

# ANALYSIS OF THE EFFECT OF PRODUCT QUALITY AND SERVICE QUALITY ON REPURCHASE INTEREST IN CULINARY UMKM MEDIATED BY MEDIATING CUSTOMER SATISFACTION: A CASE STUDY ON WE'E DEWE SNACKS

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[https://doi.org/ 10.37715/rmbe.v3i1.4344](https://doi.org/10.37715/rmbe.v3i1.4344)

**Abstract-** This study aims to examine the effect of product quality and service quality on repurchase intention directly or indirectly through customer satisfaction. The variables studied were product quality (X1), service quality (X2), customer satisfaction (M), and repurchase intention (Y). The method used in this study is using quantitative approach and analyzed using SEM-PLS. Data collection was done by using a questionnaire which was distributed online using the google form. The population in this study are people who have bought Jajanan We'e Dewe products at least 1 (one) time. Meanwhile, the research sample criteria are the customers of Jajanan We'e Dewe who have visited IG, Whatsapp, or came directly to Jajanan We'e Dewe and have an interest or desire to repurchase Jajanan We'e Dewe products. The number of respondents in the study were 50 people. The result of the study had found that there was a significant influence on the effect of product quality and service quality on customer satisfaction, the effect of customer satisfaction on repurchase intention, and the effect of product quality and service quality on repurchase intention through customer satisfaction. Meanwhile, the direct effect on product quality and service quality on repurchase intention did not show significant results.

**Keywords:** Product Quality, Service Quality, Customer Satisfaction, Repurchase Intention

## 1. Introduction

We'e Dewe snacks are one example of UMKM in the culinary sector located in Tangerang City. This culinary business was established in 2010. We'e Dewe Snacks mostly focus on selling market snacks, such as mayonnaise risoles, spring rolls, pastels, and others. In April 2022, We'e Dewe Snacks managed to earn revenue of IDR 11,102,000.00. However, the income of Jajanan De'e Dewe immediately experienced a very significant decline and tended to fluctuate in the following months. Even so, in customer data on sales from April 2022 to October 2022, several names continue to appear every month. In fact, in a month some customers make purchases more than 1 (one) time. The satisfaction and dissatisfaction felt by customers with the products and services provided is related to repurchase interest. Therefore, to find out what factors affect the satisfaction and interest of buying back by We'e Dewe customers, researchers conducted a pre-survey of 16 respondents. Referring to the results of the pre-survey, it can be seen that product quality is the main reason underlying the emergence of customer satisfaction

and makes customers interested in making repeat purchases. Based on a review of the literature and the phenomena that occur, this study was conducted to know the influence of product quality and service quality in influencing customer repurchase interest to make repurchases with customer satisfaction as a connecting variable.

## 2. Literature Review

### 2.1 Previous Research

Ongkowijoyo (2022) this research was conducted with the aim of finding out whether there is an influence of product quality and price on customer satisfaction and repurchase interest in the case study of Cipork Keriyuk G-Walk branch. This study used quantitative methods using purposive sample techniques with the number of samples obtained as many as 85 people. Data analysis was carried out using SEM PLS. The variables used are product quality, price, customer satisfaction, and repurchase interest. The result of this study is that price and product quality have a significant influence on customer satisfaction.

Hilal and Top (2019) conducted a study entitled "*Impact of Product and Service Quality of Gated Communities on the Repurchase Intentions: Case Study in Kurdistan Region of Iraq*". The sampling technique in this study is *random sampling* with the number of research respondents as many as 320 people and the analysis technique used is SEM. The variables used in this study are product quality, service quality, customer satisfaction, and repurchase interest. The results of the study show that product quality and service quality have a significant influence on repurchase interest

Rizki, et. al. (2021) this research was conducted with the aim of testing and analyzing the impact of product quality and service quality on repurchase interest. This research method was carried out using a quantitative approach with sampling techniques using *snowball sampling* with a total of 100 respondents. Data analysis was carried out using SEM PLS. The variables used in this study were product quality, service quality, and repurchase interest. The results of this study show positive results and there is a significant influence on product quality and service quality on repurchase interest.

Albari (2020) this research was conducted with the aim to examine the effect of product quality, service quality, and price on customer satisfaction and loyalty. The research method carried out is to use a quantitative research approach. The sampling technique in this study was to use *convenience sampling* with the number of respondents as many as 96 people who made purchases at Bu Zuni Fried Chicken Restaurant.

