Satisfaction in Retail Sector Consumers: Consumer Perceptions of Service Quality and Price.

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ABSTRACT

The provision of goods is one way to meet consumer needs. Excellent service quality and the applicating the affordable prices is one of the activities to achieve customer satisfaction. The purpose of this study is to determine the influence of service quality and price to customer satisfaction. The results reveal the problems regarding customer satisfaction with service quality and pricing. It is due to the lack of quality of services and the applied price. Therefore, it cannot increase customer satisfaction and decrease the level of consumers' arrival. This research uses the questionnaire method with 100 respondents. The research applies verification analysis to analyze the data, consisting of multiple linear regression analysis and partial test (t-test) and simultaneous test (F-test). The results indicate that all independent variables as service quality and price, have a positive relationship. It is in line with the dependent variable, the consumer satisfaction. Hypothesis testing by using t-test shows two independent variables significantly affect consumer satisfaction. The F-test reveals these two variables affect customer satisfaction. The adjusted R-square of 0.620 indicates that the independent variable explains 62.0% service quality and price influence on customer satisfaction. The rest of 38.0% explain other variables outside the variables used in this research, such as promotion, distribution, value, and the others.

Keywords: service quality, price, customer satisfaction.

INTRODUCTION

Nowadays, the globalization era has a significant impact on the business world. The business opportunities are wide open, but the competition is getting tighter. Businesspeople have to do several ways so that their businesses can survive. The provision of goods is one way to meet consumers' needs. This situation happens in Indonesia as well. When the number of retail businesses is high, it tighter the competitiveness among people in the business. (Simon & Gómez, 2014) The company must consider the quality of service to get the customers' satisfaction. If consumers are satisfied with the value provided by a product or service, they will likely be a customer for a long time. Service quality can see by comparing consumers' perceptions of the services they receive/get with the services they expect towards

a company's service attributes. (Kurniawan & Sidharta, 2016) If the product or perceived service meets expectations, the quality of perceived service is excellent and satisfying. If the product or received service exceeds the consumer expectations, the quality of perceived service is excellent and high-quality. Conversely, if the product or received service is lower than expected, the quality of perceived service is poor. Besides, it causes consumer dissatisfaction.

Besides service quality, the price is also an essential factor in creating customer satisfaction. (Keiningham, Gupta, Aksoy & Buoye, 2014) Pricing is a critical decision that supports the success of the operations of profit and non-profit organizations. Price is the only element of the marketing mix that serves income for the company. Therefore, prices need to compare with other companies. As a comparison, it is between the prices we set with the competitors' prices because prices significantly affect the competitive position and market share of the company. The impact of prices affects income, the company's net income, and customer satisfaction.

Satisfying consumer needs is essential for the corporate's survival and increasing the company's excellence and market competition. Besides, satisfying the consumer is expected to increase sales and create a positive impression on the product. (Blessing & Natter, 2019) Satisfied consumers tend to buy and reuse the company's product or service when the same need arises. (Kasiri, Cheng, Sambasivan & Sidin, 2017) Satisfied consumers will confirm their fulfilled expectations. They are willing to recommend their experience to others.

The severe competition requires domestic retail businesses to manage professionally to be able to compete in serving consumers.

Therefore, a correct strategy is essential to win the hearts of consumers. During the increasingly intense competition in the retail business sector, competitors come from inside and outside the country. The best way is by paying attention to service quality, price, and customer satisfaction. (Suresh, Mahadevan & Abhishek, 2019)

Yogya group has various stores area. It leads to different categories, such as YOGYA and GRIYA. Until now, there are forty-nine branches in eight regions. One of the branches which competes during the tight competition of the retail world. More competitors must provide service innovations to maintain their existence and prevent consumers from moving to competitors.

Based on pre-survey activities carried out by the author by using the interview method to the supervisor, there was a decrease in consumer arrivals compared to the previous year due to several factors. It needs seriousness to know the decline in consumer arrivals. False decisions lead to a decrease in sales turnover due to the shift of consumers to other stores. There was a decrease in transactions with a total transaction of 726,577 times. In 2016 it decreased to 683,977 transactions or experienced a 6% decrease. This significant decline meant the company lost 42,600 consumers who purchase. Several factors influenced this condition. The company must evaluate to persist in the tight competition. In the competition, it would be possible for a company to pay attention to the factors that cause a decrease in turnover. Such as paying attention to the level of service provided and paying attention to the pricing set by companies and prices set by competitors, so companies can meet customer satisfaction and increase sales. As stated by Oh & Kim (2017), prices and quality have a strong influence on customer satisfaction, price, and quality of

service are essential to achieve customer satisfaction. The decline in the level of consumer arrivals means a decrease in consumer satisfaction. Also, the author conducted pre-survey activities carried out to the consumers. The result is not optimal, as well as service quality.

