

RESEARCH ARTICLE



The Effect of Service and Customer Satisfaction on Customer Loyalty at MSMEs in Medan Selayang District

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Abstract

This study aims to analyse the effect of service and customer satisfaction on customer loyalty. The object of research is MSMEs in Medan Selayang District. This type of research is descriptive research with a quantitative approach. The research method is multiple linear regression analysis. The sample in this study were 98 respondents. The results showed that simultaneously service and customer satisfaction had an effect on customer loyalty. While partially service has a significant positive effect on customer loyalty. Customer satisfaction has a significant positive effect on loyalty. Construbis the influence of these variables is 38.8%.

Keyword: Service, Customer Satisfaction, Customer Loyalty, MSMEs.

Introduction

Micro, Small, and Medium Enterprises. (MSMEs play a strategic role in the Indonesian economy and continue to be the focus of various development efforts from the government and other stakeholders. MSMEs play an important role in driving inclusive economic growth and poverty reduction in Indonesia. Many MSMEs are run by low-income communities, especially in the informal sector. MSMEs are the backbone of the Indonesian economy, contributing around 60 per cent of the total national GDP (Gross Domestic Product) (Badan Pusat Statistik).

The MSME sector also absorbs around 97% of Indonesia's labour force, making it important in providing employment. MSMEs in Indonesia cover various sectors, such as trade, manufacturing, agriculture, services, and others. This broad scope of businesses makes MSMEs able to respond to diverse market needs.

Despite their important role, MSMEs in Indonesia also face various challenges, such as limited access to financing, low technology adoption, and low competitiveness. The government and other stakeholders continue to strive to overcome these challenges. The Indonesian government has issued various policies and programmes to support the growth of MSMEs, such as people's business credit (KUR), tax incentives, and the development of industry clusters. These efforts aim to improve the capacity, competitiveness, and market access of MSMEs in Indonesia.

According to data obtained from the Ministry of Cooperatives and Small and Medium Enterprises, the number of entrepreneurs in Indonesia is still very far compared to neighbouring Malaysia, Singapore and Thailand. Whereas if seen, the population and potential for business development in Indonesia is very large.

business development potential in Indonesia is very large. The following is the ratio of entrepreneurs of several countries

in ASEAN which illustrates the number of entrepreneurs in each country:

Table 1. Average Entrepreneur Ratio		
No	Countries	Rasio
1	Singapura	8,7
2	Malaysia	4,7
3	Thailand	4,1
4	Vietnam	4
5	Indonesia	3,74

Source: Ministry of Cooperatives and SMEs 2024

Bank Indonesia explains that the ratio of entrepreneurship to become a developed country is 4 per cent of the population, while in Indonesia the entrepreneurship ratio is still at the level of 3.74 per cent and is still relatively small. Malaysia, Singapore and Thailand are above the 4 per cent mark. The entrepreneurship ratio in Indonesia is still low at 3.74 per cent. This is below ASEAN countries. Thailand has 4.2 per cent, Malaysia 4.7 per cent, Singapore 8.7 per cent. Meanwhile, the average number of developed countries has reached 12 per cent. The low ratio of entrepreneurs in Indonesia is an indicator of low interest in entrepreneurship. One of the big cities in Indonesia that has a large number of MSMEs is Medan. The current growth of MSME businesses in Medan City can be said to be quite rapid where in several strategic locations in Medan City there can be found many MSME businesses in various sectors, especially in the culinary sector so that this condition provides a positive and potential opportunity to be developed into a business that has good prospects.

The number of business owners engaged in the culinary sector provides many choices for consumers to determine and decide which culinary places they like and can meet their expectations and needs. But on the other hand, many MSME businesses that are currently established make business owners try and make efforts to be able to maintain and maintain the continuity of their business so that it continues to run smoothly and remains in demand by consumers of the products offered.

The business activities carried out by these MSMEs have the aim of being able to progress and develop so that in order to achieve these goals, support from consumer loyalty is needed in totality. The existence of a loyal attitude shown by consumers to remain loyal to use the product and be carried out continuously on an ongoing basis, the company will be able to progress and develop optimally. Therefore, in order for the company to get

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support for a loyal attitude in consumers, it requires high and consistent efforts to show the company's sincerity in providing the best for consumer needs. However, in practice in the field, it is not easy for companies to be able to maintain the attitude of consumer loyalty that has been shown and given to the company if not done carefully. There are many factors that can influence loyal attitudes in consumers, including service and customer satisfaction.

MSMEs must be able to survive by increasing the number of customers through increasing customer loyalty. Loyal customers are not measured by how much they buy but by how often they make repeat purchases and include recommending the products they buy to others to buy them (Kotler et al., 2022).

