

Service Quality and Its Relation to Customer Trust and Loyalty

Lisa Binti Harun and Herlina

Business Administration, Politeknik Negeri Nunukan, Ujang Dewa, Nunukan, Indonesia

Keywords: Service, Service Quality, Customer Trust, Customer Loyalty.

Abstract: A consumer's perception of the quality of services offered is an essential aspect of consumer perception, which influences consumer satisfaction. Services have a strong relation to quality. A better quality service will give a better image in consumers' perception and improve their overall well-being. The improvement later would lead to their trust and loyalty. The study aims to analyze the relationship between service quality and consumer trust and loyalty in PT. Telkom Nunukan branch. The approach of the study uses a quantitative with an explanatory survey method. It can be concluded that service quality positively and significantly impacts customer trust and loyalty.

1 INTRODUCTION

Humans in their daily are inseparable from needs towards goods and services. Those needs that can be directly consumed or reprocessed. Thus, services have evolved into an essential component of product marketing activity. Services are a concrete activity that one person provides to another, and the client is more involved in the service-consuming process.

Services have a strong relations to quality. It compares the anticipated service with the actual service provided (Hidayat and Anasis, 2020). Service quality is a crucial component in consumer perception, which has an impact on consumer satisfaction. A better quality of services provided will give a better image in consumers' perception. Furthermore, there are five dimensions of service quality known as SERVQUAL: (a) Reliability, (b) Responsiveness, (c) Assurance, (d) Empathy, and (e) Tangible (Pakurár et al., 2019).

Some experts consider customer trust to be an essential factor determining the success of relationship marketing. This view is that customers must have trust in the company, customers will feel safe in conducting transactions with the company, and transactions made will be guaranteed for sure. Trust is the belief that a person will find what he wants in others, not what he fears and later it become an immediate effect on the decision that customers must make, either to pursue or to end their relationship with a firm (Nguyen et al., 2013). It can reduce the risk of using services, because it can be

considered as a consequence of a positive evaluation of service and customer loyalty (Putra et al., 2020). Trust relies on someone or something that believes to have consequences in the relationship between the giver of trust and the one who is given the trust. Reference (Erne, 2022) view the concept of trust as the same as integrity, loyalty, concern, and keeping promises. Trust is a critical element in meaningful relationships; they build trust through networks of friends and family.

There are three elements to create trust: shared values, communication, and opportunistic behavior (Morgan and Hunt, 1994). Moreover, three aspects contribute to the formation of trust: ability, which refers to the seller's or organization's skill and qualities in influencing and authorizing a given field; reputation; and legitimacy (Palilati, 2007). In this case, the seller's ability to provide, serve, and secure transactions from interference of other parties. Additionally, there is benevolence, which is the seller's willingness to create mutually beneficial satisfaction for himself and the buyer. The seller can minimize the profit obtained, but customer satisfaction is also high. In addition, the final factor is integrity, which relates to the seller's conduct or business practices. Whether or not the information given to consumers is accurate.

Long-term relationships with consumers in the service and manufacturing industries hinge on consumer confidence in the organization. Trust is the essence of human connection complexity. This idea is a future-oriented aspect of quality connections.

Appears to exist when consumers are willing to rely completely on the company's future actions. Reference (Ferinnadewi and Djati, 2004) provides empirical evidence that consumer confidence in the service sector created human dimensions such as responsiveness, assurance, empathy, and reliability. The impact on consumer loyalty is even more significant when consumers who already have that trust feel satisfied. Reference (Delgado - Ballester et al., 2001) proposes that the dimensions of trust are divided into two parts, namely:

a. Brand can be Trusted (Brand Reliability)

Brands can help/satisfy consumer needs. Brands influence individual beliefs to fulfill promises in product operations.

b. Interest in the Brand (Brand Intentions)

Dimensions make individuals feel there is a guarantee that the brand will be responsible and pay attention to consumers.

Therefore, trust plays a vital role in the long-term relationship between customers and the company, mainly which includes customer confidence in the quality, reliability, and integrity of the services delivered by the company.

