Service Quality, Trust, and Price on Customer Loyalty in PT Pos Indonesia Batam City

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Abstract

The purpose of this study was to study the effect of Service Quality, Trust, and Price on Customer Loyalty of PT Pos Indonesia conducted in Batam City, Riau Islands Province. The research examines three factors of service quality, trust and price by customers in the PT Pos Indonesia. A quantitative approach was employed to measure the relationships between the variables of the study. Statistical tests included descriptive statistics, internal consistency, reliability, validity, correlation and regression were conducted to determine the relationship and validate the study. The nonprobability sampling technique by incidental sampling, using the Lemeshow formula, won 384 respondents. Data analysis techniques using SPSS version 21. The results showed that 1) Service Quality has a positive and significant effect on Customer Loyalty. 2) Trust affects positively and significantly on Customer Loyalty. 3) Prices affect negatively and significantly on Customer Loyalty. 4) Service Quality, Trust, and Price simultaneously have a positive and significant effect on Customer Loyalty. Consequently, based on findings, service quality, trust and price are considered to be anticipated of customer loyalty.

Key words: Service Quality, Trust, Price, Customer Loyalty

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I. Introduction

Removal of free baggage for passengers by airlines, as well as rising cargo costs have made a number of online merchants complain. This also makes the business they started start decreasing orders because of the length of time the goods they ordered are sent, and also due to checking the goods before sending. This is very much felt by PT Pos Indonesia Batam City, which usually reaches 15 tons per day (working time), now decreasing to 10 tons, according to PT Pos Indonesia's Sales Manager. Not to mention the application of the Customs and Excise Information System (CEISA) application, it also greatly influences the buildup of goods that will leave Batam through the Batam Indonesia Post Office. Goods that come out must be checked carefully by Batam Customs and Excise officers to avoid shipping goods that have a value of more than US \$ 75 that will be taxed. In addition, the process of distributing the shipment of goods after checking will also be longer than the normal time of 3-4 days to reach the customer, but now it can reach 8 days. As a result, there has been a decline in income reaching 20-25 percent of daily income reaching Rp 350 million per day. (IDNNews.id 11 February 2019). According to the head of the Batam Branch Office M.G. Augusta, released by Batamnews.co.id Wednesday 13 February 2019, its turnover decreased significantly.

Increasing competition between companies, especially service companies, encourages every company to have a plan and strategy in carrying out its business activities. The mushrooming of online businesses are now helping to grow the prospect of a shipping service or expedition business. Currently, there are several shipping companies (expeditions) registered in Indonesia, including PT Pos Indonesia, JNE, TIKI, RPX Holding, DHL, Wahana, and Pandu Logistic. This raises the problem of high competition between companies.

PT Pos Indonesia (Persero) is a State-Owned Enterprise (BUMN) which is in the environment of the Post and Telecommunications tourism department headed by a director responsible to the Minister of SOEs and under the department of transportation. In this connection, PT Pos Indonesia (Persero) as a State-Owned Enterprise (BUMN) that carries the mission of postal services in Indonesia, is currently faced with various changes in the business environment, as a result, that appears and is influenced by various factors above.

Another important element of this service company is customer loyalty itself, loyalty is defined as non-random purchases expressed over time by some decision-making units Sangadji and Sopiah, 2013: 104). Customer Loyalty can be used as a basis or benchmark in making policies to add or reduce product value for consumers. Where companies will obtain information from consumers, namely regarding the activities of interpreting, processing, and storing information about products and brands. Therefore customer loyalty can influence

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consumer confidence in making purchasing decisions. Customer Loyalty can show how much support a consumer has for a product or service offered by the company. On the other hand, customer loyalty can prove the level of trust in the product or service offered by the company.

The purpose of this study is to determine the positive or negative effects of partial and simultaneous service quality, trust and price on customer loyalty of PT Pos Indonesia (Persero) Batam City.

II. Theoretical Framework And Hypotheses

Customer Loyalty

According to Sopiah (2013: 104), customer loyalty in the context of service marketing as a response is closely related to pledges or promises to uphold commitments that underlie relationship continuity, and are usually reflected in ongoing purchases from the same service provider based on pragmatic dedication and constraints. Customer loyalty is the power for companies to increase company profits and attract new customers because customer loyalty reflects that what is offered by the company to customers is sufficient to meet customer expectations so that customers do not hesitate to make a repeat purchase (Suhardi and Carolin, 2019). For companies to compete, companies must be able to adapt to the most fragile element in change, namely customer loyalty (Khotimah et al., 2016). While the concept of customer loyalty emphasizes more on buying behavior (Suhardi, 2016).