Loyalty can be grouped into two groups, namely brand loyalty and store loyalty. Customer loyalty reflects a deeply held commitment to patronise a particular product, service or brand for future purchases and consumption. Loyalty is a continuum, with different levels of loyalty in varying strengths, ranging from satisfaction with the company's offerings to advocacy and testimony of product use (Kotler et al., 2022).

According to (Tjiptono, 2021) service quality is to focus on all efforts made by the company in fulfilling the needs and desires of consumers and the suitability of its delivery in balancing consumer expectations. In research conducted by Utama, et al (2023) which proves that service quality has a significant effect on customer loyalty. The more service quality increases, the more customer loyalty will increase.

Consumer satisfaction is the level of a person's feelings after comparing the performance (results) he feels compared to his expectations (Kotler & Kevin, 2019) (Hollensen, 2019). If the performance exceeds their expectations then they will feel satisfied and vice versa if the performance does not match expectations then consumers will feel disappointed. In research conducted by Mekel, et al (2022) has proven that customer satisfaction affects customer loyalty. Consumer satisfaction is a person's feeling of pleasure or disappointment that arises after comparing the perception of the performance or results of a product with his expectations (Tjiptono, 2021).

This research was conducted at MSMEs in Medan Selayang District where there are many business sectors such as culinary, fashion, minimarkets, motorbike spare parts, printing and so on. The number of businesses that have the same business scope has led to tighter business competition among business owners.

In addition, consumers who see many MSME business actors engaged in the same field make consumers have several alternatives to determine and decide which MSMEs are of interest and can fulfil their daily needs to support their daily activities and routines.

The attitude of consumer loyalty in MSMEs in Medan Selayang District is very important so that business owners are competing to win consumers to always be loyal to the products offered through several ways, including through service and customer satisfaction in order to meet consumer expectations as well as possible. Consumers will be loyal if they get service in accordance with the expectations of these consumers.

The following data can be presented regarding consumer loyalty in the MSME culinary sector in Medan Selayang District as follows:

Table 2. Customer Loyalty of MSMEs in Medan Selayang Sub-district Culinary Business Sector

Periode	Jumlah konsumen	Selisih	
		Jumlah	%
Sep-23	258	-	-
Okt-23	235	-23	-8,91
Nov-23	242	7	2,98
Des-23	228	-14	-5,79
Jan-24	192	-36	-15,79
Feb-24	187	-5	-2,60

Source: data processed, 2024

Based on the table above, it shows that during the six months from September 2023 to February 2024 the number of consumers who came to visit the culinary place fluctuated and

tended to decrease. From the table, the biggest decrease occurred from December 2023 - January 2024 by 15.79% and followed by the period September 2023 - October 2023 by 8.91%.

This condition shows that the loyal attitude of consumers often changes in the culinary business sector so that the intention to always come to visit the place is not so strong so that the possibility of turning to other culinary places in Medan Selayang District can occur. The tendency to decrease consumer loyalty in the culinary business sector is due to non-optimal service so that there is often discomfort felt and obtained by consumers from the attitude of employees to consumers when they come to the place.

Method

Manullang and Pakpahan (2018) explain that based on the level of explanation, this research is quantitative research with an associative paradigm. Quantitative research is a research method related to numbers that are analysed using statistics. Associative research or causal research (causal relationship) is research that wants to see whether a variable that acts as an independent variable affects other variables that become dependent variables.

The data analysis technique used in this research is multiple linear regression analysis, classical assumption test and hypothesis testing.

Results and Discussion

Multiple Linear Regression Analysis

According to (Sugiyono, 2018) multiple linear regression analysis is an analysis used to predict how the state (rise and fall) of the dependent variable, if two or more independent variables as predictor factors are manipulated (increase and decrease in value).

Table 3. Multiple Linear Regression Analysis						
Coefficients ^a						
Model		Unstandardized Coefficients	Standardized Coefficients	t	Sig.	
		B	Std. Error			Beta
1	(Constant)	15.498	2.653		5.842	.000
	Service	.364	.324	.150	2.327	.018
	Customer Satisfaction	.293	.243	.174	1.752	.046

a. Dependent Variable: Loyalitas Pelanggan

Source: Results of SPSS v. 25, Data Processed by the Author, 2024

Multiple linear regression analysis is performed if the independent variables are two or more. The multiple linear regression method is used to see the effect of service and customer satisfaction on customer loyalty. Based on Table 4, the following equation is obtained:

$$Y = 15.498 + 0.364X_1 + 0.293X_2 + e$$

Interpretation:

a.= 15.498; meaning that if service is 0 and customer satisfaction is 0 (no service and customer satisfaction), then customer loyalty is 15.498.

b.= 0.364; meaning that if service increases by 1 level and customer satisfaction remains the same, then customer loyalty will increase by 0.364 levels.

c.= 0.293; meaning that if customer satisfaction increases by 1 level and service remains, then customer loyalty will increase by 0.293 levels.