In the other hand, loyalty is an ancient term traditionally used to describe loyalty and enthusiastic devotion to a country, cause, or individual. In contemporary business contexts, the term loyalty describes the willingness of customers to continue to subscribe to a company in the long term by buying and using its goods and services repeatedly and preferably exclusively and voluntarily recommending the company's products to friends and colleagues (Lovelock, 2007); (Putra et al., 2020). The establishment of customer loyalty is not immediate, but rather the result of a learning process and regular service purchase over time. The greatest difficulty for service marketers is to provide prospective consumers with compelling reasons to do business with them, maintain client loyalty, and increase service usage. The effect of loyalty on the company is that it gives a long-lasting source of income. Customers will remain loyal only if they see that they are receiving greater value (including superior quality) than they would by moving to a different service provider.

Loyal customers are those who have a positive outlook on the firm, are devoted to repurchasing its products or services, and recommend them to others. It is a symptom that clients are reluctant to switch to competitors due to their faith and reliance on the quality of the service supplied (Elizar et al., 2020). Customer loyalty occurs when repeated purchases by the same customers and their willingness to

recommend products to other customers without direct rewards. Ultimately, repeated use will impact measurable financial results (Ramzi and Mohamed, 2010).

There are three dimensions to loyalty: behavioral, attitude, and cognitive. Behavioral loyalty is assessed by the frequency of purchases of the company's products and services; attitudinal loyalty is measured by client purchases; and cognitive loyalty is measured by the customer's perceptions about the product.

Customer loyalty is the final effect of a purchase, which expresses an attitude and intention to behave in the future. It expresses a commitment to repurchase the product needed by the company, a commitment to recommend to others, an intention to increase the amount of savings, an intention to or a desire to tell positive things about the company, and a willingness to pay a high price (Palilati, 2007); (Hidayat and Anasis, 2020). From several opinions regarding customer loyalty, the conclusion is that customer loyalty is a positive attitude toward a service provider by repurchasing products or services offered in the long term and recommending the company to colleagues and their families.

2 PROBLEM STATEMENT

1. Does the service quality has a significant effect towards customer's trust?
2. Does the service quality has a significant effect towards customer's loyalty?
3. Does the customer's trust has a significant effect towards customer's loyalty?
4. Does the service quality has a significant effect towards customer's trust and loyalty?

3 METHOD

3.1 Data Collection

The study is a quantitative study that involves questionnaires and interviews as the method of collecting data. Further, data were collected using the probability sampling technique by distributing questionnaires to 312 respondents.

It integrated the research variables: service quality, customer trust, and loyalty. Furthermore, each variable contains supporting indicators. The indicators in service quality variables were tangible (KP1), reliability (KP2), responsiveness (KP3), assurance (KP4), and empathy (KP5). Meanwhile, for

customer trust, the indicators were brand reliability (K1&K2) and brand intentions (K3&K4). On the other hand, the indicators of customer loyalty were consistent buying (L1), recommending the products to others (L2&L3), and consumers not moving to the rival (L4&L5).

The next stage of the study was the validity and reliability testing of the instrument using the SPSS 22 version to ensure the appropriateness of all items from the questionnaire. The Path Analysis instrument was used using the SmartPLS version 3.20. The steps of the analysis were designing a structural model (internal and external models), constructing a path diagram, converting the Path diagram to regression, parameterizing the hypothesis, and testing the hypothesis. Source: SmartPLS ver.3 Output of processed primary data.

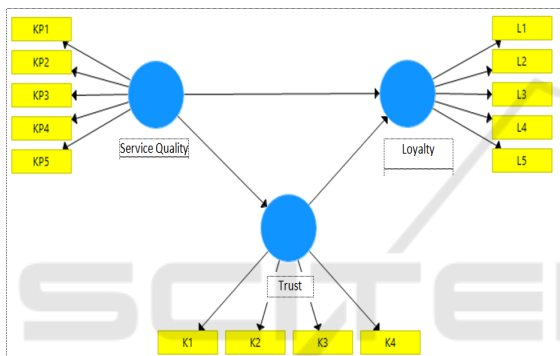


Figure 1: Constructing Path Diagram.

