

THE ROLE OF CUSTOMER SATISFACTION AS A MEDIATOR FOR SERVICE QUALITY AND PERCEIVED VALUE IN INFLUENCING BRAND LOYALTY EVENT ORGANIZER HEAVEN FLOW

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Abstract- The purpose of writing this thesis is to obtain empirical evidence and to analyze and explain how customer satisfaction mediates service quality and perceived value in influencing brand loyalty at event organizer service company Heaven Flow. The variables of this study consist of the dependent variable, namely service quality and perceived value, the mediating variable, namely customer satisfaction, and the dependent variable, namely brand loyalty. The sampling method used in this study is a saturated sample with 114 Heaven Flow customers as respondents. All hypotheses of this study were tested using SEM-PLS analysis using Warp-PLS version 3.0. The results of this study indicate that service quality has a positive and significant relationship to brand loyalty and customer satisfaction, perceived value has a positive and significant relationship to brand loyalty and customer satisfaction, customer satisfaction has a positive and significant relationship to brand loyalty, and customer satisfaction is able to mediate the effect of service quality and perceived value on Heaven Flow brand loyalty as an event organizer service company.

Keywords: Service Quality, Perceived Value, Customer Satisfaction, Brand Loyalty

1. Introduction

The development of the creative industry, especially for event organizer service providers, continues to grow and develop, but this is inversely proportional to one of the event organizers brands, namely Heaven Flow. Initially, this service provider only provided decoration services, established in 2017, with requests from several customers, Heaven Flow developed by providing consultant, conception, and organizer services. The development of service types continues to be carried out every year and simultaneously with the decline in 2020. Another factor that caused the decline in sales to occur was the unexpected COVID-19 pandemic. Heaven Flow to add service features is not just about listing the type of service, but being cooperative in the process. The impact of the COVID-19 pandemic requires adjustments by all MICE (Meeting, Incentive, Convention, and Exhibition) and EO (Event Organizer) industry players so that business existence can survive. Heaven Flow continues to prioritize regulatory discussions during the event, to ensure health protocols are implemented optimally, limit the number of invitees who attend with confirmation of attendance through digital invitations, and maintain the hygiene of the venue to form new mass characteristics as well. The presentation of the problems faced by Heaven Flow service providers makes special attention to service, value, to satisfaction, because loyal customers see the quality of service provided according to whether or not the service provided by the service provider. Based on the background

of the problem, it is necessary to further investigate how much the role of customer satisfaction mediates the influence of service quality and value perception on Heaven Flow's customer brand loyalty.

2. Literature Review

2.1 Previous Research

Research by Omorogie et al., (2018) shows the results of satisfaction, service quality, and trust have a significant effect on loyalty, with satisfaction having the most significant influence. Research by Ozkan et al., (2019) shows that customer-perceived quality and satisfaction affect loyalty through perceived value, image, and reputation. Research by Pratiwi et al., (2021) shows the results of a positive and significant direct influence of brand experience and perceived value on brand loyalty and brand trust and brand trust on brand loyalty. Furthermore, indirect influence through brand trust as a mediating variable also shows a significant positive influence, both on brand experience and perceived value.

2.2 Theoretical Review

2.2.1 Expectancy Disconfirmation Theory

Expectancy Disconfirmation Theory (EDT) is a cognitive theory that seeks to explain post-purchase satisfaction as a function of expectations, perceived performance, and disconfirmation of beliefs. Oliver (1980) states that consumers have certain expectations (often referred to as expectations) of the products they buy. Expectations in this theory refer to attributes or characteristics that a person anticipates or predicts will be associated with entities such as products, or services.

2.2.2 Quality of Service

Service quality is all forms of service provided by the company as much as possible with all the advantages that Heaven Flow has to meet the needs and expectations of its consumers. According to Kotler and Keller (2016: 143) quality is the total features and characteristics of a product or service that depend on its ability to satisfy stated or implied needs.

2.2.3 Value Perception

Perceived value according to Kotler and Keller, (2016: 126) is the difference between total customer value and total customer cost. Total customer value is a collection of benefits that customers are expected to get from a particular product or service. Total customer cost is a collection of sacrifices that customers estimate will occur in evaluating, obtaining, and using products/services. Consumer assessment of the product will depend on the sacrifices and benefits of the product.