Customer loyalty indicators in this study were taken according to the view (Kotler & Keller, 2009: 190), namely: Repeat Purchase; Retention; Referrals.

Service Quality.

According to Tjiptono, (2014: 59) stated that service quality is the expected level of excellence and control, over the level of excellence to meet customer desires. Thus, quality is a key success factor for an organization or company, as stated by Welch in Laksana (2008: 88), quality is our best guarantee of customer loyalty, the strongest defense in the face of foreign competition, and the only path to growth and lasting income. Service quality indicators in this study were taken according to the view (Tjiptono, 2014: 68), namely: Reliability, Responsiveness, Assurance, Empathy, and Tangibles.

Trust.

Trust is the willingness of companies to depend on business partners (Kotler and Armstrong, 2012). Trust depends on several factors between individuals and between organizations, such as competence, integrity, honesty, and the goodness of the company. Sahanggamu, et.al. (2015: 1087) defines trust as a willingness or confidence in an exchange partner to establish long-term relationships to produce positive work. According to Morgan and Hunt in Suhardi (2016) defines trust as a condition when one party involved in the exchange process believes in the reliability and integrity of the other party. Kuswandani, et.al. (2015), an important element of trust is:

- 1. Is the development of past experiences and actions.
- 2. A character that is trustworthy and reliable.
- 3. Involves a willingness to put yourself at risk.
- 4. It involves a feeling of security and confidence in the partner.

Price

Oentoro (2010: 149) defines price as an exchange rate that can be equated with money or other goods for the benefits obtained from an item or service for a person or group at a certain time and place. Price is the value of a product to be exchanged for another product. This system exchanges goods for other goods or what is known as barter (Alma, 2007: 169).

According to Swastha and Handoko in Nurullaili (2013) price is the amount of money (plus some products if possible) needed to get a combination of products and services. According to Tjiptono (2014) prices can be expressed in various terms, fees, rates, rent, interest, premiums, commissions, wages, salaries, honorariums, and so on.

Based on the opinion of the experts mentioned above it can be concluded that a price is several goods and services measured by the amount of money to get a combination of goods/services of a person or company, and the person/company is willing to release goods/services owned by another party. And the price indicators in this study were taken according to Oentoro's view (2010: 159) as follows: price affordability, price suitability with service quality, price competitiveness.

Framework

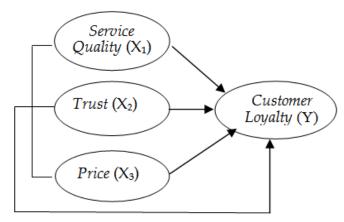


Figure 1. Framework

Hypotheses

- H₁. Does Service Quality affect Customer Loyalty at PT Pos Indonesia Batam City
- H₂. Does Trust affect Customer Loyalty at PT Pos Indonesia Batam City
- H₃. Does Price affect Customer Loyalty at PT Pos Indonesia Batam City
- H_4 Does Service Quality, Trust and Price simultaneously influence Service Loyalty at PT Pos Indonesia Batam City

The population in this study were consumers who used the services of PT Pos Indonesia (Persero) Batam City, Riau Islands Province with a nonprobability sampling technique with incidental sampling, using the Lemeshow formula, totaling 384 respondents.

Variable	Indicator	Skala
Service Quality (X ₁)	Tangibles Reliability Responsiveness Assurance Empathy	
Trust (X ₂)	Interaction Ability Can be trusted Open attitude	
	affordability of prices; appropriateness of	Skala Likert
Price (X ₃)	prices with service quality	
	price competitive- ness	
	Repeat Purchase	
Customer	Retention	1
Loyalty (Y)	Referrals	

Table 1. Variables and Indicators

III. Research Method

The questionnaire was designed base on Likert scale and was adopted from prior research studies with high levels of reliability (CronBach Alpha all above 0.7). The questionnaire was distributed amongst subscribers of PT Pos Indonesia at various locations in Batam City. Each respondent was asked to participate in the study by answer the questionnaire based on recent transaction with the service provider. The first part of the survey was classified into four dimensions. These four dimensions are consisted of Service Quality, Trust and Customer Loyalty. The survey questionnaire design is derived from multiple-item measurement scales. The measuring scale of items was Likert Scale analyses in a Five Point Scale where number 1 stands for strongly disagree (Completely Disagree) and number 5 stands for strongly agree (Completely Agree) and number 3 stands for no opinion or not important (Natural Opinion). The analytical method used to obtain information about the magnitude of the strength of the independent variable on the dependent variable is to use multiple linear regression methods using SPSS version 21.