4 RESULT AND DISCUSSION

4.1 Evaluation of Measurement Model (Outer Model)

4.1.1 Convergent Validity Test

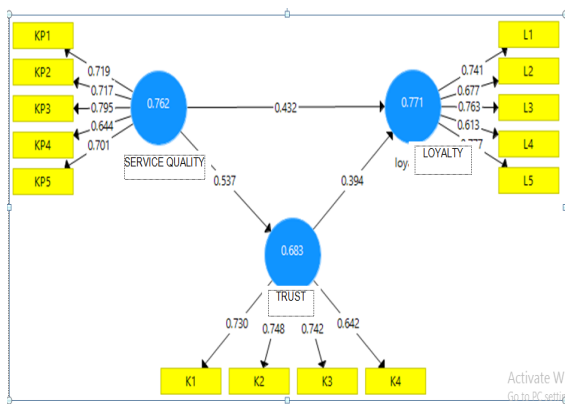


Figure 2: Output Loading Modelling Factor.

Table 1: Output Loading Modelling Factor.

	Service Quality	Trust	Loyalty
	X	Y1	Y2
KP1	0,719		
KP2	0,717		
KP3	0,795		
KP4	0,644		
KP5	0,701		
K1		0,730	
K2		0,748	
K3		0,742	
K4		0,642	
L1			0,741
L2			0,677
L3			0,763
L4			0,613
L5			0,777

The results in table 1 indicate that the loading factor gives a value above the specified value, which is 0.5, so the indicators used in this study have met and are said to be valid.

4.1.2 Discriminant Validity Test

For reflective indicators, it is necessary to test discriminant validity by comparing the values in the cross-loading table. An indicator is declared valid if it has the highest loading factor value for the intended construct compared to the loading factor value for other constructs.

Table 2: Output result for Cross Loading.

	Service Quality	Trust	Loyalty
	X	Y1	Y2
KP1	0,719	0,419	0,248
KP2	0,717	0,349	0,282
KP3	0,795	0,419	0,259
KP4	0,644	0,353	0,387
KP5	0,701	0,377	0,356
K1	0,443	0,730	0,344
K2	0,418	0,748	0,394
K3	0,365	0,742	0,323
K4	0,301	0,642	0,405
L1	0,482	0,428	0,741
L2	0,326	0,401	0,677
L3	0,276	0,142	0,763
L4	0,302	0,193	0,613
L5	0,359	0,235	0,777

4.1.3 Average Variance Extracted (AVE)

Table 3: Output result of average variance extracted.

Variabel	AVE
Service Quality	0,514
Trust	0,513
Loyalty	0,514

The results from table 3, the Average Variance Extracted (AVE) calculation, indicate that all the variables measured in this study have a variance value of more than the index value of 0.5. So it can be said that all the variance variables.

4.1.4 Reliability Test

Table 4: Reliability test results.

Variable	Remark	Cronbach's Alpha	Composite Reability	Remark
Service Quality	(X)	0,762	0,840	Reliable
Trust	(Y1)	0,683	0,808	Reliable
Loyalty	(Y2)	0,771	0,840	Reliable

Table 5: Indicator reliability test results.

Variable	Remark	Cronbach Alpha	Remark
Service Quality(X)	KP1	0,832	Reliable
	KP2	0,832	Reliable
	KP3	0,830	Reliable
	KP4	0,832	Reliable
	KP5	0,831	Reliable
Trust (Y1)	K1	0,830	Reliable
	K2	0,830	Reliable
	K3	0,832	Reliable
	K4	0,832	Reliable
Loyalty(Y2)	L1	0,826	Reliable
	L2	0,831	Reliable
	L3	0,833	Reliable
	L4	0,836	Reliable
	L5	0,828	Reliable

Table 4 shows that all the variables measured in this study have Cronbach's Alpha and Composite

Reliability values more than the index value of 0.6. Therefore all variables are reliable.