### 2.2 Theoretical Review

#### 2.2.1 Theory of Planned Behavior (TPB)

Theory of Planned Behavior (TPB) is a theory that emerged as the main framework for understanding, predicting, and changing human social behavior (Ajzen, 2012: 438). According to TPB theory, a person's interest is what precedes his behavior and it is a function of attitude towards behavior, subjective norm, and perceived behavioral control.

#### 2.2.2 Product Quality

Product quality is important in increasing the competitive value of a product to provide customer satisfaction (Raharjo in Grace, et. al., (2021: 70). Product quality also reflects all dimensions that can benefit customers (Tjiptono, 2015).

### 2.2.3 Service Quality

Service quality is a way to satisfy customer wants and needs and accuracy in delivering balanced customer expectations (Naini, et. al., 2022: 37). According to Tjiptono (2015), service quality is an effort made by a company (or business entity) to meet customer expectations of the service to be received, so that the company can survive in the market and gain customer trust.

### 2.2.4 Customer Satisfaction

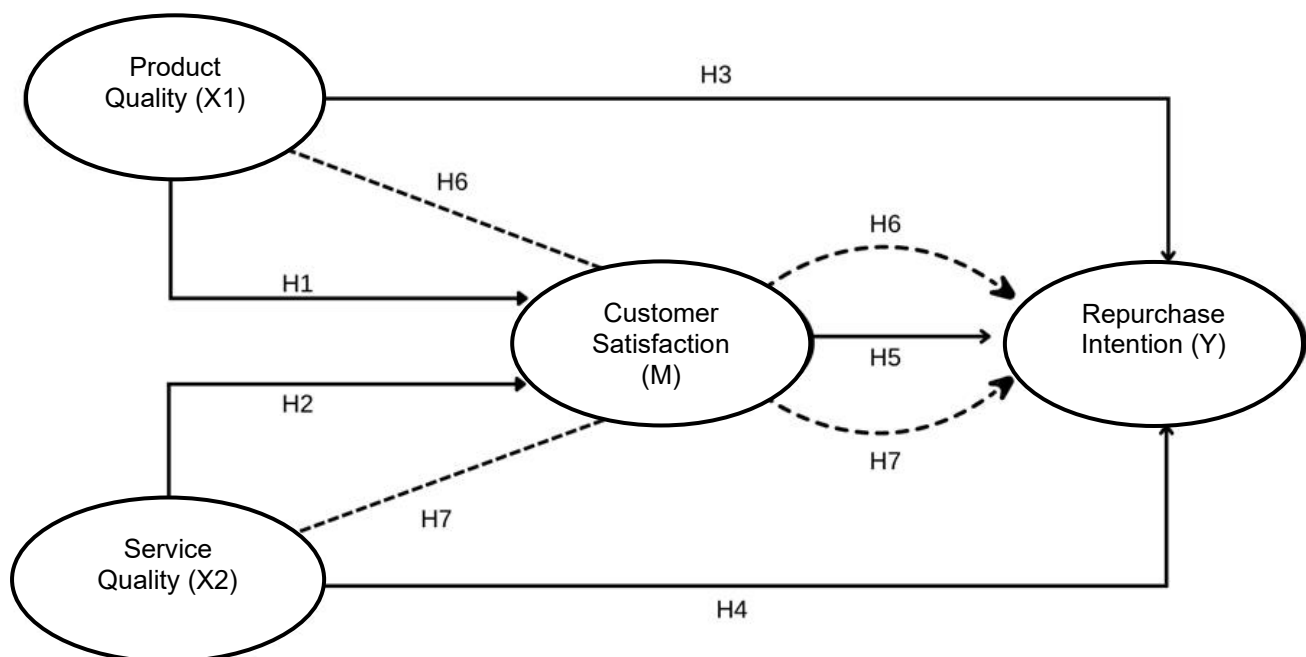
Customer satisfaction arises from the expectations and realities obtained by customers. If the reality obtained exceeds expectations, then customers will feel satisfied (Setyaji & Ngatno, 2016). Customer satisfaction arises from the expectations and realities obtained by customers. If the reality obtained exceeds expectations, then customers will feel satisfied (Setyaji & Ngatno, 2016).

### 2.2.5 Repurchase Intention

Repurchase interest is the interest or desire of a customer to repurchase a specific product or service in the future (Wang and Yu, 2016). Hellier et al. in Manopo and Widayanto (2019) also stated that repurchase interest is a person's planned decision to buy back a particular product by considering the situation that occurs and the level of his liking.

