ANALYSIS OF THE EFFECT OF SERVICE QUALITY AND COMPANY IMAGE ON CUSTOMER LOYALTY AT GRAHA ELEKTRONIK STORE IN PALEMBANG CITY MEDIATED BY CUSTOMER SATISFACTION

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Abstract- **This study aims to examine the influence of service quality and corporate image on customer loyalty through customer satisfaction as a mediating variable at Toko Graha Elektronik in Palembang City. The variables studied were service quality (X1), corporate image (X2), customer satisfaction (M) and customer loyalty (Y). The analysis tool used is SEM-PLS. The population in this study are customers of Toko Graha Elektronik who have made purchases at least twice with a sample of 180 respondents. The results showed that service quality has an effect on customer satisfaction, company image has an effect on customer satisfaction, service quality has no effect on customer loyalty, company image has no effect on customer loyalty, customer satisfaction has an effect on customer loyalty, service quality has an effect on customer loyalty through customer satisfaction as a mediating variable, and corporate image has no effect on customer loyalty through customer satisfaction as a mediating variable at Toko Graha Elektronik in Palembang City.**

1. Introduction

Graha Elektronik store is a company engaged in products and services that offer a variety of electronic goods ranging from domestic and foreign brands. This company sells a variety of electronic goods such as televisions, refrigerators, washing machines, and many more. Since the pandemic took place in the first quarter of 2020, sales have decreased coupled with the existence of regional PPKM making the store even more empty of customers. To compete and be the best, Graha Elektronik store not only improves service to customers but also all aspects of the company's image. Graha Elektronik store can compete among competing companies. This proves that there is an influence of service quality at Graha Elektronik Store on customer satisfaction and company image so that it can invite customer loyalty. To find out more about what elements affect customer satisfaction and customer loyalty, a pre-survey was conducted on consumers who are loyal to Graha Electronic Stores. The results obtained the two highest factors that affect customer satisfaction and customer loyalty. The first factor is the quality of service by 57% and the second factor is the company's image by 25%. This study was conducted to determine how much influence each variable has on customer loyalty. From this research, it is expected to find out what strategies must be done by Graha Electronic Store to get loyal customers.

2. Literature Review

2.1 Previous Research

Research by Pramono, et al (2019) shows that service quality has a significant influence on customer satisfaction, company image has a significant influence on customer satisfaction, customer satisfaction has a significant influence on customer loyalty, service quality has a significant influence on customer loyalty, company image has a significant influence on customer loyalty, customer satisfaction as mediation It has an influence in service quality on customer loyalty, and customer satisfaction as a mediation has an influence on the company's image on customer loyalty. Research by Putri & Masreviastuti (2021) shows that service quality and company image simultaneously have a significant effect on customer loyalty. Research by Senoaji (2021) shows that there is a significant influence between corporate social responsibility, service quality and company image on customer loyalty.

2.2 Theoretical Review

2.2.1 Expectancy Disconfirmation Theory

In the study of customer behavior and consumer satisfaction in the private sector, Expectancy Disconfirmation Theory (EDT) is the dominant theory. The theory of disconfirmation of expectations was developed as a way to explain customer decision-making with the assumption that consumers have expectations or expectations for a product (Oliver, 1997).

2.2.2 Quality of Service

Ekaprana, et al (2020), service quality is a measure of how well the level of service provided by service provider companies is by customer expectations.

2.2.3 Company Image

Corporate image is defined as a consequence of several procedures in which customers evaluate various attributes of the company such as products, quality, price, and services (Sari &; Yasa, 2020). Corporate image is one type of intangible asset in business that has peculiarities that are easily recognizable but challenging to replicate (Hall, 1993).

2.2.4 Customer Satisfaction

According to Kotler & Keller (2009), customer satisfaction is the result they feel when a company performs according to their expectations. Customer satisfaction is defined as a high level of pleasure or satisfaction forming an emotional connection with the brand or business in question (Hartono, 2017).