IV. Data Analysis And Discussion

Profile of Respondents

Table 2. Profile of Respondents

No	Gender	Frequency	(%)
1	Male	183	47.7
2	Female	201	52.3
	Total	384	100.0
No	Age	F Frequency	(%)
1	17-24 years	201	52.3
2	25-30 years	154	40.1
3	31-40 years	4	1.0
4	41-45 years	25	6.5
5	> 45 years	0	0.0
	Total	384	100,0
No	Education	Frequency	(%)
1	SLTA	238	62.0
2	Diploma/S1	145	37.8
3	S2	1	0.3
4	S 3	0	0.0
	Total	384	10,0
No	Work	Frequency	(%)
1	Labor	345	89.8
2	Student	6	1.6
3	Private	30	7.8
4	Civil	3	0.8
	Total	384	100.0

Research result Data Quality Test Results

Table 3. Validity Test Results

1 abic	Table 3. Validity Test Results					
Variable	Item	$\mathbf{R}_{\mathrm{count}}$	Validity			
	1	0.720	Valid			
Camina Ouglitu	2	0.682	Valid			
Service Quality	3	0.772	Valid			
(X_1)	4	0.772	Valid			
	5	0.798	Valid			
	1	0.826	Valid			
$Trust(X_2)$	2	0.736	Valid			
	3	0.683	Valid			
	1	0.905	Valid			
Duine (V.)	2	0.811	Valid			
$Price(X_3)$	3	0.874	Valid			
	4	0.777	Valid			
Customer Lovalty	1	0.663	Valid			
Customer Loyalty	2	0.903	Valid			
(Y)	3	0.920	Valid			

Table 4. Variable Reliability Test Results

Variable	Cronbach's Alpha	N of Items
Service Quality	0.802	5
Trust	0.790	3
Price	0.852	3
Customer Loyalty	0.781	3

Classic assumption test

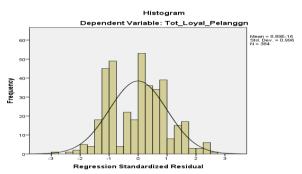


Figure 2. Normality Test (Histogram)

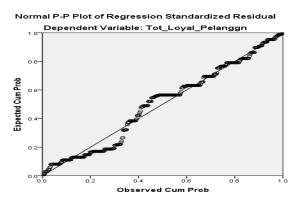


Figure 3. Normality Test Results (P-Plot)

Table 5. Multicollinearity Test Results Coefficients^a

Model		Collinearity Statistics		
		Tolerance	VIF	
	Tot_ Service_Quality	.409	2.444	
1	Tot_Trust	.580	1.725	
	Tot_Price	.487	2.051	

a. Dependent Variable: Tot_ Customer_Loyalty

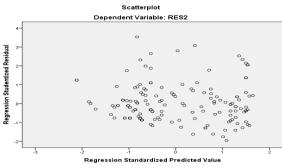


Figure 4. Results of Scatterplot Heteroscedasticity Test with Glejser

Influence Test Results

Table 6. Analysis of Multiple Linear Regression

	C	oefficients	S"		
Model		Unstandardized Coefficients		t	Sig.
	В	Std. Error	Beta		
1 (Constant)	.333	.448		.743	.458

Tot_ Ser- vice_Quality	.090	.028	.166	3.185	.002
Tot_Trust	.932	.052	.794	17.843	.000
Tot_Price	116	.037	136	-3.151	.002

a. Dependent Variable: Tot_ Customer_Loyalty

Obtained multiple regression equation, namely:

 $Y = 0.333 + 0.090 \times_1 + 0.932 \times_2 - 0.116 \times_3 + e$

 Table 7. T-test Results

Coefficientsa

	Model		ndardized ficients	Standardized Coefficients	t	Sig.
		В	Std. Error	Beta		
	(Constant)	.333	.448		.743	.458
1	Tot_ Ser- vice_Quality	.090	.028	.166	3.185	.002
	Tot_Trust	.932	.052	.794	17.843	.000
	Tot_Price	116	.037	136	-3.151	.002

a. Dependent Variable: Tot_Customer_Loyalty

Based on table 7 can be explained:

- 1. The t-value of the Service Quality (X_1) variable is 3.185 and the significance is 0.002 <0.05, so Service Quality affects the Customer Loyalty of PT Pos Indonesia in Batam City. A positive t value indicates that Service Quality (X_1) has a direct relationship with Customer Loyalty (Y).
- 2. The t-value of the Trust variable (X_2) is 17,843 and the significance is 0,000 <0.05, so the Trust influences the Customer Loyalty of PT Pos Indonesia in Batam City. Positive t value indicates Trust (X_2) has a direct relationship with Customer Loyalty (Y).
- 3. The value of the t-variable variable Price (X_3) is -3.151 significance of 0.002 < 0.05, then Price influences the Customer Loyalty of PT Pos Indonesia in Batam City. A negative t value indicates that Price (X_3) has an inverse relationship with Customer Loyalty. A negative t value indicates that Price (X_3) has the opposite relationship with Customer Loyalty (Y), when PT Pos Indonesia raises Price, the level of Customer Loyalty will decrease.

Table 8. Test Results F

ANOVA^a

Mod	del	Sum of Squares	df	Mean Square	F	Sig.
Regre	ssion	570.557	3	190.186	304.534	.000 ^b
1 Residu	ıal	237.315	380	.625		
Total		807.872	383			

a. Dependent Variable: Tot_ Customer_Loyalty

b. Predictors: (Constant), Tot_Price, Tot_Trust,

Tot_Service_Quality

F count = 304.534 > F Table = 3.03 and sig = 0.000, then Service Quality, Trust, and Price simultaneously affect the PT Pos Indonesia Customer Loyalty in Batam City.

Table 9. Test Results for the Coefficient of Determination

Model Summary^b

Wiodel Sullinary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.840a	.706	.704	.79026		

a. Predictors: (Constant), Tot_Price, Tot_Trust, Tot_Service_Quality
b. Dependent Variable: Tot_Customer_Loyalty

Adjusted R Square test results are worth 0.704, meaning that Service Quality, Trust, and Price have a strong influence on Customer Loyalty of 70.4% while the remaining 29.6% is influenced by other factors.

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V. Discussion

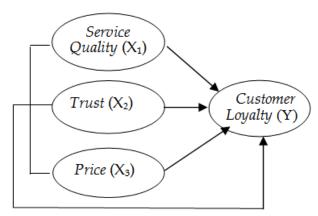


Figure 5. Research Results

1. Effect of Service Quality on Customer Loyalty

Based on the results of the study found Service Quality (X_1) has a significant effect on Customer Loyalty, based on the results of the t-test of Customer Loyalty (X_1) of 3.165 and significant value of 0.002 below alpha 0.05, then Service Quality (X_1) has a positive and significant effect on Customer Loyalty (Y), means that Service Quality conducted by PT Pos Indonesia in Batam City is able to encourage an increase in Customer Loyalty.

The results of this study confirm previous research conducted by Pongoh, (2013), Oroh and Moniharapon, (2015), Tomida, M., & Satrio, B, (2016), the results of his research indicate that Service Quality influences Customer Loyalty.

2. The influence of trust on customer loyalty

Based on the results of the study found that Trust (X_2) has a significant effect on Customer Loyalty, based on the results of the statistical t-test of Trust (X_2) of 17,843, and significant value of 0,000 below alpha 0.05, then Trust (X_2) has a positive and

significant effect on Customer Loyalty (Y), which means that the Trust of PT Pos Indonesia in Batam City is directly proportional and can increase Customer Loyalty.

The results of this study confirm the previous research conducted by Soong Ching-Hsien, (2012), the results of the Trust's research affect customer loyalty.

3. Effect of Price on Customer Loyalty

Based on the results of the study found that Price (X_3) has a significant effect on Customer Loyalty, based on the results of statistical tests t Price (X_3) of -3.151 and significant value of 0.002 below alpha 0.05, then Price (X_3) has a significant effect on Customer Loyalty but marked negative, which means that the price of PT Pos Indonesia in Batam City is inversely proportional to Customer Loyalty.