Consumers will turn to the competitors if the quality of services does not meet consumer expectations. Service quality is all forms of activities carried out by the company to meet consumer expectations. The perceived quality of service is essential for the company's success because of the direct relationship with customer satisfaction. The company must place an orientation on consumer satisfaction as the primary goal. This goal reflects the increasing number of companies that include their commitment to consumer satisfaction in their mission statements and advertisements. The company's primary key to winning the competition is to provide value and satisfaction to consumers through the delivery of products, quality services at competitive prices. Prices are also factors that satisfy consumers. (Namin, 2017)

Consumers' satisfaction or dissatisfaction is the response of consumers to perceived discrepancies between previous expectations and the actual performance. (Parasuraman, Zeithaml & Berry, 1985) If a company provides the right quality products or services, it expects to meet consumer's expectations and ultimately provide maximum value and create satisfaction for consumers compared to existing competitors. As stated by Kasiri, Cheng, Sambasivan & Sidin (2017), companies that prioritize good service quality will affect consumer satisfaction.

Consumers begin to assess the quality of services provided in a company and store image that arises in the customer's memory before or after processing the transactions in the store. If the consumers feel the service is good enough, the consumers are reluctant to move.

According to the description above, further research needs. The problem formulation is the influence of the service quality on customer satisfaction. The goal is to determine the effect of service quality and price on customer satisfaction.

FRAMEWORK

Service quality is a critical aspect of the survival of an organization or company. Due to the increased business competition, the competitors do a strategy to increase customer satisfaction.

Considering the customers as partners in the company and maintaining good relationships with customers are essential steps to remain sympathetic. Zeithaml, Berry & Parasuraman (1996) believe customer satisfaction is a great strategy that requires commitment, both concerning funds and human resources.

Parasuraman, Zeithaml & Berry (1985) describes the effect of service quality on customer satisfaction: companies that prioritize good service quality will affect consumer satisfaction. Cronin Jr & Taylor (1992) states quality is the overall features and nature of products or services that affect its ability to satisfy consumer needs. The authors conclude that the better and higher the quality of corporate services to consumers, the higher the level of satisfaction for the customers.

Zeithaml, Berry & Parasuraman (1996) state consumer expectations reflected in the dimensions of service quality such as tangibles, reliability, responsiveness, assurance, and empathy. Excellent service, hospitality, courtesy,

timeliness, and speed in the delivery of goods are essential values expected by consumers.

Price is a factor that influences consumer satisfaction. High prices and obtained benefits cannot meet consumer desires. Therefore, consumers are not satisfied. As the low prices and obtained benefits fulfill, the consumers will be satisfied. The prices with the same quality but set a relatively low price will provide a high value to the customers and influence customer satisfaction (Keiningham, Gupta, Aksoy & Buoye, 2014). According to Suresh, M., Mahadevan, G., & Abhishek, R. D. (2019) state that customer satisfaction form from functions, performance, and expectations. Contrary to performance, the price is the most dominant determinant of customer satisfaction. Lupiyoadi (2006: 98) reveals that prices can measure by selling prices, price suitability, and price competitiveness.

Service quality and price are dynamic conditions related to service, human, process, and environmental products that meet and exceed consumer expectations. The right price and excellent service quality can be a competitive advantage for the company. According to Keiningham, Gupta, Aksoy & Buoye (2014), price and quality have a strong influence on consumer satisfaction. Satisfied consumers will continuously purchase the product because they are satisfied. Thus, it can conclude that the right price and excellent service quality affect the level of customer satisfaction. This statement strengthens in a study conducted by Linzmajer, Hubert, Eberhardt, Fojcik & Kenning (2014).

If the company cannot maintain prices and service quality, then consumers will not be satisfied. There will be a gap between perceived service and consumers' expectations. The worst is the consumer distrust. Therefore, giving prices and improving services are essential to be carried out by the company on an ongoing basis. The company can monitor customer satisfaction so that poor services can be known and corrected as early as possible.

RESEARCH METHODS

This research includes survey research. This research carries out in one of the retail companies in Bandung, which was held for four months. The operational variable in this study is service quality. While the price is independent variables and customer satisfaction is the dependent variable. Service quality measures through some indicators such as tangibles, reliability, responsiveness, assurance, and empathy. Keiningham, Gupta, Aksoy & Buoye (2014) developed some indicators to measure the price; they sell prices, reasonable prices, and competition. Consumer satisfaction has the following indicators: facilities and infrastructure, products, prices, and services.

The data collection method of this study is a questionnaire. The sampling technique in this study is the convenience sampling method, which is the sampling based on the availability of elements and the ease of getting them. In other words, the sample is in the right place and time. This research takes 10% of the total population that expects to represent the customers. This sampling rate estimates that the sample will be taken approximately 99.80 and rounded to 100 respondents to facilitate the research. Multiple linear regression analysis uses to test the relationship between two or more independent variables with a dependent variable. This study aims to determine the influence of service quality, price, and customer satisfaction in increasing the competitive advantage. To find out the answer, the researcher used a multiple linear regression analysis models.