4.2 Structural Evaluation (Inner Model)

4.2.1 R² Testing

Table 6: Output calculation of R².

	R Square
Trust	0,286
Loyalty	0,292

The value of R-squared (R²) is used to measure how much influence certain independent latent variables have on the independent latent variables. The result of R² of > 0.67 indicates that the model is good, > 0.33 indicates a moderate model, > 0.19 indicates a weak model, and > 0.17 indicates a weak model. Table 5.24 shows the R² value of this study at 0.286 and 0.292, which means it has a weak model value.

4.2.2 Significance Test

a) Output Path Coefficient

Table 7: Output path coefficient.

	Original Sample (O)	Sample Mean (M)	Standard Error (STERR)	T Statistics ((O/STERR))	P Value
X ->Y1	0,394	0,401	0,059	6,697	0,000
X->Y2	0,220	0,222	0,059	3,705	0,000
Y1->Y2	0,537	0,548	0,054	9,876	0,000

b) Output Indirect Effect

Table 8: Output indirect effect.

	Original Sample (O)	Sample Mean (M)	Standard Error (STERR)	T Statistics ((O/STERR))	P Value
X->Y1->Y2	0,211	0,216	0,039	5,449	0,000
X->Y1->Y2	0,211	0,216	0,039	5,449	0,000

Before testing the hypothesis, it is known that the T-table value for the 95% confidence level (5% by

testing two parties so that the alpha becomes 0.025) and the degrees of freedom (df) = $n-2 = 312-2 = 310$ is 1.971. Hypothesis testing for each latent variable relationship is shown as follows:

Table 9: Hypothesis testing.

No	Results	Examined	Decision
1	T-test 0.394	H0 Rejected H1 Accepted	SQ has significant effect on CT
2	T-test 0.220	H0 Rejected H1 Accepted	SQ has significant effect on CL
3	T-test 0.537	H0 Rejected H1 Accepted	CT has significant effect on CL
4	T-test 0.211	H0 Rejected H1 Accepted	SQ has significant effect on CT and CL

1. The influence of service quality on trust

The results suggested that the quality of service has a major impact on consumer confidence in PT. Telkom Nunukan Branch's telecommunications services. It shows that the higher a company's service quality, the more reasonable or strong consumer confidence will be, and vice versa; if the company's service quality declines, so will consumer confidence.

2. The influence of service quality on customer loyalty

The results indicated that the quality of service has a major impact on consumer loyalty to PT. Telkom Nunukan Branch's telecommunications services. It can be read that a company's customer loyalty will be reasonable or high if its perceived service quality is high, and vice versa; if the company's service quality declines, consumer loyalty will also decline. Based on this research, service quality plays a crucial part in developing a general perception that affects customer loyalty to a firm, demonstrating that good service quality will lead to high customer courtesy, which can improve customer loyalty.

3. The influence of customer trust on customer loyalty

The results showed that consumer trust significantly influences customer loyalty to telecommunication services PT. Telkom Nunukan Branch. It can be interpreted that the higher consumer trust in the company, the consumer loyalty formed will also be high, and vice versa; if consumer trust in the company decreases, the formed consumer loyalty will decrease. Based on this research, customer trust is vital in forming a sense of security and trust in the company, which will affect the level of loyalty itself.

4. The Influence of Service Quality on Customer Trust and Loyalty

The results indicated that the quality of service significantly influenced the trust and loyalty of customers of telecommunications services PT. Telkom Nunukan Branch. It can be interpreted that the better the quality of service, the higher the customer's trust in the company, and it will also increase loyalty and vice versa. If the quality of service is lacking, the customer's trust in the company decreases, and the formed customer loyalty will decrease. Customer loyalty is the final effect of a purchase, defined as an attitude and intention to behave in the future. It is expressed through a commitment to re-purchase the product needed by the company and a commitment to recommend it to other people, the intention to increase the amount of savings, the intention or desire to tell positive things about the company, and the willingness to pay dearly.

5 CONCLUSIONS

Based on the overall discussion, service quality has a positive and significant impact on customer trust and loyalty. Service quality has a significant effect on customer trust, which directly and indirectly affects customer loyalty.

