Effect of Service Quality on Customer Satisfaction, Customer Delight and Customer Loyalty (Study on LPD Desa Adat Sembung and LPD Desa Adat Seseh)

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Abstract:
LPD Desa Adat Sembung and LPD Desa Adat Seseh are LPDs that are categorized as healthy but in the last 3 years the number of savings customers increased but the growth of savings funds decreased. There is a decrease in the number of savings that occur each year in LPD Desa Adat Sembung and LPD Desa Adat Seseh. This study to confirm the relation of Service quality to Customer Satisfaction, Customer Delight and Loyalty of Customers of LPD Desa Adat Sembung and LPD Desa Adat Seseh. The population in this research is all customer of LPD Sembung and Seseh Adat Customers who become customer from LPD stand up until 2015 with total population amounted to 2301 customers. Sampling used Slovin formula, which amounted to 95 customers. The analysis technique used in this research is structural equation modeling (SEM) based on variance or component based SEM, known as Partial Least Square (PLS). From the research result, it is found that service quality have positive and significant effect to customer satisfaction and customer delight, service quality has no significant effect to customer loyalty, but service quality will influence customer loyalty through customer satisfaction mediation and customer delight, customer satisfaction and customer delight have positive effect significant to customer loyalty.

Keywords: Service Quality, Customer satisfaction, Customer delight, Customer loyalty

Introduction:
The existence of LPD is special because it is not subject to the Act Number 1 Year 2013 concerning Micro Finance Institution which is confirmed with the provision of the transition of Law no. 1 year 2013 article 39 paragraph (3) which reads; "Lembaga Perkreditan Desa dan Lumbung Pitih Nagari as well as similar institutions that existed before this law is in force, are declared to be recognized under customary law and are not subject to this law. LPD Desa Adat Sembung and LPD Desa Adat Seseh are LPDs that are categorized as healthy but in the last 3 years the number of savings customers increased but the growth of savings funds decreased.
There is a decrease in the number of savings that occur each year in the LPD Desa Adat Sembung
decline in 2015 a decrease of 0.3% from 2014 and then declined again in 2016 a decline of 13.8% from 2015 and the decline in the number of savings that occur each year also occur in LPD Desa Adat Seseh, the decline of 2015 decreased 19.3% from 2014 then declined again in 2016, a decrease of 5.6% from 2015. This is because customers do not want to trust or save or re-transact in LPDs this can be identified under the declining loyalty of customers. Loyalty is an important factor in business survival and the development of competitive environments (Bilika et al., 2016; Sumantra and Yuesti, 2015). Service quality is one way to increase loyalty because the success of a service action is determined by quality. In addition to service Quality factors, satisfaction is one factor that plays a role in increasing loyalty. Justin Paul et al. (2016) argues that loyalty is directly influenced by customer satisfaction with service quality. Apart from the Service quality, customer satisfaction, customer delight is one factor that plays a role in increasing customer loyalty. If customer delight of the customer has been established, then the next task of the company is to obtain and maintain loyalty.

Based on the above explanation, this research is conducted to confirm the relation of Service quality to Customer Satisfaction, Customer Delight and Customer Loyalty, and also to determine whether customer satisfaction or customer delight is better in determining customer loyalty.

**Literature Review:**

**Service Quality:**

Service quality within a service company is often conditioned as a comparison between the expected service and the service received significantly. Companies that are able to provide good service to their customers or customers have the greatest opportunity to continue to be visited by their customers (Liu and Wu 2007). Because service quality is an important instrument that will make customers behave positively like, behavior to promote (refer to) company products to others (Gounaris et al., 2003). Then it can be interpreted that the Service quality will have a positive impact on customer loyalty (Lyon and Powers 2004). According to Parasuraman (1998: 77) there are 5 indicators of service quality Tangibles, Reliability, Responsiveness, Assurance and Empaty.