The results of this study confirm research previously conducted by Pongoh, (2013), Oroh and Moniharapon, (2015), the results of his study stated that Price influences Customer Loyalty.

4. Simultaneous Effect of Service Quality, Trust, and Price on Customer Loyalty

Based on the results of the study found Service Quality (X_1) , Trust (X_2) , and Price (X_3) simultaneously have a significant effect on Customer Loyalty, based on the results of statistical tests F calculated Service Quality (X_1) , Trust (X_2) and Price (X_3) of 304,534 and significant at 0,000 below alpha 0.05, then Service Quality (X_1) , Trust (X_2) and Price (X_3) simultaneously have a positive and significant effect on Customer Loyalty (Y).

VI. Conclusion, Implication, Suggestion, And Limitations

Conclusion

The conclusions of this study are:

- 1. Service Quality has a positive and significant effect on PT Pos Indonesia's Customer Loyalty in Batam City.
- 2. Trust has a positive and significant effect on PT Pos Indonesia's Customer Loyalty in Batam City.
- 3. Price has a negative and significant effect on PT Pos Indonesia's Customer Loyalty in Batam City.
- 4. Service Quality, Trust, and Price simultaneously have a positive and significant influence on PT Pos Indonesia's Customer Loyalty in Batam City

Implication

From the results of research discussions at PT Pos Indonesia in Batam, customers should get an award that is realized in the form of providing decent, good quality service, so that it can encourage increased Customer Loyalty. And to achieve good Customer Loyalty is also determined by improving Service Quality, this is

shown from the mastery of Service Quality employees in carrying out their duties. Service Quality, Trust and Price can be optimized. Price in this study has a significant effect on Customer Loyalty, but is negative, which reflects that what if a high Price will reduce the level of Customer Loyalty. For this reason, PT Pos Indonesia needs to be careful in raising the price, because rising prices can reduce the level of Customer Loyalty (customers will move to other shipping/freight forwarding services) to find cheaper prices.

Additionally, the scale reliability was confirmed for service quality, trust, perceived value and customer loyalty. The findings of this study provide us with the understanding of the key drivers of consumer loyalty. The results of this study also show that improving service quality leads to increase appropriate customer loyalty among subscribers of various services, and customers desire to deal with service providers that provide excellent services with reasonable prices. The findings of the study indicate that good service quality could cause customer perceived value and trust lead to increasing loyal customer. In other words, the managers could improve customer perceived value and trust by emphasizing on service quality and consequently gain customers that are more loyal. A perceived superior value by customer is widely accepted to be a competitive advantage for the firm. Moreover, it is valid to suggest that customers' loyalty may have a significant impact on the trust people of the Batam City. Hence, while managers attempt to create profitable strategies for the company and try to develop larger market share, they should not forget the importance of customer loyalty. Attention should be given to loyalty of customer in strategy development to maintain service quality, improve trust and increase price perceived value.

Suggestion

The suggestions that can be given in this study are:

- 1. Because PT Pos Indonesia's Service Quality in Batam City has a positive and significant impact on Customer Loyalty, PT Pos Indonesia's employees/employees in Batam City can continue to maintain Service Quality, if it is still possible it is necessary to continually improve, because if not, then by the increasing number of competitors will have an impact on reducing Customer Loyalty.
- 2. Trust PT Pos Indonesia in Batam City has a positive and significant impact on Customer Loyalty. The community already believes in PT Pos Indonesia given that this expedition has long been established, and is also trusted by the customer to have a large fleet so that the goods sent can be received on time according to what is expected by the customer. Trust must be maintained.
- 3. PT Pos Indonesia in Batam City needs to be careful in raising the price of shipping services, at least it must survey the price of other competitors, because if not, then the customer will be able to move to another expedition (shipping service). Customers will look for relatively inexpensive shipping services.
- 4. It is also recommended, for the employees/officers of PT Pos Indonesia Batam City to continue to be able to develop themselves by increasing employee skills or potential, increasing responsibilities in work which ultimately impact on Service Quality, because with good Service Quality, PT Pos Indonesia will increase Customer Loyalty.
- 5. To other studies, who wish to examine this subject, it is suggested to be able to refine this research with a wider scope, such as taking other variables that are not included in this study so that it can provide benefits and better influence for world development expedition in Indonesia.

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