ACKNOWLEDGEMENTS

Politeknik Negeri Nunukan financed/partially supported this research. We appreciate the assistance of our colleagues and the director of Politeknik Manufaktur Bandung in completing this research. We would also to show our gratitude to:

1. Arkas Viddy, Ph.D as Director of Politeknik Negeri Nunukan who contributed in stimulated this research.
2. Dr. Besse Asniwati, SE, MSi, as Vice Director 1 of Politeknik Negeri Nunukan who contributed in stimulated this research.
3. Dr. Rafiqoh, SE, MM as Vice Director 2 of Politeknik Negeri Nunukan who allocated the budget for this research.

We also immensely grateful to all reviewers of ICAST especially for all of their insights.

REFERENCES

- Abdillah, W., & Hartono, J. (2015). Partial Least Square (PLS): alternatif structural equation modeling (SEM) dalam penelitian bisnis. *Yogyakarta: Penerbit Andi*, 22, 103-150.
- Akbar, M. M., & Parvez, N. (2009). Impact of service quality, trust, and customer satisfaction on customers loyalty. *ABAC journal*, 29(1).
- Ramzi, M., & Mohamed, B. (2010). Customer loyalty and the impacts of service quality: The case of five star hotels in Jordan. *International Journal of Economics and Management Engineering*, 4(7), 1702-1708.
- Arikunto, S. (2008). *Prosedur Penelitian Bisnis*. Bandung: Alfabeta.
- Delgado-Ballester, E., & Munuera-Alemán, J. L. (2001). Brand trust in the context of consumer loyalty. *European Journal of marketing*.
- Elizar, C., Indrawati, R., & Syah, T. Y. R. (2020). Service Quality, Customer Satisfaction, Customer Trust, and Customer Loyalty in Service of Paediatric Polyclinic Over Private H Hospital of East Jakarta, Indonesia. *Journal of Multidisciplinary Academic*, 4(2), 105-111.
- Ferinnadewi, Erna and Djati, SP. (2004). Effort to Achieve Consumer Loyalty Human Resources Perspective. *Journal of Management and Entrepreneurship*. Vol. 6, No. 1, 15 – 26.
- Hidayat, R., & Anasis, N. S. (2020, August). Analysis of E-Service Quality on Website E-Commerce on E-Customer Satisfaction. In *First International Conference on Applied Science and Technology (iCAST 2018)* (pp. 90-94). Atlantis Press.
- Erne, R. (2022). *Lean Project Management-How to Apply Lean Thinking to Project Management*. Springer Nature.
- Lovelock, C. H., & Wright, L. K. (2007). *Manajemen pemasaran jasa*. Jakarta: Indeks.
- Morgan, R. M., & Hunt, S. D. (1994). The commitment-trust theory of relationship marketing. *Journal of marketing*, 58(3), 20-38.
- Nguyen, N., Leclerc, A., & LeBlanc, G. (2013). The mediating role of customer trust on customer loyalty.
- Pakurár, M., Haddad, H., Nagy, J., Popp, J., & Oláh, J. (2019). The service quality dimensions that affect customer satisfaction in the Jordanian banking sector. *Sustainability*, 11(4), 1113.
- Palilati, A. (2007). Pengaruh nilai pelanggan kepuasan terhadap loyalitas nasabah tabungan perbankan di Sulawesi Selatan. *Jurnal manajemen dan kewirausahaan*, 9(1), 73-81.
- Pellokila, I. R., Bire, R. B., & Riwu, L. (2021, April). Analysis of Service Quality with Dematel Model. In *International Conference on Applied Science and Technology on Social Science (ICAST-SS 2020)* (pp. 109-113). Atlantis Press.
- Putra, I. P. K., Hudayah, S., & Achmad, G. N. (2020). The Effect of Customer Value and Customer Trust on Satisfaction and Customer Loyalty PT Samator Gas Industri Samarinda Seberang. *International Journal of*

Economics, Business and Accounting Research (IJEBAR), 4(02).