**Customer Satisfaction:**

Tjiptono (2001), consumer satisfaction/dissatisfaction is the consumer's response to a perceived discrepancy / disconfirmation evaluation between the previous expectations (or other performance norms) and the actual performance of the perceived product after usage. Kotler in Mulyana (2009) suggests that "Consumer satisfaction is the level of one's feelings after comparing the performance of perceived results compared with expectations". According to Kotler "Consumer satisfaction is the feeling of pleasure or disappointment of someone who emerged after comparing the perception or the impression to the performance or the outcome of a product and its expectations" (Kotler, 1997). According to Day (in Tse and Wilton) quoted by Tjiptono "Satisfaction or consumer dissatisfaction is the consumer's response to the evaluation of discrepancy or disconfirmation that is felt between previous expectations (or other performance norms) and the actual performance of the perceived product after its use". Indicator of satisfaction according to Selnes (1993): Experience, Expectation and Overall Satisfaction

**Customer Delight:**

Customer delight is the reaction of customers when they receive a service or product that delivers value beyond their expectations (Mascarenhas, et.al, 2004). To create delight, the company must understand customer needs, anticipate customer needs, deliver more what customers expect, and make every moment of the aspect in this relationship fun, or a fun experience. According to Plutchik in Kwong and Yau (2002) states that delight is a complex emotion, a combination of "joy" and "surprise". Such customers have a high emotional attachment and positive cognition. In contrast, outrage is a combination of "surprise" with "angry". Kwong, Yau and Oliver (2002), explains the indicators in customer delight, namely Justice, Esteem, Security, Trust, Variety.

**Customer Loyalty:**

According to Christina Whidya Utami (2006: 58), Consumer loyalty is the loyalty of consumers to shop at certain locations. Loyalty does not form in a short time but through the learning process and based on the experience of the consumers themselves from the purchase all the time. If the
obtained is in accordance with expectations then the purchase process continues to recur. It can be said that there has been a loyalty. According to Foster and Cadogan (2000: 38) the definition of loyalty is to determine the choice to continue to use products or services of a company. The attitude of making that choice is also to make a commitment and repurchase the company. According to Karsono (2008: 12) loyalty is a deep commitment to buy back or subscribe a product or service consistently in the future so that it can lead to repetition of the purchase of the same product despite the influence of the situation and various marketing efforts that have the potential to cause action product movement. According to Fandy Tjiptono (2000: 110) is a customer commitment to a brand, store, or supplier based on a positive attitude and is reflected in a consistent purchase. Meanwhile, according to Kotler (2002: 18) customer loyalty is a measure of customer attachment to a product that manifests in the desire to recommend it to others. According to Jill Griffin (2005: 31), indicators of Customer Loyalty are as follows: Makes regular repeat purchases, Refers others, Demonstrates immunity to the pull of the competition.

Previous Research:

Research conducted by (Pontoh and Tumbuan 2014) suggests the Service quality affect the satisfaction. This result is in line with research conducted by Nariswari and Iriawan (2007), Putri (2014), Sitorus and Suwarno (2015) and Viriya, Fadzil, and Ismail (2015). However, different results from research conducted by Qomariah (2012) say the relationship Service quality is not significant to satisfaction.

Research conducted by (Haryono et al 2015) suggests that the Service quality has a positive effect on customer delight. This result is in line with research conducted Elias-Almeida et al (2017), but different results from research conducted by Gilani et al (2016) service quality is not significant to customer delight.

Research conducted by (Henriawan 2015) suggests that service quality has a positive and significant impact on loyalty, this result is in line with Maskur, Qomariah and Nursaidah (2016), Montolalu, Mananeke and Oroh (2015), Pramana and Rastini (2016) and Viriya, Fadzil, and Ismail (2015). However, different results from research conducted Qomariah (2012), Princess (2014), Swasto, Hamid and Firdaus (2014) who said the relationship Service quality is not significant to loyalty.

Research conducted by (Henriawan 2015) suggests that the relationship of satisfaction is significant to loyalty, these results are in line with those studied by Nariswari and Iriawan (2007), Qomariah (2012), Princess (2014), and Mohsan (2011). But the results are different from studies conducted by Montolalu, Mananeke, and Oroh (2015) who say the relationship of satisfaction is not significant to loyalty.

Research conducted by (Elias-Almeida 2016) which suggests that customer delight relations are significant to loyalty, these results are in line with those examined by Loureiro, Kastenholz (2011), but different results from research conducted by Loureiro, Mirand, Breazeale (2014) which says the customer delight relationship is insignificant to loyalty.