RESULTS AND DISCUSSION

Respondents' characteristics based on gender aims to determine the level of grouping respondents who are male and female. The female is more dominating than the fourteen men, with 14%. Thus, it can conclude that most active consumers were women, with eighty-six customers and 86%. According to the age, the respondents were between 20-30 years old, with forty-six customers with a 46% percentage. Then, respondents between 31-40 years old are twenty-five customers, with a percentage of 25%. Respondents between 41-50 years old are nineteen customers, with a percentage of 19%. The last is > 50 years old with ten customers, with a percentage of 10%. To sum up, the average age of respondents who are between 20-30 years.

The conclusion of the average consumer who is actively shopping is between 20-30 years old, with a total of forty-six customers. The 32% housewives dominate respondents based on work with a total of thirty-two customers, the next is 31%private employees with a total of thirty-one customers. Homemakers dominate the average active respondents who shop.

The table and figure show the magnitude of multiple linear regression based on the explanation of the calculation of the regression equation.

The constant value (a) is 4,171. The regression coefficient value of the Service Quality dimension variable (b1) is positive. It is 0.371, which means every one increase in service quality; there will be an increase in customer satisfaction by 0.371. 3. The coefficient of the Price dimension variable (b2) is positive. It is 0.531, which means that every one price increase, there will be an increase in customer satisfaction by 0.531.

The epsilon value is 0.380. In conclusion, if the value of service quality and price increase, then customer satisfaction increase. On the other hand, when the value of service quality and price decrease, consumer satisfaction will also decrease.

The F-test shows the calculated F-value is 79,074. The next step is to find the f-table value and compare it with the f-calculate 79.074.

The data above shows that k = 2 (X1 and X2), and n = 100, then (2; 100-2) = (2; 98) this number becomes a reference to see in f-table (3.09). Because the F-value is greater than F-table (79.074 > 3.09) or the significance value (probability) 0.000b is smaller than 0.005, then Ho is rejected. Therefore, there is a significant influence between service quality and prices on customer satisfaction.

The coefficient of the determination is made to state the size of the contribution of variable service quality and price to consumer satisfaction. The results can be seen from the value of R-square (R^2). The calculation reveals the magnitude of the effect of service quality and price on consumer satisfaction is 62.0%. It categorizes as active. The other 38.0% influence by factors not examined in this study, such as promotion, distribution, and many others.

The results show that service quality variables influence customer satisfaction. However, it is not dominant. The result of t-calculate is 4.238 > 1.664 with a significant value 0.000b < 0.05. It can conclude that Ho rejected and Ha is accepted. It means that service quality has a significant positive effect but not dominant in consumer satisfaction. In this case, the service quality is the second indicator after the price. Although the service quality is the second indicator, it is quite significant to customer satisfaction. It is equally important to influence consumer satisfaction. Therefore, it becomes a concern for further improvement. This finding

follows Namin (2017); companies that prioritize excellent service quality will have an impact on consumer satisfaction.

The results show the price variable influences customer satisfaction. This variable is very dominant. The result of t-calculate 6.894 > 1.664 with a significant value of 0.000b <0.05. It can conclude that Ho rejected and Ha is accepted, which means the price has a significant and very dominant effect on consumer satisfaction. The results of this study also show that price gives the highest contribution compared to the service quality towards consumer satisfaction. This condition is understandable since the consumers come from the lower middle class. Thus, price is the main factor in fulfilling customer satisfaction. This finding is in line with Keiningham, Gupta, Aksoy & Buoye, 2014) prices are monetary units or the other measures that exchange to obtain ownership rights or use of goods and services that cause consumer satisfaction.

According to the results, service quality and prices simultaneously to provide an effect of 62.0% on customer satisfaction. Simultaneously, the remaining 38.0% are the other variables that not examine, such as promotion, location, distribution, value, and others. The finding is following Linzmajer, Hubert, Eberhardt, Fojcik & Kenning (2014), price and quality have a significant influence on consumer satisfaction.

CONCLUSIONS

Based on the results, it can conclude that the quality of service influences customer satisfaction. However, it is but dominant. The results show the price influences customer satisfaction. It is strongly dominant with the results of the calculation. The results of the study indicate that service quality and price simultaneously affect customer satisfaction. While the remaining variables that not examine, such as promotion, location, distribution, value, and others.

Based on the results of the research and the conclusions that have raised the effect of service quality and price on consumer satisfaction, the authors provide the company must improve the service quality such as the reliability of its employees, the employees' speed in serving the consumers and the availability of products. Although the service quality is not a dominant influence on customer satisfaction but service quality must be considered to create customer satisfaction. The company must consider the prices that will be applied to the products or by giving discounts that appeal to the consumers. The price is influential and dominant in consumer satisfaction. The company must improve service quality and pay attention to the competitors' prices so that customer satisfaction will increase. Besides increasing consumer satisfaction, it will increase sales turnover and increase consumer arrivals.

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