

Conference Paper

Analysis of the Effect of Service Quality and Customer Satisfaction on the Repurchase Intention, Word of Mouth and Customer Retention for Party Equipment Rental "Suyono" in Surabaya

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Abstract

The purpose of this study was to provide an understanding of how service quality and customer satisfaction influence the repurchase intention, word of mouth and customer retention at the party equipment rental company "Suyono" in Surabaya. A survey was conducted with 70 service users of "Suyono". The study used a quantitative approach to explain the causal relationship between the variables. The researcher selected the participants individually. The Partial Least Square analysis technique was used, assisted by the Smart PLS 3.0 application. The results of this study showed that the quality of service had a significant positive effect on customer satisfaction and customer retention; and customer satisfaction had a significant positive effect on repurchase intention and word of mouth. Customer satisfaction did not have a significant effect on customer retention. Therefore, service providers are strongly advised to focus on improving service quality and customer satisfaction to increase customer retention. These results can be applied by companies to increase repurchase intentions, word of mouth and customer retention, especially companies in the service sector.

Keywords: Service quality, customer satisfaction, repurchase intention, word of mouth

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1. Introduction

The high business competition in the service sector makes business people need to set strategies to be able to compete optimally and healthy to win a healthy competition. One of the many business opportunities engaged in the service sector is in the area of party equipment rental. At present many companies are engaged in party equipment rental in Surabaya, one of which is the party equipment rental "Suyono" which has been established since 1992 and based in Surabaya. Then in 2002, the company expanded its business by opening a branch in Malang with the aim of meeting customer needs

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and expanding service distribution channels. In practice, there are some customers who have had a less pleasant experience with the services provided by the party equipment rental “Suyono”.

TABLE 1: List of Customer Complaints at Party Equipment Rental “Suyono”

No	Name	Date	Complaints
1	Dian Sandra (Jatiroso Catering)	25 August 2016	<ul style="list-style-type: none"> • Party equipment received is not in accordance with the order made • Party equipment received is delayed • Party equipment received is not clean • Party equipment sent does not match the address
2	Ika Listiarni Djamaluddin (Hidayah Catering)	24 September 2016	<ul style="list-style-type: none"> • Party equipment received is not in accordance with the order made • Party equipment received is delayed • Party equipment received is not clean • Party equipment sent does not match the address • Party equipment received is not in good condition
3	Nany Herawati (Ibu Catering)	27 September 2016	<ul style="list-style-type: none"> • Party equipment received is not in accordance with the order made • Party equipment received is not in good condition
4	Mugio Santoso (Sonokembang Catering)	04 October 2016	<ul style="list-style-type: none"> • Party equipment received is not in accordance with the order • Party equipment received is delayed • Party equipment received is not clean • Party equipment sent does not match the address • Party equipment received is not in good condition • Employees are not dressed neatly

Source: Internal Data

The table above shows some complaints from party equipment rental “Suyono” customers. These complaints arose from the lack of quality service provided to customers and this has the potential to influence customer satisfaction and post purchase customer behavior (such as repurchase intentions and word of mouth).

The customer satisfaction factor is predicted to affect repurchase intention and word of mouth. According to Fandy and Anastasia (2015: 10), in many industries especially the service sector, opinions or positive opinions of friends and family are far more persuasive and credible than advertising. Conversely, negative word of-mouth communication can damage a company’s reputation and image. Dissatisfied customers can influence the attitude and negative judgment of colleagues or family on the purchase of goods and services. A preliminary survey of researchers of 10 customers showed that 70% of

customers got information about party equipment rental “Suyono” in Surabaya from word of mouth and 30% of customers learned from exhibitions, websites and others.

Most customers of party equipment rental “Suyono” in Surabaya are business to business, catering and restaurants. The number of caterers and restaurants working together is not many but it is doing a large repeat order so there is a need for long-term cooperation as an evaluation of the performance that has been done so far. According to Hasan (2013: 153), customer retention strategy is used to dive customer behavior or change customer defections to be loyal or have a strong connection to the company for the long term..

Based on the description above, the researcher is motivated to conduct in-depth research on the analysis on the effect of service quality and customer satisfaction on repurchase intention, word of mouth and customer retention at party equipment rental “Suyono” in Surabaya.

2. Theoretical Framework

2.1. Service Quality

Service quality is the result of the evaluation process carried out by customers from the service received compared to the expected service (Lovelock and Writz, 2011: 406). Zeithmal et al., (2011: 113) showed that the quality of service perceived by consumers to a service is influenced by five dimensions that are applied to various service contexts, namely: reliability, responsive, assurance, empathy dan tangibles.