### Hypothesis Formulation:

Hypothesis 1 (H1): Service Quality positively affects customer satisfaction

Hypothesis 2 (H2): Service Quality positively affects Customer delight

Hypothesis 3 (H3): Service Quality positively affects customer loyalty

Hypothesis 4 (H4): Customer satisfaction has a positive effect on customer loyalty
Hypothesis 5 (H5): Customer delight positively affects customer loyalty

Research Methods:
In this study, the Population in this research is all customers of LPD Sembung Custom Village which become customer from LPD stand up until year 2015 which amounted to 1567 people and LPD Desa Adat Seseh become customer from LPD stand up until year 2015 which amounts 734 so the total population is 2301 customers. Determination of sampling using slovin then with a population of 2301 customers with a precision level taken 10%, the number of samples taken is 95 as much. In determining the sample, the total population is determined by using Proportional Stratified Random Sampling method so that the sample number of 95 people with 65 clients from LPD Desa Adat Sembung and 30 customers from LPD Desa Adat Seseh. Instrument research is the technique of analysis used is equation model structural (Structural Equation Modeling - SEM) based variance or component based SEM, known as Partial Least Square (PLS).

Research Result and Discussion:
The results of the four variables have an AVE value above 0.50 and all variables have an AVE root value higher than the correlation coefficient between one variable with other variables so that it can be said that the data has good discriminant validity, the composite reliability of the four latent variables has been above 0.70, delivered that the reliable indicator block measures the variable.

Model of Analysis Result (Bootstrapping)
Research Discussion:

As for each explanation hypothesis as follows:

**Hypothesis Testing 1:** The influence of service quality on customer satisfaction

Hypothesis 1 states that the Service quality has a positive and significant impact on customer satisfaction. The test result on the parameter coefficient between service quality and satisfaction shows that there is a positive correlation with the coefficient value of 0.794 with the t-statistic value of 13.533 the value is above the crystal value 1.96, so (H1): the influence of service quality on satisfaction is acceptable. This means the better the Service quality s provided then the customer will be more satisfied with the LPD.

**Hypothesis Testing 2:** The influence of service quality on customer delight

Hypothesis 2 states that service quality has a positive and significant impact on customer delight. The test result to the parameter coefficient between service quality to customer delight shows a positive relationship with coefficient value of 0.894 with a t-statistical value of 38.480. The t-statistic value is above the critical value 1.96, so (H2): the influence of service quality on customer delight is acceptable. This means that good service quality can improve customer delight of LPD customers.

**Hypothesis Testing 3:** The influence of service quality on customer loyalty

Hypothesis 3 states that service quality has a positive and insignificant effect on customer loyalty. The test result to the parameter coefficient between service quality to customer loyalty showed a positive correlation with coefficient value of 0.048 with t-statistic value of 0.499. The value of t-statistics is below the critical value of 1.96, so (H3): the influence of service quality on customer loyalty is unacceptable. This means however the Service quality s provided then not necessarily can increase customer loyalty. However, based on the results of mediation tests conducted to result that the Service quality will be able to increase customer loyalty when customers feel delighted and satisfied so as to increase customer loyalty.

**Hypothesis Testing 4:** The influence of customer satisfaction on customer loyalty

Hypothesis 4 states that customer satisfaction has a positive and significant impact on customer loyalty. The test result on the parameter coefficient between satisfaction with customer loyalty showed a positive correlation with coefficient value of 0.398 with t-statistic value of 6,088, the value is above the critical value 1.96, so (H5): the effect of satisfaction on customer loyalty is acceptable. This means that the more satisfied customers LPD then encourage customer loyalty.

**Hypothesis Testing 5:** The influence of customer delight on customer loyalty

Hypothesis 5 states that customer delight has a positive and significant effect on customer loyalty. The test result to the parameter coefficient between customer delight to customer loyalty showed a positive relationship with the value of coefficient of 0.525 with the t-statistic value of 6666, the value is above the value of 1.96, so that (H6): customer delight influence on customer loyalty is acceptable. This means that the increased customer delight then the loyalty of customers is increasing.

**Recapitulation of Mediation Variable Testing Result:**

The results of the test of mediation variables that can be submitted are as follows:

1. Customer satisfaction (Y1) is a key variable as mediation that is able to mediate positively and significantly on the indirect effect of service quality (X) on customer loyalty (Y3). Other information that can be delivered, the effect of satisfaction mediation (Y1) on the indirect effect of service quality (X) on customer loyalty (Y3) is full mediation. These findings provide clues, customer satisfaction variables (Y1) is a key determinant of the influence of service quality (X) on customer loyalty (Y3).