2.2.5 Customer Loyalty

Loyal customers are those who are so happy with a product or service that they want to recommend it to everyone they know (Griffin, 2012). According to Tjiptono (2012), customer loyalty is a customer's commitment to a company, store, or supplier, this is based on a positive outlook and is shown by regular repeat purchases.
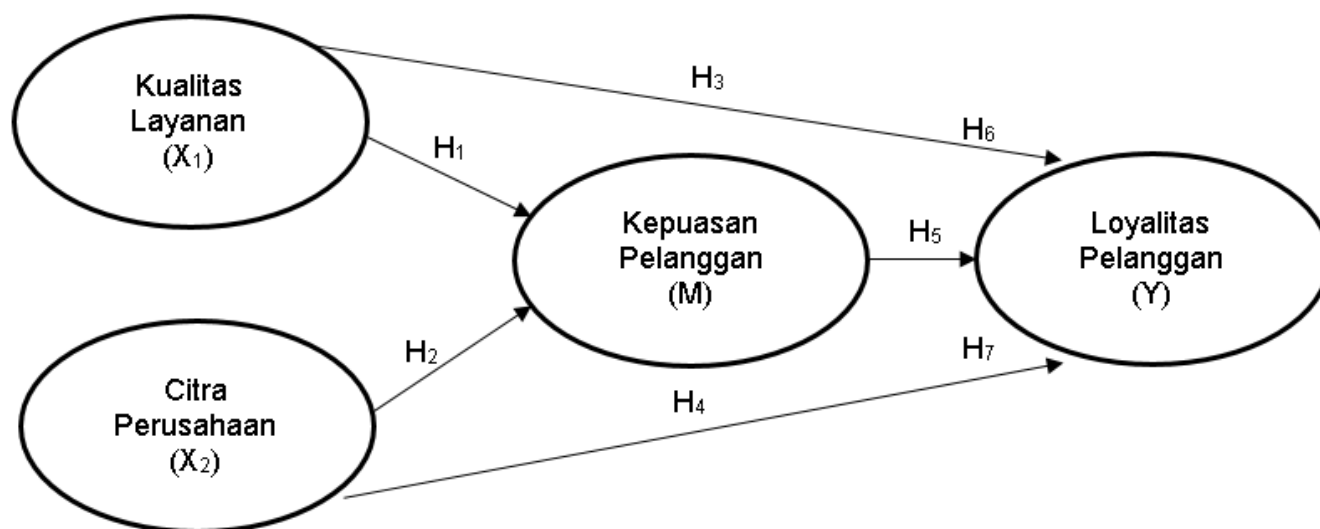
3. **Research Framework**

3.1 Analysis Model

Figure 3.1 Analysis Model

Source: Data Processed (2023)

3.2 Hypothesis

H1: Service Quality has a significant effect on Customer Satisfaction at Graha Elektronik Store

H2: Company Image has a significant effect on Customer Satisfaction at Graha Elektronik Store

H3: Service Quality has a significant effect on Customer Loyalty at Graha Elektronik Store

H4: Company Image has a significant effect on Customer Loyalty at Graha Elektronik Store

H5: Customer Satisfaction has a significant effect on Customer Loyalty at Graha Elektronik Store

H6: Service Quality has a significant effect on Customer Loyalty at Graha Elektronik Store through Customer Satisfaction

H7: Company Image has a significant effect on Customer Loyalty at Graha Elektronik Store through Customer Satisfaction

4. Research Methods

4.1 Types of Research

The type of research to be used in this study is quantitative. The population in this study is individuals who have made a minimum purchase twice at the Graha Elektronik Palembang City Store. The maximum number of samples for this study was (18 x 10) = 180 respondents. Data collection is by distributing questionnaires with Likert scale measurements 1 to 5.