2.2. Customer Satisfaction

According to Kotler and Amstrong (2012:13), customer satisfaction is the extent to which a product’s performance is in accordance with customer expectations. According to Zeithmal et al., (2011: 105) customer satisfaction is influenced by several factors including: special features on the product or service, perceived quality of the product or service, and price. In addition, personal factors such as mood or emotional state and other situational factors such as the opinion of family members will also affect consumer satisfaction.

2.3. Repurchase Intention

Satisfied customers tend to be interested in repurchasing the same product or service, shopping at the same place, and / or there is a possibility that satisfied customers will also do up-buying (buying a more expensive version of the product, for example from those who usually stay in a standard room switch to deluxe rooms in hotel subscribed) and cross-buying (buying other products sold by the same manufacturer or distributor (Fandy and Anastasia, 2015:43).

2.4. Word of Mouth

According to Hasan (2013:133), customer recommendations to others (word of mouth recommendation-WoM) especially in the context of consumer purchasing behavior in most marketers and product providers to include word of mouth in their marketing strategies in driving promotional messages in the market because they are believed to be more trustworthy by customers, and has a positive impact on deployment.

2.5. Customer Retention

According to Hasan (2013:153), customer retention strategy is used to dive customer behavior or change customer defection to be loyal or have a strong connection to the company for the long term.

2.6. Relationship Among Variables

2.6.1. Effect of Service Quality on Customer Satisfaction

Basically, the customer has predicted the level of service in mind before service is received. This prediction level is the result of a search and selection process, when the customer decides to buy a service. During the service, the customer feels that the service performance and compares with the predicted service level. In short, customers evaluate service performance by comparing what is expected with what is received from the company (Lovelock and Wirtz, 2011: 74). Related to this, the results of research by Manoj Edward and Sunil Sahadev (2011: 333) showed that there is a significant positive influence between the influence of service quality and customer satisfaction.

2.6.2. Effect of Service Quality on Customer Retention

According to Bloemer et al., (1992) and Jones et al., (2002) in the journal of Manoj Edward and Sunil Sahadev (2016: 333), showed that service quality also has a direct impact on customer retention.

2.6.3. Effect of Customer Satisfaction on Repurchase Intention

Research conducted by Dolarsian (2014: 710) showed that there is a significant positive effect between customer satisfaction and repurchase intentions. Customers who have high satisfaction tend to have a strong desire to repurchase. According to Hasan (2013: 89), the key to success in winning the competition lies in the ability to provide total customer value that can satisfy customers through the delivery of quality products at competitive prices..

2.6.4. Effect of Customer Satisfaction on Word of Mouth

The results of research conducted by Dolarsian (2014:711) showed that there is a significant positive influence between customer satisfaction with word of mouth. According to Fandy and Anastasia (2015: 44) customer satisfaction has a positive impact on consumers' willingness to recommend a product or company to others. In addition, according to Hasan (2013:89), satisfaction will lead people to repeat purchases and make positive word of mouth recommendations. Satisfaction is not only a factor that directly increases word of mouth, but also strengthens the influence of marketing (hasan, 2013:134).

2.6.5. Effect of Customer Satisfaction on Customer Retention

A positive relationship between customer satisfaction and customer retention is when consumers are satisfied with a product or service, where it is more likely to make a purchase and is willing to spread word of mouth (Hasan, 2013: 89). If the customer is satisfied, the greater the customer retention (Anderson and Sullivan, 1993; Fornel, 1992; Lee et al., 2001; Ranaweera and Prabhu, 2003). This is also confirmed by Hari et al., (1988) and Kotler (1994) that customer satisfaction is a significant factor for customer retention.

3. Analysis Model

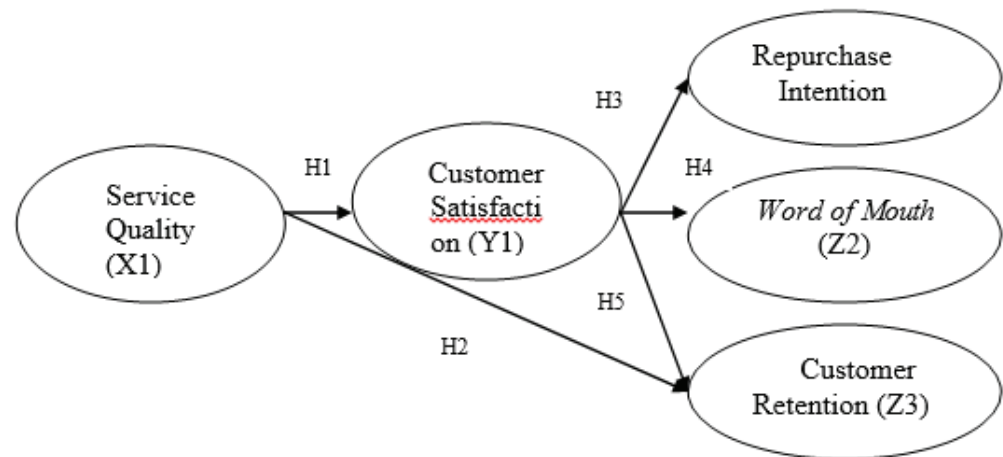


Figure 1: Analysis Model

3.1. Hypothesis

Below are the hypothesis of this study:

H1: Service quality has a significant positive effect on customer satisfaction with party equipment rental “Suyono” in Surabaya.