2.2.4 Customer Satisfaction

Several theories explain how customer satisfaction relates to customer needs, where a customer will be satisfied once he or she is satisfied with the product offered to them. After buying a product, a customer will expect the new product to meet his expectations. In situations where expectations for the product are not met, customers will feel dissatisfied (Joudeh & Dandis, 2018).

2.2.5 Brand Loyalty

Having loyal customers is the ultimate goal of the company because customer loyalty can guarantee the continuity of the company in the long run. A customer is someone who continuously and repeatedly comes to the same place when wanting to buy an item or obtain services because they are satisfied with the goods or services (Lupiyoadi & Hamdani, 2008: 173). According to Durianto (2010: 126), customer loyalty is a measure of customer attachment to a brand.

3. Research Framework

3.1 Analysis Model

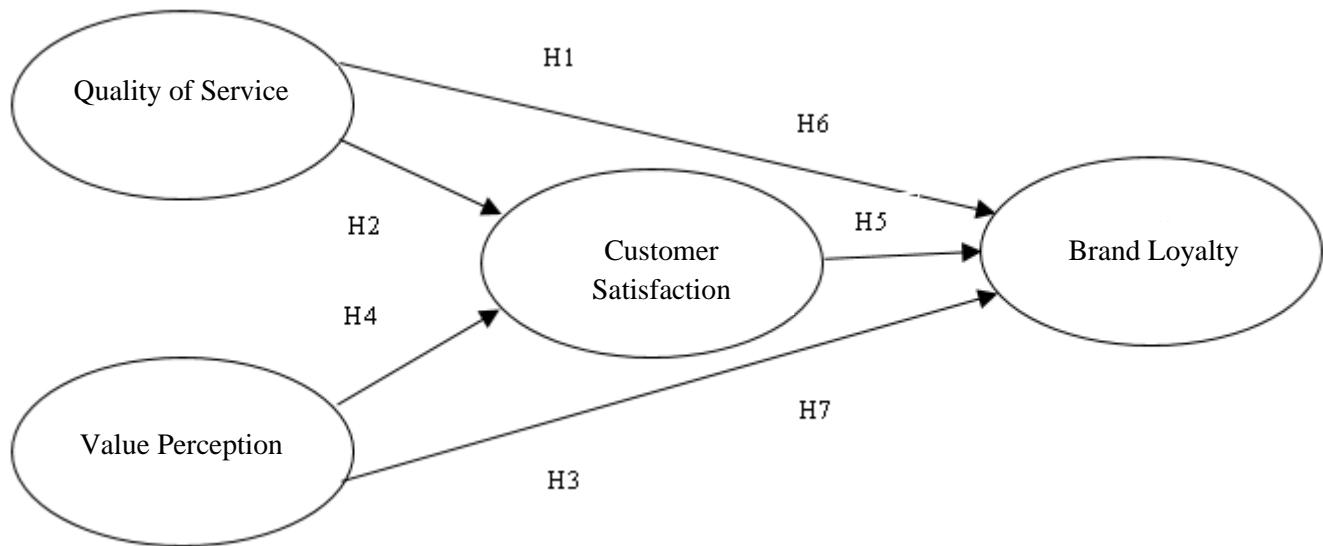


Figure 3.1 Research Model

Processed by Researchers (2023)

3.2 Hypothesis

- H1: Service quality affects Heaven Flow's brand loyalty
- H2: Service quality affects Heaven Flow's customer satisfaction
- H3: Value perception affects Heaven Flow's brand loyalty
- H4: Value perception affects Heaven Flow's customer satisfaction
- H5: Customer satisfaction affects Heaven Flow's brand loyalty
- H6: Customer satisfaction mediates the effect of service quality on Heaven Flow's brand loyalty
- H7: Customer satisfaction mediates the influence of value perception on Heaven Flow's brand loyalty

4. Research Methods

4.1 Research Design

This research was conducted in the city of Denpasar because the business of this service provider is located in the center of Denpasar, but the distribution of questionnaires is carried out online to clients spread throughout Indonesia to be effective and efficient. The number of respondents used in this study was 114 respondents. Statement items are measured on a Likert scale of 1-5 levels.