4.2 Operational Variables and Definitions

Table. 4.1 Operational Variables and Definitions

Variable	Conceptual Definition	Indicators	Source
Quality of Service (X_1)	Consumers evaluate the quality of service by comparing the level of service received with the anticipated level of service.	1. Tangible 2. Reliability 3. Responsiveness 4. Warranty 5. Empathy	Kotler &; Keller (2019)
Corporate Image (X2)	Corporate image refers to how the general public perceives a company in terms of name, architecture, product range, traditions, ideology, and the impression of quality that each employee conveys to customers.	1. Personality 2. Reputation 3. Value 4. Corporate Identity	Kotler & Keller (2019)
Customer Satisfaction (M)	Customer satisfaction is the degree to which a person is satisfied with the performance (or results) of a product relative to their expectations.	1. Product Quality 2. Emotional 3. Price 4. Efficiency	Tjiptono (2015)
Customer Loyalty (Y)	Customer loyalty is a customer's commitment to a company, store, or supplier, it is based on a positive outlook and is demonstrated by regular repeat purchases.	1. Make a Repurchase 2. Habits 3. Love the Brand 4. Not Switching to Another Company 5. Recommend the Company	Tjiptono (2012)

Source: Data Processed (2023)

4.3 Data Analysis Methods

Researchers use *Structural Equation Modeling* with *Partial Least Square* (SEM-PLS) as an analysis tool. The data obtained is then through the data collection process using Microsoft Excel and the analysis process using the SMARTPLS 3.0 program.

5. Result and Discussion

5.1 Characteristics of Respondents

Most respondents were aged 26-35 years with 59%. The majority of respondents in this study were men at 58.9%. All respondents have made purchases at Graha Elektronik Stores more than 2x.

5.2 Descriptive of Research Variables

The Service Quality variable (X1) which has an average value of 4.82 to 4.88 is very high. Company Image Variable (X2), respondents' perception can be said to be very high because the average value is between 4.1 and 5.0. The Customer Satisfaction (M) variable has a mean value of 4.88 – 4.94 so respondents' perceptions can be said to be very high. The Customer Loyalty variable (Y) has a mean value of 4.79 – 4.96 so respondents' perceptions can be said to be very high.
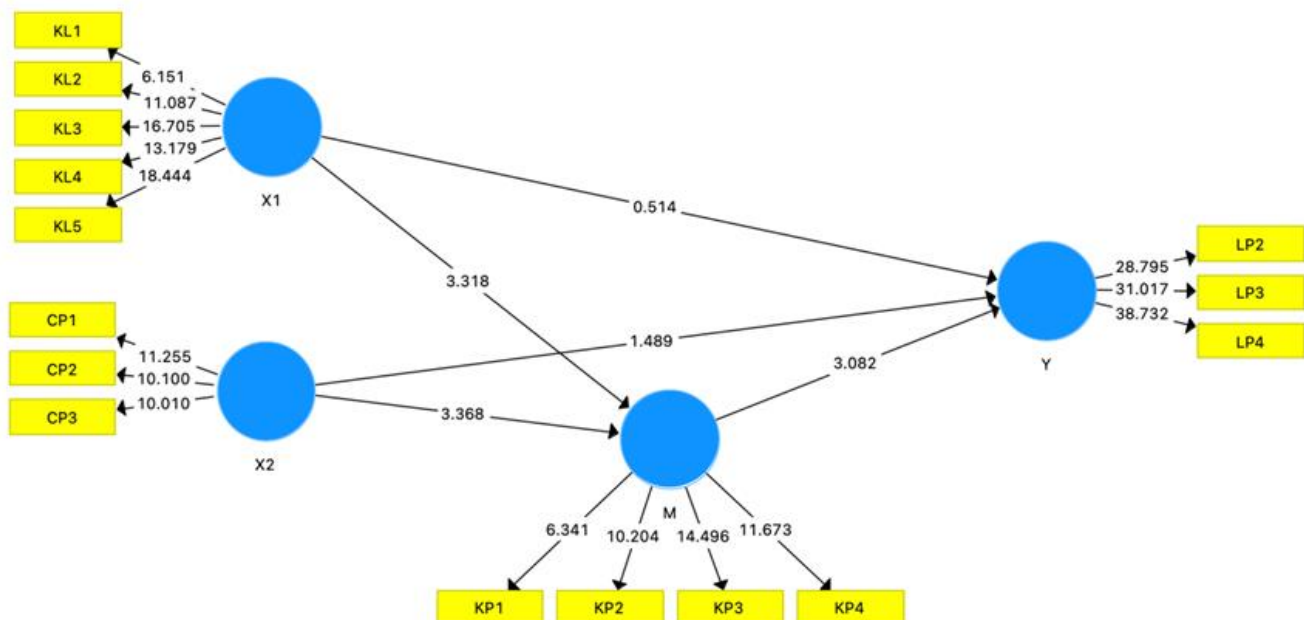
5.3 Data Analysis

