers is expected to increase workshop units.

### Limitations

Based on the researcher's experience in this research process, several limitations can be improved by future researchers. Several factors can be considered further for further research, including the number of respondents and the size of the research area. added to get more comprehensive results.

### Recommendations

Auto2000 Sumbar Workshop must maintain price perceptions that are considered appropriate by customers. Furthermore, the Auto2000 Workshop needs to pay attention to things that still need to be improved, namely regarding socialization to consumers so that price affordability can be better accepted by consumers in the future.

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