Normality Test

The normality test aims to see whether the residual value is normally distributed or not (Ghozali, 2018). According to (Ghozali, 2018), to detect normality can be done with the Kolmogorov-Smirnov test. By using the Kolmogorov-Smirnov Test, the data criteria are said to be normally distributed if the

probability of asymp. Sig. (2-tailed) is greater than α , which means H_0 is accepted. Conversely, the data is said to be not normally distributed if the probability of asymp. Sig. (2-tailed) is smaller than α which results in H_0 being rejected.

Table 4. Normality Test-Kolmogorov Smirnov
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		98
Normal Parameters^{a,b}	Mean	.0000000
	Std. Deviation	4.27595747
Most Extreme Differences	Absolute	.070
	Positive	.068
	Negative	-.070
Test Statistic		.070
Asymp. Sig. (2-tailed)		.200 ^{c,d}
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		
d. This is a lower bound of the true significance.		

Source: Results of SPSS v. 25, Data Processed by the Author, 2024

Table 2 shows that in the One Sample Kolmogorov-Smirnov Test table the Asymp. Sig value for each equation is above the specified alpha of 0.200 It can be concluded that H_0 is accepted, which means that the data is normally distributed.

Multicollinearity Test

The multicollinearity test aims to test whether the regression model found a correlation between independent variables. A good regression model should not have a correlation between the independent variables (Ghozali, 2013). Multicollinearity can be seen from the tolerance value and its opposite, the variance inflation factor (VIF). The basis for decision making is:

If the Tolerance value > 0.10 or equal to the VIF value < 10 , then there is no multicollinearity.

If the Tolerance value ≤ 0.10 or equal to the VIF value ≥ 10 , then there is multicollinearity.

Table 5. Multicollinearity Test

		Coefficients^a	
Model		Collinearity Statistics	
		Tolerance	VIF
1	Service	.787	1.271
	Customer Satisfaction	.787	1.271

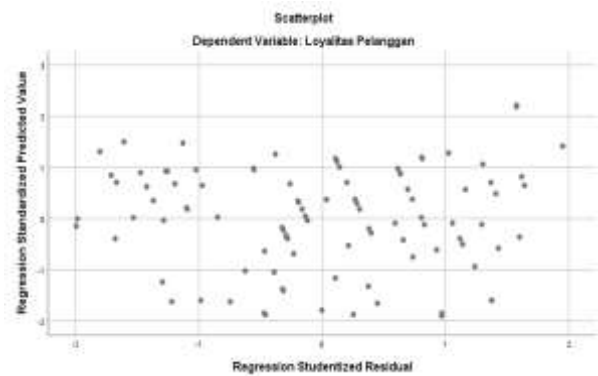
a. Dependent Variable: Loyalitas Pelanggan

Source: Results of SPSS v. 25, Data Processed by the Author, 2024

Table 3, shows that the tolerance value for each variable is greater than 0.1, namely 0.787. While the Variance Inflation Factor (VIF) value for each variable has a value smaller than 10, namely 1.271 for service and customer satisfaction. Based on the multicollinearity test criteria, it can be concluded that H_0 is accepted, meaning that there is no multicollinearity in the data.

Heteroscedasticity Test

Heteroscedasticity test is used to test whether in a regression model there is a similarity or unequal variance between one observation and another. Heteroscedasticity testing uses a scatterplot graph. The following is a scatterplot graph display of the regression model in this study which is presented in the following figure:



Source: Results of SPSS v. 25, Data Processed by the Author, 2024

Fig 1. Heteroscedasticity Test-Scatterplot

In a good regression model, it usually does not experience heteroscedasticity. Through the scatterplot graph, it can be seen that a regression model has heteroscedasticity or not. If there is a certain pattern in the graph, it indicates that heteroscedasticity has occurred. From Figure 1, it can be seen that the points spread randomly and spread both above and below the number 0 on the Y axis. So it can be concluded that there is no heteroscedasticity in the regression model in this study.

F Statistical Test

The F statistical test was conducted to determine the magnitude of the influence of all independent variables together on the dependent variable. The results of the SPSS output F test can be seen in the anova table. To find out the variables independently simultaneously affect the dependent variable, it is done by comparing the p-value in the sig. column with the significance level used of 0.05.