4.2 Variable Operational Definition

Table 4.1 Operational Definitions of Variables

Variable	Variable Concept	Indicators	Source
Quality of service	All forms of services are provided by the company as much as possible with all the advantages owned by the company to meet the needs and expectations of consumers.	1. Tangibles 2. Reliability 3. Responsiveness 4. Assurance 5. Empathy	Parasuraman et al. (1990) Hapsari et al., (2017), Boateng et al., (2017), Nugraha and Mandala (2020)
Value perception	The difference between total customer value and total customer cost. Total customer value is a collection of benefits that customers are expected to get from a particular product or service. Total customer cost is a collection of sacrifices that customers estimate will occur in evaluating, obtaining, and using products/services.	1. Emotional value 2. Social value 3. Functional value for the quality 4. Functional value for the price	Hapsari et al., (2017), Nugraha and Mandala (2020), Dhaniswari and Sukaatmadja (2021), Fu (2023)
Customer Satisfaction	The result of the evaluation process is satisfaction or dissatisfaction with the consumption of products, services, and brands that have been carried out. After consuming a product or service, consumers will have a feeling of satisfaction or dissatisfaction with the product or service consumed	1. Service 2. Expectation 3. Experience	Hapsari et al., (2017), Prameswari and Santosa (2021)
Brand Loyalty	A measure of customer attachment to a brand. This measure can provide an idea of whether or not customers may switch to another product brand, if the product brand is found to have changed, both regarding price and other attributes.	1. Repurchase intention 2. Recommendation intention 3. Loyalty intention	Boateng et al., (2020), Prameswari and Santosa (2021), Fu (2023)

Source: Researcher's Processed Data (2023)

4.3 Data Analysis Methods

This research uses component or variance-based SEM (Structural Equation Modelling) analysis techniques, namely PLS (Partial Least Square). PLS was first developed by Herman Woud (Ghozali, 2014) as a general method for estimating path models using latent constructs with multiple indicators. In PLS, structural models of relationships between latent variables are called inner models, while measurement models (reflexive or formative) are called outer models.

5. Result and Discussion

5.1 Distribution of Research Questionnaires

For the female sex, it dominates consisting of 92 people with a total percentage of 80.7%. For ages 16 - 26 years dominate, consisting of 86 people with a percentage of 75.4%. For the last education, universities dominated by 104 people or 91.2%. Respondents with a domicile classification in Bali dominated with 104 people or 91.2%.

5.2 Description of Research Variables

The overall service quality is very good, this can be seen from the overall average service quality score of 4.66. The overall customer value perception is very good, this can be seen from the overall average customer value perception value, namely. 4.66. Overall customer satisfaction is very high, this can be seen from the overall average customer satisfaction score of 4.73. Customer loyalty to the brand as a whole is very high, this can be seen from the overall average customer satisfaction score of 4.70.

5.3 Outer Model Measurement Model Evaluation

All variables have AVE values above 0.50. Thus, it can be stated that the data in the study are valid. The value of composite reliability. As well as Cronbach's alpha value on each variable has a value greater than 0.6. Thus, it can be stated that the data in the study are reliable.

5.5 Inner Model Measurement Model Evaluation

The R-square value of the customer satisfaction variable of $0.659 = 65.9\%$ The variability of the customer satisfaction construct is explained by the variables of service quality and value perception. Brand loyalty variable with an R-square value of $0.739 = 73.9\%$ loyalty variable is influenced by service quality, value perception, and customer satisfaction. The model has a Q-Square value of > 0 which is 0.92. It can be concluded that the model has predictive relevance value or the model deserves to be said to have relevant predictive value.

Table 5.1 Coefficients of Direct Influence Pathways

Influence of Variables	Path Coefficient	T Statistics	P Values	Information
Quality of Service -> Brand Loyalty	0,282	2,302	0,022	Positive and significant
Quality of Service -> Customer Satisfaction	0,373	3,721	0,000	Positive and significant
Value Perception -> Brand Loyalty	0,257	2,027	0,043	Positive and significant
Value Perception -> Customer Satisfaction	0,505	5,405	0,000	Positive and significant
Customer Satisfaction -> Brand Loyalty	0,406	2,634	0,009	Positive and significant

Source: Researcher's Processed Data (2023)