Figure 5.1 Structural Model (Inner Model)

Source: Data Processed (2023)

The R-Square value is used to explain the effect of a particular exogenous latent variable on endogenous latent variables, whether that variable has a strong influence on the model. Value categories of 0.75, 0.50, and 0.25 indicate the model (strong, moderate, and weak).

5.3.1 R-Square

Table 5.1 R-Square

	R Square	R Square Adjusted
Customer Satisfaction (M)	0,381	0,374
Customer Loyalty (Y)	0,216	0,203

Source: Data Processed (2023)

The R-Square value for the customer satisfaction variable is 0.374 which means it is included in the weak category. Furthermore, the R-Square value for the customer loyalty variable is 0.203, which means it is included in the weak category.

5.3.2 Path Coefficient

Table 5.2 Path Coefficient

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
M -> Y	0,324	0,324	0,105	3,082	0,002
X1 -> M	0,338	0,345	0,102	3,318	0,001
X1 -> Y	0,045	0,050	0,088	0,514	0,607
X2 -> M	0,371	0,373	0,110	3,368	0,001
X2 -> Y	0,166	0,167	0,111	1,489	0,137

Source: Data Processed (2023)

The path coefficient test was performed to see the significance of the influence between variables through the bootstrapping procedure. The path coefficient test can be seen from the T-Statistic value. The value must be above 1.96 for the *two-tailed* hypothesis to be declared significant. The hypothesis is accepted if the value of T-Statistics > 1.96 (t significance table 5%).

5.3.3 Indirect Effect

Table 5.12 Indirect Effect

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Quality of Service (X$_1$) -> Customer Satisfaction (M) -> Customer Loyalty (Y)	0,110	0,112	0,050	2,207	0,028
Company Image (X2) -> Customer Satisfaction (M) -> Customer Loyalty (Y)	0,120	0,123	0,061	1,959	0,051

Source: Data Processed (2023)

Based on table 5.8 indirect effect or indirect testing above, it can be seen that the Service Quality variable (X 1) against the Customer Loyalty variable (Y) through the Customer Satisfaction variable (M) as a mediation variable produces a T-Statistic value of 2.207 which is greater than (T Table 1.96) and P Values of 0.028 smaller than (significance level 0.5). Thus, it means that the Service Quality variable (X $_1$) affects the Customer Loyalty variable (Y) through the Customer Satisfaction variable (M) as a mediation variable, so that the hypothesis can be declared accepted.

5.4 Discussion

5.4.1 Service Quality Affects Customer Satisfaction

Based on the results of statistical calculations of the SEM-PLS test, it can be concluded that the Service Quality variable affects the Customer Satisfaction variable at the Graha Elektronik Store in Palembang. Thus, the hypothesis in this study is accepted. The indicator of service quality whose value is the greatest seen from the outer loading value is responsiveness. So that the strategy that can be applied at Graha Electronic Store is to maintain its service by overcoming complaints/problems from customers immediately.