Table 6. F Statistical Test Results

		ANOVA^a			
Model		Sum of Squares	df	Mean Square	F
					Sig.
1	Regression	70.807	2	35.403	3.896
	Residual	1773.530	95	18.669	.016 ^b
	Total	1844.337	97		

a. Dependent Variable: Customer Loyalty

b. Predictors: (Constant), Customer Satisfaction, Service

Source: Results of SPSS v. 25, Data Processed by the Author, 2024

Table 4, shows that the significance value is 0.016, smaller than 0.05. It can be concluded that service and customer satisfaction simultaneously affect customer loyalty in MSMEs in Medan Selayang District.

Statistical Test t

The t test was conducted to determine the magnitude of the influence of each independent variable individually on the dependent variable. The results of this t test on the SPSS output can be seen in the Coefficients table. To determine whether there is an influence of each independent variable individually on the dependent variable, it is done by comparing the p-value in the Sig. column of each independent variable with the significant level used 0.05.

Table 7. Results of the t Statistical Test
Coefficients^a

Model		Unstandardized Coefficients		t	Sig.
		B	Std. Error		
1	(Constant)	15.498	2.653	5.842	.000
	Service	.364	.324	1.124	.263
	Customer	.293	.243	1.174	.246

Satisfaction

a. Dependent Variable: Loyalitas Pelanggan

Source: Results of SPSS v. 25, Data Processed by the Author, 2024

Table 5 shows that the significant value for the service variable $t_{count} > t_{table}$, namely $2.327 > 1.660$ and significant $< \alpha$, namely $0.018 < 0.05$, meaning that service has a significant positive effect on customer loyalty in MSMEs in Medan Selayang District.

The significant value for the customer satisfaction variable is $t_{count} > t_{table}$, namely $1.752 > 1.660$ and significant $< \alpha$, namely $0.046 < 0.05$, meaning that customer satisfaction has a significant positive effect on customer loyalty in MSMEs in Medan Selayang District.

Coefficient of Determination (R^2)

The coefficient of determination (R^2) essentially measures how far the ability of a model to explain the variation in the dependent variable. The coefficient of determination is between zero and one. A small R^2 value means that the ability of the independent variables to explain the dependent variable is very limited. A value close to one means that the independent variables provide almost all the information needed to predict variations in the dependent variable (Ghozali, 2013)

Table 8. Coefficient of Determination (R^2)

Model Summary ^a				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.396 ^a	.338	.218	5.32073

a. Dependent Variable: Customer Loyalty**b. Predictors: (Constant), Customer Satisfaction, Service**

Source: Results of SPSS v. 25, Data Processed by the Author, 2024

Table 6, shows the results in the R Square table of 0.338, meaning that there is an influence of 38.8%, variations in changes in customer loyalty can be explained by service variables and customer satisfaction, while the remaining 66.2% is influenced by other factors.

Conclusions and Recommendations

The Effect of Service on Customer Loyalty in MSMEs in Medan Selayang District. The significant value for the service variable $t_{count} > t_{table}$, namely $2.327 > 1.660$ and significant $< \alpha$, namely $0.018 < 0.05$, meaning that service has a significant positive effect on customer loyalty in MSMEs in Medan Selayang District. The better the quality of service provided by MSMEs, the higher the level of customer loyalty. Good service quality can include various aspects, such as employee friendliness, service speed, ability to solve customer problems, and so on.

The Effect of Customer Satisfaction on Customer Loyalty in MSMEs in Medan Selayang District. The significant value for the customer satisfaction variable $t_{count} > t_{table}$, namely $1.752 > 1.660$ and significant $< \alpha$, namely $0.046 < 0.05$, meaning that customer satisfaction has a significant positive effect on customer loyalty in MSMEs in Medan Selayang District. This

confirms that customer satisfaction has a huge influence on customer loyalty. When a consumer is satisfied with the product or service they receive, they tend to become loyal customers and even recommend the MSME to others. Consumer satisfaction can be influenced by various factors, such as product quality, price, service, and overall shopping experience.

The Effect of Service and Customer Satisfaction on Customer Loyalty at MSMEs in Medan Selayang District. The significance value is 0.016, smaller than 0.05. It can be concluded that service and customer satisfaction simultaneously affect customer loyalty in MSMEs in Medan Selayang District. Both the quality of service and the level of customer satisfaction together have an impact on how loyal customers are to an MSME in Medan Selayang District. This means that if these two factors are good, then the likelihood that customers will continue to use the products or services of these MSMEs will be higher. Conversely, if one or both are not good, then customer loyalty can be eroded.

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