## 3. Research Framework

### 3.1 Analysis Model



**Figure 3.1 Analysis Model**

Source: Processed by researchers (2023)

### 3.2 Hypothesis

From the existing presentation and chart, the following is a hypothesis of this study:

**H1:** There is an effect of product quality on customer satisfaction

**H2:** There is an influence of service quality on customer satisfaction

**H3:** On the effect of product quality on repurchase interest

**H4:** There is an effect of service quality on repurchase interest

**H5:** There is an effect of customer satisfaction on repurchase interest

**H6:** There is an influence of product quality on repurchase interest through customer satisfaction

**H7:** There is an influence of service quality on repurchase interest through customer satisfaction

## 4. Research Methods

### 4.1 Research Approach

The type of research that will be used in this study is quantitative research with the object of research being We're Deer snack UMKM located in Tangerang City, Banten.

### 4.2 Population and Research Sample

The population of this study is customers who have purchased We'e Dewe snack products at least once from April to October 2022 with a population of 65. Sample collection using *purposive sampling* with the number of detectable samples or contacts totaling 50 people.

### 4.3 Data Collection Methods

This study will use a data collection method through a questionnaire in the form of a Google form as a primary data source with a Likert scale that uses a score of 1-7.

### 4.4 Operational Variables and Definitions

**Table 4.1 Operational Variables and Definitions**

| Variable            | Conceptual Definition   | Indicators   | Questionnaire Question Items  | Source  |
|---------------------|---|--|---|---|
| Product Quality (X) | An item that can be offered by producers to the market and goods that customers can utilize to meet their needs | <ul style="list-style-type: none"> <li>-Durability</li> <li>-Aesthetic</li> <li>-Taste</li> <li>-Portion</li> <li>- Variety of food types</li> <li>- Hygiene</li> <li>-Innovation</li> </ul> | <ul style="list-style-type: none"> <li>- The snacks I buy can last a long time</li> <li>- The product I bought has an attractive / beautiful appearance</li> <li>- We'e Dewe snack products are delicious</li> <li>- The portion served on We'e Dewe snack products is appropriate</li> <li>- We'e Dewe snacks have a variety of food</li> <li>- I feel that the products of We'e Dewe Snacks are hygienic</li> <li>- We'e Dewe snacks always have interesting product innovations</li> </ul> | Naini (2022); Essinger and Wylie in Sugianto and Sugiharto (2013) |

|                           |   |   |  |  |
|---------------------------|---|---|--|--|
| Service Quality (X)       | How to satisfy customer wants and needs and accuracy in delivering balanced customer expectations | <ul style="list-style-type: none"> <li>- Reliability</li> <li>- Responsiveness</li> <li>- Empathy</li> </ul>  | <ul style="list-style-type: none"> <li>- We'e Dewe snack sellers are reliable when selling.</li> <li>- We'e Dewe snack seller is responsive or fast in serving</li> <li>- We'e Dewe snack seller has good empathy</li> </ul>   | Zeithaml, Bitner and Dwayne in Sugianto (2013) |
| Customer Satisfaction (I) | Compatibility between realities that exceed customer expectations                                 | <ul style="list-style-type: none"> <li>- Conformity of expectations</li> <li>- Good experience while shopping</li> <li>- Good perception after buying goods or services in a store or company.</li> </ul> | <ul style="list-style-type: none"> <li>- Products and services match what I expected</li> <li>- I always get a good experience when shopping</li> <li>- I always feel happy and satisfied after shopping at We'e Dewe snack</li> </ul>   | Fang, et. al. (2011)                           |
| Repurchase Intention (Y)  | The interest or desire of a customer to repurchase a specific product or service in the future    | <ul style="list-style-type: none"> <li>- Future repurchase interest</li> <li>- Reluctant to move to another brand</li> <li>- Reduce information search before buying</li> </ul>                           | <ul style="list-style-type: none"> <li>- I am interested in repurchasing We'e Dewe snack products in the future</li> <li>- I am reluctant to buy the same product other than at We'e Dewe snack</li> <li>- I do not seek or re-question information about the product I am about to buy</li> </ul> | Anggraeni in Johan, et. al. (2020)             |

Source: Processed by researchers (2023)

#### 4.5 Data Analysis and Hypothesis Testing Methods

The data analysis method used in this study was *Partial Least Squares* (PLS) to test the five hypotheses proposed. PLS is a new approach in *Structural Equation Modeling* (SEM) as a multivariate statistical technique that compares multiple dependent variables and multiple *independent* variables.