Table 5.2 Indirect Influence Test Results

Influence of Variables	Path Coefficient	T Statistics	P Values	Information
Quality of service -> Customer satisfaction -> Brand loyalty	0,152	2,231	0,026	Partial mediation
Value Perception -> Customer satisfaction -> Brand loyalty	0,205	2,215	0,027	Partial mediation

Source: Researcher's Processed Data (2023)

5.6 Results of Research Discussion

5.6.1 The Effect of Service Quality on Brand Loyalty

The results of the analysis show that there is a positive and significant relationship between service quality variables and brand loyalty. This means that the better the quality of service provided by Heaven Flow service providers, the higher customer loyalty to the Heaven Flow brand as an event organizer service provider and become the customer's choice. Vice versa, if the quality of service provided is felt to be poor by customers, then customer loyalty to use a brand will be low.

5.6.2 The Effect of Service Quality on Customer Satisfaction

The results of the analysis show that there is a positive and significant relationship between service quality variables and customer satisfaction. This means that the better the quality of service provided by Heaven Flow service providers, the higher customer satisfaction with Heaven Flow as an event organizer service provider. Vice versa, if the quality of service provided is felt to be bad by customers, then customer satisfaction which is assessed based on service quality will be low.

5.6.3 The Effect of Value Perception on Brand Loyalty

The results of the analysis showed that there was a positive and significant relationship between the variables of value perception and brand loyalty. This means that the better the value perceived by customers, the higher the customer loyalty to the Heaven Flow brand as an event organizer service provider and the customer's choice. Vice versa, if the value is perceived poorly by customers, then customer loyalty to use a brand will be low.

5.6.4 The Effect of Value Perception on Customer Satisfaction

The results of the analysis show that there is a positive and significant relationship between the variables of value perception to customer satisfaction. This means that the better the value perceived by customers, the higher customer satisfaction with Heaven Flow as an event organizer service provider. Vice versa, if the perceived value is poor by customers, then customer satisfaction that is assessed based on value perception will be low.

5.6.4 The Effect of Customer Satisfaction on Brand Loyalty

The results of the analysis show that there is a positive and significant relationship between customer satisfaction variables and brand loyalty. This means that the higher the customer satisfaction felt by Heaven Flow customers, the higher the customer loyalty to the Heaven Flow brand as an event organizer service provider and become the customer's choice. Vice versa, if customer satisfaction is felt low by customers, then customer loyalty to use a brand will be low.

5.6.5 The role of customer satisfaction mediates the effect of service quality on brand loyalty

The results of the analysis show that customer satisfaction can mediate the effect of service quality on brand loyalty. Customer satisfaction in this study is a partial mediation. Based on these results, it can be interpreted that the better the perceived service quality, can increase customer satisfaction, so in the end, customer loyalty to the brand will increase.

5.6.6 The role of customer satisfaction mediates the influence of value perception on brand loyalty

The results of the analysis show that customer satisfaction can mediate the influence of value perception on brand loyalty. Customer satisfaction in this study is a partial mediation. Based on these results, it can be interpreted that the better the value perceived by customers, can increase customer satisfaction, so in the end customer loyalty to the brand will increase.

6. Conclusion and Suggestion

6.1 Conclusion

1. The factors that Heaven Flow can consider to influence customer satisfaction and brand loyalty are the quality of service from the Heaven Flow company and post-purchase customer perception so that customers after using the service can perceive what is felt.
2. Based on the performance of the Heaven Flow team which can be assessed based on service quality, shows that Heaven Flow is consistent in providing satisfactory service with a period starting from 2017-2022.
3. When a customer brings an expectation or expectation to the Heaven Flow company, it will be easier than a customer who cannot explain their expectations or expectations, these expectations or expectations are used to execute which can later affect satisfaction and loyalty to a brand.
4. Customer satisfaction influences the loyalty of a Heaven Flow brand, this shows when satisfaction is fulfilled despite price adjustments, customers will remain loyal.

6.2 Suggestion

1. Establishing a good relationship with customers is a very good thing for the sustainability of the company, but it needs to be considered with this excellent assessment as a service provider must still maintain professionalism and explore so that customers in the future will remain loyal.
2. In the future, of course, the development of trend events, therefore further research needs to be done on other factors that make customers loyal to a brand.
3. 29 respondents did not confirm to fill out the questionnaire, these 29 people could not be replaced by someone else because to answer the items of this research statement several points must be met. This will be a concern for further research.

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