5.4.2 Company Image Affects Customer Satisfaction

Based on the results of statistical calculations of the SEM-PLS test, it can be concluded that the Company Image variable affects the Customer Satisfaction variable at Graha Elektronik Store in Palembang. Thus, the hypothesis in this study is accepted. The indicator of the image of the company whose value is the greatest seen from the outer loading value is Value. In this study, the value in question is corporate culture. The value of Graha Elektronik Store is different from other stores so it makes customers feel more satisfied buying goods at Graha Electronic Store because the store owner descends directly in serving customers.

5.4.3 Service Quality Has No Effect on Customer Loyalty

Based on the results of SEM-PLS calculations, it can be concluded that the Service Quality variable does not affect the Customer Loyalty variable at Graha Electronic Store. Thus, the hypothesis in this study was rejected. The reason for the research results of the effect of service quality on customer loyalty is not significant because customers cannot be loyal to the company if these customers have not reached their expectations of the company.

5.4.4 Company Image Has No Effect on Customer Loyalty

Based on the results of SEM-PLS calculations, it can be concluded that the Company Image variable does not affect the Customer Loyalty variable at Graha Electronic Store. Thus, the hypothesis in this study was rejected. The most likely reason is the tight competition of electronic businesses in Palembang City so that customers have many choices in determining purchases.

5.4.5 Customer Satisfaction Affects Customer Loyalty

Based on the results of SEM-PLS calculations, it can be concluded that the Customer Satisfaction variable affects the Customer Loyalty variable at Graha Electronic Store. Thus, the hypothesis in this study is accepted. The indicator whose value is the greatest seen from the outer loading value is Price. According to respondents from the questionnaire results, the prices offered by Graha Elektronik Store are cheaper than other stores. This increases the satisfaction of a customer.

5.4.6 Service Quality affects Customer Loyalty through Customer Satisfaction as a mediating variable

Based on the results of SEM-PLS calculations, it can be concluded that the Service Quality variable affects the Customer Loyalty variable with the Customer Satisfaction variable as mediation at Graha Electronic Store. Thus, the hypothesis in this study is accepted. The purpose of a business is to create a quality product so that customers feel happy and satisfied.

5.4.7 Company Image has no effect on Customer Loyalty through Customer Satisfaction as a mediating variable

Based on the results of the SEM-PLS calculation, it can be concluded that the Company Image variable has no effect on the Customer Loyalty variable with the Customer Satisfaction variable as mediation at Graha Electronic Store. Thus, the hypothesis in this study was rejected. That is, customer satisfaction is considered a mediator that is lacking in mediating the influence of the company's image on the formation of customer loyalty.

6. Conclusion and Suggestion

6.1 Conclusion

A. Service quality affects customer satisfaction at Graha Elektronik Palembang Store
B. Company image affects customer satisfaction at Graha Elektronik Palembang City Store
C. Service quality does not affect customer loyalty at Graha Elektronik Palembang City Store
D. Company image does not affect customer loyalty at Graha Elektronik Palembang City Store
E. Customer satisfaction affects customer loyalty at Graha Elektronik Palembang City Store
F. Service quality affects customer loyalty through customer satisfaction as a mediating variable at Graha Elektronik Palembang Store
G. Company image does not affect customer loyalty through customer satisfaction as a mediating variable at Graha Elektronik Palembang City Store

6.2 Suggestion

A. Graha Elektronik Store Owners should pay more attention to service quality because based on research results show that service quality has a significant influence on customer satisfaction and customer loyalty.
B. Graha Elektronik Store Owner should be able to maintain customer satisfaction level and also increase customer satisfaction so that customers become loyal to Graha Electronic Store.
C. Because there are still several aspects and variables that can affect customer satisfaction, future research should expand this research to include additional variables to improve scientific progress.

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