### 5. Result and Discussion

#### 5.1 Descriptive Analysis of Research Characteristics

According to the survey, it was found that the majority of We'e Dewe snack customers were women, with 30 female respondents. The age range of the customers was mostly between 26-45 years. Among the respondents, 26 people worked as private employees and most of them had an income of more than Rp5,000,000.00. Many respondents were from the Tangerang and DKI Jakarta areas. It was also observed that most of the customers learned about We'e Dewe snacks from their friends. The primary reason behind purchasing We'e Dewe snack

products was their taste, as 36 respondents mentioned it. Furthermore, 20 respondents bought the snacks more than 7 times, while 44 respondents bought them for personal consumption or for their families.

## 5.2 Description of Research Variables

The highest perception of respondents regarding product quality is found in Hygeniity (X1.6) with a mean value of 6,520. The highest perception of respondents regarding service quality was found in *Responsiveness* (X2.2) and Empathy (X2.3) with a mean value of 6,520. The highest perception of respondents regarding Customer Satisfaction (M1) is found in Good Perception After Buying Goods or Services at Stores or Companies (M1.3) with a mean value of 6,520. The respondents' highest perception of Repurchase Interest (Y) was in Future Repurchase Interest (Y1.1) with a mean value of 6,360.

## 5.3 Data Analysis

### 5.3.1 Outer Loading Correction

Table 5.1 Loading Factor Correction

| Indicators | Product Quality (X1) | Quality of Service (X2) | Customer Satisfaction (M) | Repurchase Interest (Y) | Information |
|------------|----------------------|-------------------------|---------------------------|-------------------------|-------------|
| X1.4       | 0,862                |                         |                           |                         | Valid       |
| X1.6       | 0,880                |                         |                           |                         | Valid       |
| X1.7       | 0,787                |                         |                           |                         | Valid       |
| X2.1       |                      | 0,846                   |                           |                         | Valid       |
| X2.2       |                      | 0,905                   |                           |                         | Valid       |
| X2.3       |                      | 0,938                   |                           |                         | Valid       |
| M1.1       |                      |                         | 0,904                     |                         | Valid       |
| M1.2       |                      |                         | 0,895                     |                         | Valid       |
| M1.3       |                      |                         | 0,910                     |                         | Valid       |
| Y1.1       |                      |                         |                           | 0,852                   | Valid       |
| Y1.2       |                      |                         |                           | 0,706                   | Valid       |
| Y1.3       |                      |                         |                           | 0,777                   | Valid       |

Source: Processed by researchers (2023)

### 5.3.2 R-Square value

Table 5.2 R-Square

| Variable                  | R Square |
|---------------------------|----------|
| Customer Satisfaction (M) | 0,795    |
| Repurchase Interest (Y)   | 0,564    |

Source: Processed by researchers (2023)

The diversity of customer satisfaction perceptions can be explained through customer perceptions of product quality (X1) and service quality (X2) variables of 79.5%. The diversity of perceptions of repurchase interest can be explained through customer perceptions on the variables of product quality (X1) and service quality (X2) of 56.4%.

### 5.3.3 Test the hypothesis

**Table 5.3 Values of Path Coefficients and T-Statistics**

| Hypothesis | Influence   | Path Coefficient | T Statistics | P Values | Information              |
|------------|---|------------------|--------------|----------|--------------------------|
| H1         | Product Quality (X1) – Customer Satisfaction (M)    | 0,367            | 3,536        | 0,000    | Positive and Significant |
| H3         | Quality of Service – Customer Satisfaction (M)      | 0,577            | 5,921        | 0,000    | Positive and Significant |
| H5         | Customer Satisfaction (M) – Repurchase Interest (Y) | 0,651            | 3,186        | 0,002    | Positive and Significant |

Source: Processed by researchers (2023)

**Table 5.4 Comparison of Direct Effect Hypothesis Test with Indirect Effect**

| Hypothesis | Influence   | Path Coefficient | T Statistics | P Values | Information                |
|------------|---|------------------|--------------|----------|----------------------------|
| H2         | Product Quality (X1) – Repurchase Interest (Y)    | 0,004            | 0,022        | 0,982    | Positive and Insignificant |
| H4         | Quality of Service (X2) – Repurchase Interest (Y) | 0,109            | 0,610        | 0,542    | Positive and Insignificant |

Source: Processed by researchers (2023)

**Table 5.5 Mediation Hypothesis Test**

| Hypothesis | Influence   | Path Coefficient | T Statistics | P Values | Information              |
|------------|---|------------------|--------------|----------|--------------------------|
| H6         | Product Quality (X1) – Customer Satisfaction (M) – Repurchase Interest (Y)    | 0,239            | 2,158        | 0,031    | Positive and Significant |
| H7         | Quality of Service (X2) – Customer Satisfaction (M) – Repurchase Interest (Y) | 0,376            | 2,858        | 0,004    | Positive and Significant |

Source: Processed by researchers (2023)

## 5.4 Discussion

### 5.4.1 The Effect of Product Quality on Customer Satisfaction

Based on the results of research that has been done, the influence of product quality on customer satisfaction provides positive and significant results. The results of positive research indicate that the better the quality of We'e Dewe snack products, the better or increased customer satisfaction.