H2: Service quality has a significant positive effect on customer retention at party equipment rental “Suyono” in Surabaya.

H3: Customer satisfaction has a significant positive effect on repurchase intentions for party equipment rental “Suyono” in Surabaya.

H4: Customer satisfaction has a significant positive effect on word of mouth at party equipment rental “Suyono” in Surabaya.

H5: Customer satisfaction has a significant positive effect on customer retention in party equipment rental “Suyono” in Surabaya.

4. Research Method

4.1. Research Approach

This study uses a quantitative approach with the type of explanation.

4.2. Population and Sample

The population in this study are customers who have used the services of party equipment rental “Suyono” in Surabaya. While the sample in this study is the user of party equipment rental “Suyono” services in Surabaya, selected by non-probability sampling technique with a purposive sampling approach, namely the determination of the sample technique with certain considerations, including: respondents aged at least 19 years, respondents have used the services of party equipment rental “Suyono” in Surabaya 1 or more times, respondents reside in Surabaya and surrounding areas.

The calculation of the total sample was done using Slovin formula as follows

$$n = \frac{227}{1 + (227 \times 10\%^2)} = 69,42$$

So, based on the calculation of Slovin formula then the sample used amounts to 70 people.

4.3. Data collection technique

Data collection in this study was done by four means, namely: observation, interview, distribution of questionnaire and documentation.

4.4. Data Analysis Method

Data analysis in this study was done by using SmartPLS (Partial Least Square) analysis technique with the help of Smart PLS 3.0 software application.

5. Discussion

The following are the results of data processing with Partial Least Square (PLS) analysis with SmartPLS 3.0 program.

- a. Hypothesis test of Outer Loading service quality variable

TABLE 2: Results of Outer Loading service quality variable

Indicator	Original Sample (O)	T-Statstic
X1.1 ←service quality	0.82	17.11
X1.2 ←service quality	0.82	20.22
X1.3 ←service quality	0.82	15.77
X1.4 ←service quality	0.74	12.74
X1.5 ←service quality	0.81	20.33

Source: processed data

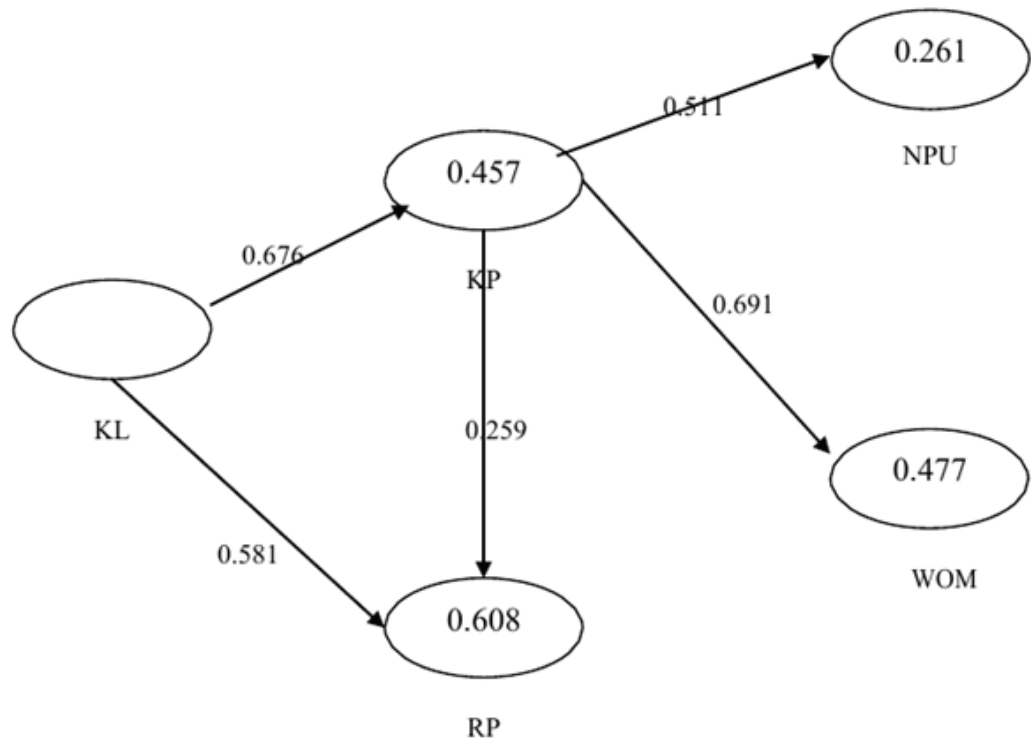


Figure 2: Estimation Model of PLS.