2. Customer Delight (Y2) is able to mediate positively and significantly on the indirect effect of service quality (X) on customer loyalty (Y3). Another information that can be conveyed, the effect of customer delight variable mediation (Y2) on the indirect effect of service quality (X) on customer loyalty (Y3) is full mediation. These findings provide clues, customer delight (Y2) variable is a key determinant of the influence of service quality (X) on customer loyalty (Y3).
In order to know the overall effect for each relationship among variables researched, it can be presented recapitulation of direct effects, indirect effects, and total effect as follows:

### Calculation of Direct, Indirect and Total Effects:

<table>
<thead>
<tr>
<th>Variabel Relationship</th>
<th>Calculation of direct</th>
<th>Indirect</th>
<th>Total Effects</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Service quality (X) → Customer satisfaction (Y1)</td>
<td>0.794&lt;sup&gt;S&lt;/sup&gt;</td>
<td>-</td>
<td>0.794</td>
</tr>
<tr>
<td>2 Service quality (X) → Customer delight (Y2)</td>
<td>0.894&lt;sup&gt;S&lt;/sup&gt;</td>
<td>-</td>
<td>0.894</td>
</tr>
<tr>
<td>3 Service quality (X) → Customer satisfaction (Y1) → Customer loyalty (Y3)</td>
<td>0.048&lt;sup&gt;NS&lt;/sup&gt;</td>
<td>0.316</td>
<td>0.364</td>
</tr>
<tr>
<td></td>
<td>Service quality (X) → Customer Delight (Y2) → Customer loyalty (Y3)</td>
<td>0.048&lt;sup&gt;NS&lt;/sup&gt;</td>
<td>0.469</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.794*0.398)</td>
<td>(0.894*0.525)</td>
</tr>
<tr>
<td>4 Customer satisfaction (Y1) → Customer loyalty (Y3)</td>
<td>0.398&lt;sup&gt;S&lt;/sup&gt;</td>
<td>-</td>
<td>0.398</td>
</tr>
<tr>
<td>5 Customer delight (Y2) → Customer loyalty (Y3)</td>
<td>0.525&lt;sup&gt;S&lt;/sup&gt;</td>
<td>-</td>
<td>0.525</td>
</tr>
</tbody>
</table>

Source: data processed

The information obtained from the table above describes the effect of customer delight variable mediation (Y2) on the indirect effect of service quality (X) on customer loyalty (Y3) is greater, that is the path coefficient of 0.469, followed by the variable mediation effect of customer satisfaction (Y1) on the indirect effect of service quality (X) on customer loyalty (Y3) is greater, that is by path coefficient of 0.316. Thus overall, the line of service quality (X) → Customer delight (Y2) → customer loyalty (Y3) is greatest with total effect gained 0.517, followed by service quality line (X) → Customer satisfaction (Y1) → loyalty customer (Y3) with a total effect of 0.364. These findings provide good service quality guidance to increase customer loyalty by making customer delight.

**Conclusion:**

From the results of this study, it can be concluded that:

1. Service quality has a positive and significant impact on the satisfaction of LPD Desa Adat Sembung and LPD Desa Adat Seseh, this means the better the service quality provided by LPD, customer satisfaction is increasing. Likewise, the worse the Service quality provided by LPD then the customer satisfaction will decrease.

2. Service quality has a positive and significant impact on Customer delight in LPD Desa Adat Sembung and LPD Desa Adat Seseh, this means the better the Service quality provided by LPD, customers delight customer will increase. Similarly, the worse the Service quality provided LPD customer delight will decline further.

3. Service quality has no significant effect on customer loyalty in LPD Desa Adat Sembung and LPD Desa Adat Seseh this means that any Service quality given can’t make customer become loyal, but service quality will increase customer loyalty if customer satisfied with LPD thus giving rise to customer delight which will increase customer loyalty. But the Service quality will be able to increase customer loyalty if the customer feel delighted and satisfied so as to increase customer loyalty.

4. Customer satisfaction has a positive and significant impact on customer loyalty in LPD Desa Adat Sembung and LPD Desa Adat Seseh, this means that higher customer satisfaction will increase customer loyalty to LPD. Similarly, lower customer satisfaction, customer loyalty to LPD will decrease.

5. Customer Delight has a positive and significant impact on customer loyalty to LPD Desa Adat Sembung and LPD Desa Adat Seseh, this means that the higher customer delight owned by the customer will increase customer loyalty to LPD. Similarly, the lower customer delight owned by the customer then the loyalty of LPD customers will further decline.
Research Limitations:
The limitations of this study can be addressed the problems facing the LPD differ from time to time. If the model is applied at different times and conditions it is possible to obtain different results. In addition to the development of more relevant indicators used in each variable, as well as many factors as a determinant of customer loyalty. This is considering the effort to increase customer loyalty is quite important where now more and more competition

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