#### 5.4.2 The Effect of Service Quality on Customer Satisfaction

The results of the research obtained regarding the effect of service quality on customer satisfaction are positive and significant. The results of this positive research mean that the better the quality of service provided, the more customer satisfaction with We'e Dewe snacks will also increase.

#### 5.4.3 The Effect of Product Quality on Repurchase Interest

The results of research on the effect of product quality on repurchase interest showed positive and insignificant results. The results of positive value research have meaning, namely the better the quality of We'e Dewe snack products, the higher the interest in repurchasing We'e Dewe snack customers.

#### 5.4.4 The Effect of Service Quality on Repurchase Interest

The results of research on the effect of service quality on repurchase interest show that there is a positive, but not significant, influence. Positive results show that the better the quality of service provided to We'e Dewe snack customers, the interest in repurchasing will also increase.

#### 5.4.5 The Effect of Customer Satisfaction on Repurchase Interest

The results of the research show that there is a positive and significant influence between customer satisfaction and repurchase interest. A positive result indicates that the higher the customer satisfaction, the higher the interest in repurchasing We'e Dewe snack customers.

#### 5.4.6 The Effect of Product Quality on Repurchase Interest through Customer Satisfaction

The results of research that has been conducted show that product quality has a positive and significant influence on repurchase interest through customer satisfaction as a mediation variable. The value of the indirect influence coefficient is higher than the direct influence, so this means that customer satisfaction in mediating the effect of product quality on repurchase interest is high.

#### 5.4.7 The Effect of Service Quality on Repurchase Interest through Customer Satisfaction

The results of this study show that service quality has a positive and significant influence on repurchase interest through customer satisfaction. The results of the study had a direct effect on the quality of service with repurchase interest showing positive but not significant results. Therefore, it can be said that the better the quality of service provided, the more customer satisfaction will also increase which is then followed by the interest in repurchasing We'e Dewe snack customers which also increases.

### 6. Conclusion and Suggestion

#### 6.1 Conclusion

This study concludes that product quality (X1) and service quality (X2) can affect customer satisfaction (M) directly and significantly with a positive value. Meanwhile, the direct influence on product quality (X1) and service quality (X2) on repurchase interest (Y) shows a positive value, but with a less significant influence. Then, customer satisfaction (M) can directly influence repurchase interest (Y) with significant and positive results. In the role of customer satisfaction (M) as mediation, it shows that customer satisfaction (M) can mediate the influence between product quality (X1) and service quality (X2) on repurchase interest (Y) through customer satisfaction mediation (M).

#### 6.2 Suggestion

##### 1. We'e Dewe Snack Culinary UMKM

Suggestions that can be given by researchers regarding improving product quality to make it better include: Using ice packs for frozen food delivery (especially for souvenirs or long-distance delivery);

- Always ask customers for reviews about how they feel after receiving the product or eating the food they have purchased;
- Create a survey in the form of *games* about the *rating* of each food on We'e Dewe's snack Instagram Story
- Ask customers for advice on We'e Dewe's Instagram Story about what new menu customers want.



## 2. For Other Culinary UMKMs

Various things need to be considered in the product, namely food or beverages, offered, namely taste, aesthetics or appearance, durability, hygiene, portions, innovation, and so on. In addition, from the research that has been conducted, it was found that product quality and service quality have an indirect influence on a customer's repurchase interest through customer satisfaction. Therefore, these things need to be considered and improved to achieve a high level of customer satisfaction, so that customer repurchase interest will also increase.

## 3. Further Research

The proposals include:

1. In future research on customer repurchase interest, other variables not listed in this study can be used, such as price, brand image, and others;
2. Research on Indonesian Culinary UMKMs, especially on market snacks, needs to be researched more;
3. The number of respondents studied should be increased so that the research results become more accurate
4. The use of the *grand theory "Theory of Planned Behavior"* in future research is expected to be able to discuss in more detail the use of subjective norms and perceptions of behavioral control in assessing the effect of product quality and service quality on repurchase interest through customer satisfaction in the same and different Culinary UMKM case studies.

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