The table above shows that the results of outer loading service quality variable has a t-statistic value for each indicator of more than 1.96 then the service quality variable indicator can be used as a measurement of service quality variable.

b. Hypothesis test of Outer Loading Customer satisfaction variable

TABLE 3: Results of Outer Loading Customer satisfaction variable

Indicator	Original Sample (O)	T-Statstic
Y1.1 ← Customer satisfaction	0.87	25.61
Y1.2 ← Customer satisfaction	0.84	19.30
Y1.3 ← Customer satisfaction	0.86	20.31

Sumber: Processed data

The table above shows that the outer loading result of customer satisfaction variable has a t-statistic value for each indicator more than 1.96 then the indicator of customer satisfaction variable can be used as a measurement of customer satisfaction variables.

c. Hypothesis test of Outer Loading Repurchase intention variable

The table above shows that the outer loading result of repurchase intention variable has a t-statistic value for each indicator of more than 1.96 then the repurchase intention variable indicator can be used as a measurement of the repurchase intention variable.

d. Hypothesis test of Outer Loading Variabel Word of Mouth

TABLE 4: Results of Outer Loading Repurchase intention variable

Indicator	Original Sample (O)	T-Statstiiic
Z1.1 ← Repurchase intention	0.82	17.11
Z1.2 ← Repurchase intention	0.82	20.22
Z1.3 ← Repurchase intention	0.82	15.77

Source: processed data

TABLE 5: Results of Outer Loading Variabel Word of Mouth

Indicator	Original Sample (O)	T-Statstiiic
Z2.1 ← <i>Word of Mouth</i>	0.82	17.11
Z2.2 ← <i>Word of Mouth</i>	0.82	20.22
Z2.3 ← <i>Word of Mouth</i>	0.82	15.77

Source: processed data

The table above shows that the results of the outer loading word of mouth variable has a t-statistic value for each indicator of more than 1.96 then the indicator word of mouth variable can be used as a measurement of word of mouth variable.

e. Hypothesis test of Outer Loading Customer Retention Variable

TABLE 6: Results of Outer Loading Customer Retention Variable

Indicator	Original Sample (O)	T-Statstiiic
Z3.1 ← Customer retention	0.82	17.11
Z3.2 ← Customer retention	0.82	20.22
Z3.3 ← Customer retention	0.82	15.77

Sumber: Processed data

The table above shows that the results of the outer loading of customer retention variable have a t-statistic value for each indicator of more than 1.96 then the customer retention variable indicator can be used as a measurement of the customer retention variable.

f. Hypothesis test of Inner Model

Based on the table above it is concluded that:

1. Service quality has a significant positive effect on customer satisfaction
2. Service quality has a significant positive effect on customer retention
3. Customer satisfaction has a significant positive effect on repurchase intentions
4. Customer satisfaction has a significant positive effect on word of mouth
5. Customer satisfaction has a significant positive effect on customerretention.

TABLE 7: Results of Path Coefficients

	Sample Original (O)	Sample Mean (M)	Standard Deviation (STDEV)	T-Statistics (IO/STDEVI)	Note
Service quality → Customer satisfaction	0.68	0.68	0.08	8.31	Significant
Service quality → customer retention	0.58	0.56	0.14	3.82	Significant
Customer satisfaction → repurchase intention	0.51	0.52	0.10	4.75	Significant
Customer satisfaction → <i>Word of Mouth</i>	0.69	0.70	0.07	9.05	Significant
Customer satisfaction → customer retention	0.26	0.29	0.19	1.29	Not significant

Source: processed data

6. Conclusions and Suggestions

6.1. Conclusions

Below are the conclusions of this study:

1. H1. Quality of service has a significant positive effect on customer satisfaction with the party equipment rental "Suyono" in Surabaya, accepted.
2. H2. Service quality has a significant positive effect on customer retention of party equipment rental "Suyono" in Surabaya, accepted.
3. H3. Customer satisfaction has a significant positive effect on repurchase intention, accepted.
4. H4. Customer satisfaction has a significant positive effect on word of mouth, accepted.
5. Customer satisfaction has a significant positive effect on customer retention, rejected.

6.2. Suggestions

After conducting research based on theory and empirical testing, below are suggestions submitted:

1. Party equipment rental “Suyono” is advised to conduct periodic evaluations of what the customer wants whether they are fulfilled.
2. In the next research, it is suggested to pay more attention to other variables outside the model in this study and review this study and compare it with previous research and increase the number of indicators to make it more explorative.

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